

SUMMARY ...

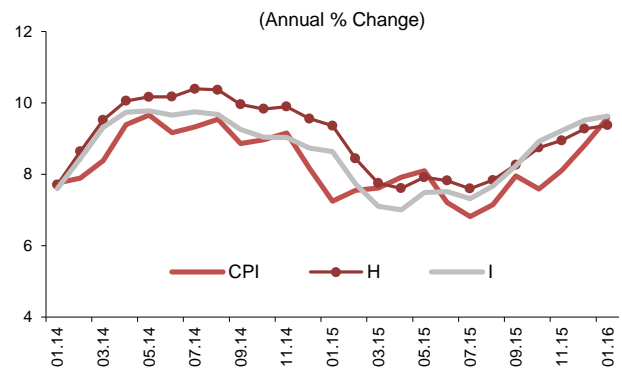
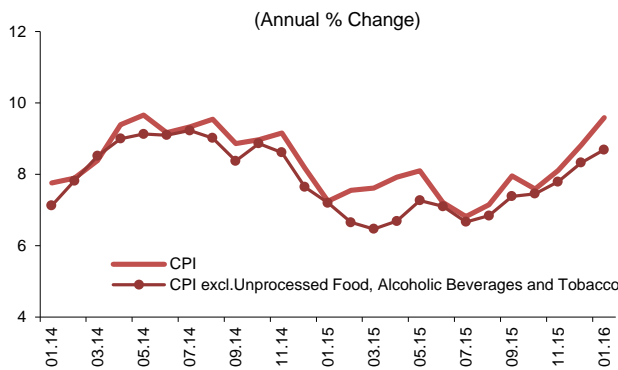
In January, consumer prices edged up by 1.82 percent, and the annual consumer inflation rose by 0.77 point to 9.58 percent. In this period, food prices soared mainly due to unprocessed food prices. The total effect of the adjustments introduced to some products with administered prices in early January amounted to 0.7 points as predicted.

... EVALUATIONS ...

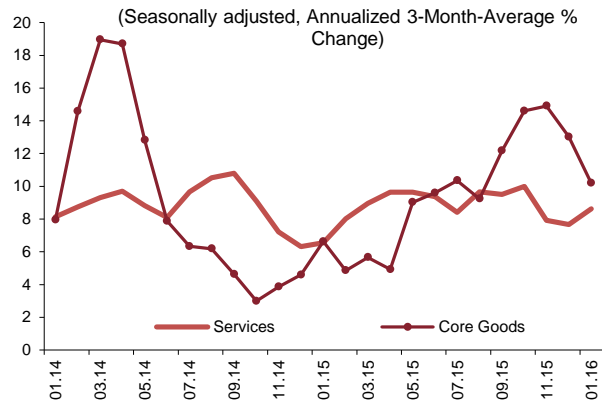
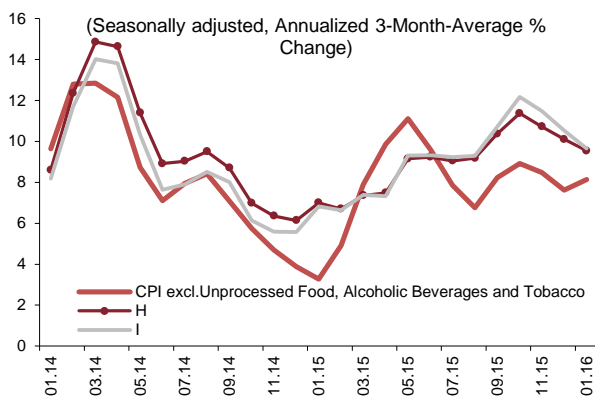
In January, consumer prices edged up by 1.82 percent, and the annual consumer inflation rose by 0.77 point to 9.58 percent. The annual rate of change in the H and I indices rose by 0.10 and 0.12 points month-on-month to 9.37 and 9.63 percent, respectively.

Contributions of sub-groups to annual CPI inflation reveal an increase in alcoholic drinks-tobacco, food and energy groups by 0.31, 0.22 and 0.21 points respectively, in January. Contribution of the core goods group decreased by 0.08 points while that of services increased by 0.10 points.

Under the scope of the chain index, products included in the index alongside their relative shares are updated at the start of every year. Accordingly, the share of food and non-alcoholic beverages group within the index declined, while that of services exhibited an increase in 2016.

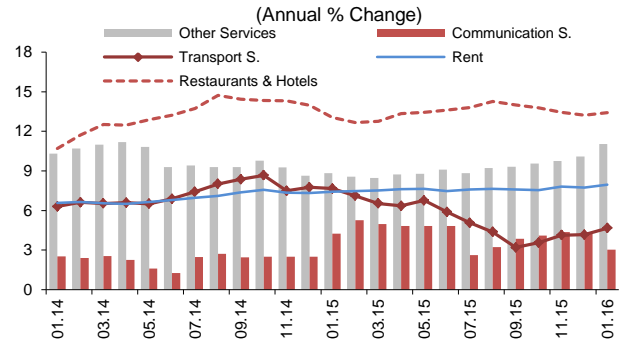
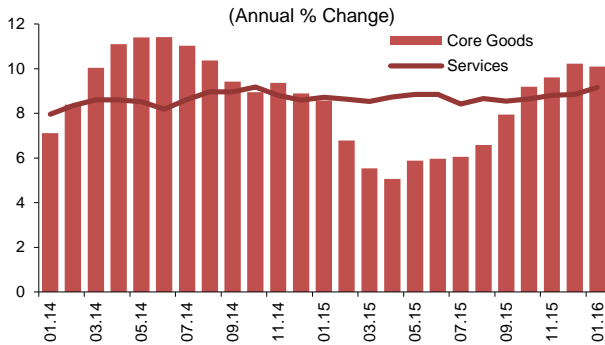


The underlying trend of inflation based on seasonally-adjusted data in 3-month averages reveal that the improvement in the core inflation indicators continued. In January, the underlying trend in core goods prices plummeted amid the mitigated cumulative depreciation in the Turkish lira, while that of services inflation displayed a slight rise.

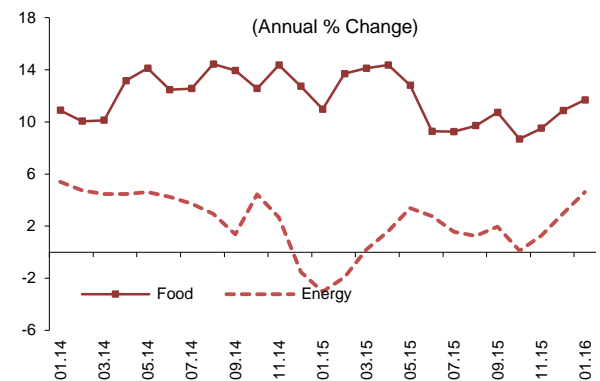
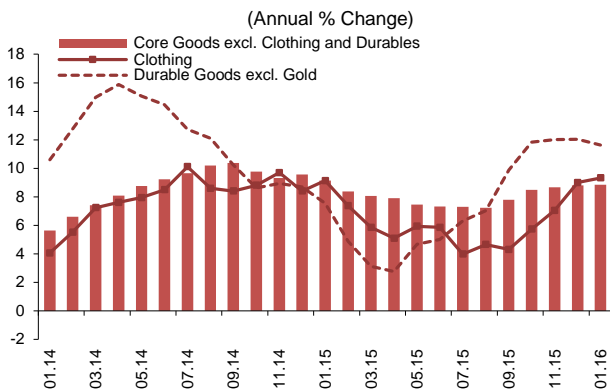


Prices of services increased by 1.34 percent on a monthly basis and the group’s annual inflation crept up by 0.31 points to 9.16 percent in January. Annual inflation decreased in communication services due to the base effect, but increased in other subgroups. Monthly price developments indicate that price hikes are seen across all subcategories of services. Price increases in other services group are particularly seen in labor-intensive

items (maintenance-repair, household services etc.), insurance and items related to government services and driver course fare. Decelerating price increases in the restaurants-hotels group in the last quarter of 2015 gained momentum again in January. As a result, the adverse repercussions of ongoing cost effects in prices of services stemming from food and the exchange rate continued.



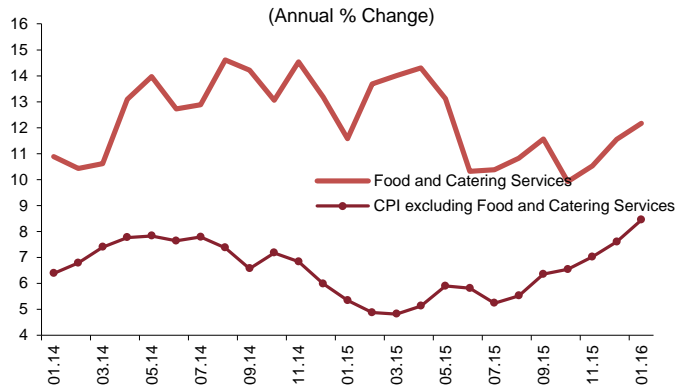
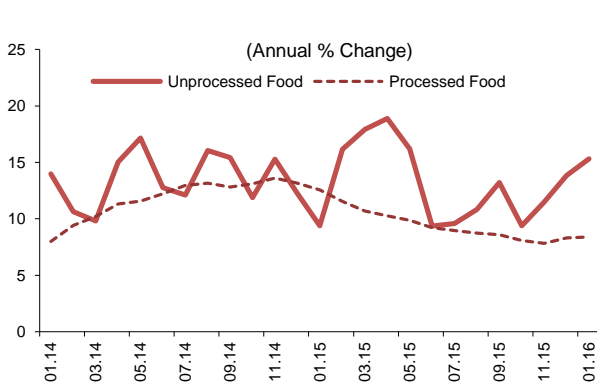
Annual core goods inflation edged down by 0.12 points to 10.10 percent in January. Annual inflation increased in clothing, but declined in durable consumption goods. High monthly price increases were observed in all sub-groups of durable consumption goods with a prominent rise in the furniture sub-group by 4.13 percent. Lagged effects of the exchange rate on the prices of goods excluding clothing and durable goods continued with some deceleration. Clothing prices receded somewhat below seasonal averages.



Energy prices rose by 0.81 percent in January, which was mainly led by electricity prices that soared by 5.48 percent. Fuel prices fell by 2.74 percent amid the decline in international oil prices. Against this background, the annual energy inflation reached 4.61 percent with an increase by around 1.7 points.

Annual inflation in food and non-alcoholic beverages increased by 0.82 point to 11.69 percent. Seasonally-adjusted unprocessed food prices surged due to prices of fresh fruits and vegetables. The annual rate of price increase in fresh fruits and vegetables hit 20 percent in January. Following a slight decline in the last two months, red meat prices rose again in this period. Pulses saw accelerated price increases. As a result, annual unprocessed food inflation rose by 1.55 points to 15.33 percent. Meanwhile, having trended downwards throughout 2015, the annual processed food inflation registered an uptick in the last two months led by the bread-cereals group. In particular, bread prices surged by 3.77 percent in the last two months. On the other hand, monthly price increases lost pace in prices of fats and oils. As a result, annual inflation in the processed food group edged up to 8.41 percent in January.

The annual inflation in food and catering services hit 12.17 percent, while consumer inflation excluding food and catering services reached 8.45 percent in January.



	Monthly Percent Change		Annual Percent Change	
	Jan.2016	Jan.2015	Jan.2016	Jan.2015
CPI	1.82	1.10	9.58	7.24
1. Goods	2.03	1.12	9.77	6.62
Energy	0.81	-0.78	4.61	-3.04
Food and nonalcoholic beverages	4.28	3.52	11.69	10.97
Unprocessed food	7.98	6.57	15.33	9.39
Fresh fruits and vegetables	16.59	14.83	20.09	13.87
Other unprocessed food	2.34	2.02	11.73	6.95
Processed food	0.97	0.89	8.41	12.56
Bread and cereals	1.55	0.56	7.00	13.25
Other processed food	0.65	1.08	9.24	12.13
Goods excluding energy and food	0.88	0.12	10.45	7.67
Core goods	-0.83	-0.72	10.10	8.57
Durable goods	2.15	2.50	11.74	7.45
Durable goods (excluding gold)	1.97	2.34	11.64	7.56
Alcoholic beverages and tobacco	9.60	4.19	11.17	4.40
Gold	5.28	5.44	13.35	5.01
2. Services	1.34	1.06	9.16	8.73
Rents	0.77	0.56	7.95	7.41
Restaurants and hotels	1.08	0.90	13.43	13.06
Transport	0.40	-0.07	4.66	7.66
Communication	0.00	1.28	3.04	4.24
Other*	2.71	1.83	11.03	8.84
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.53	0.20	8.68	7.20
H	0.42	0.33	9.37	9.36
I	0.33	0.22	9.63	8.63

Source: TurkStat, CBRT.

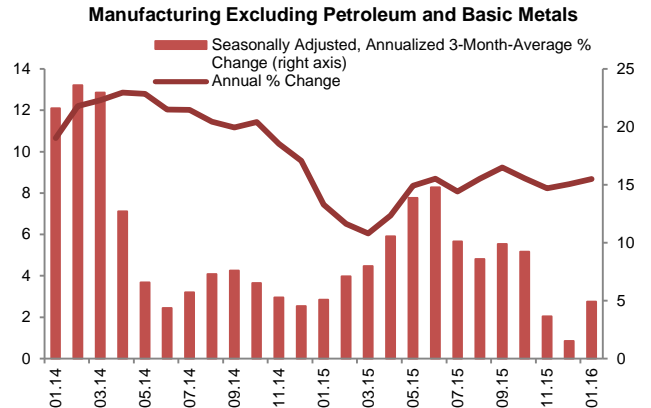
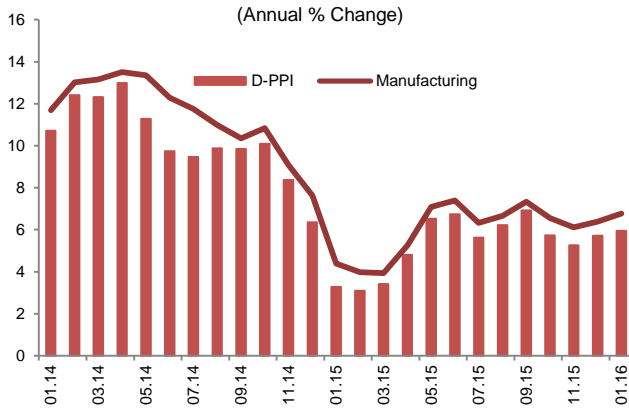
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

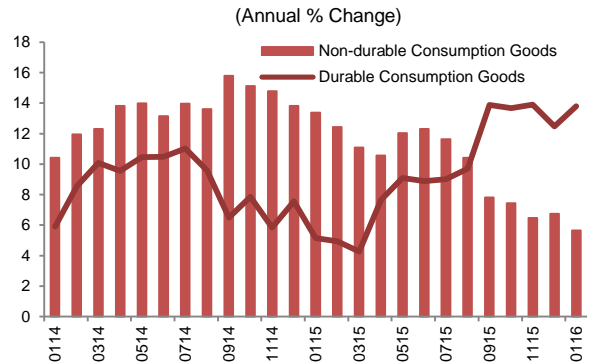
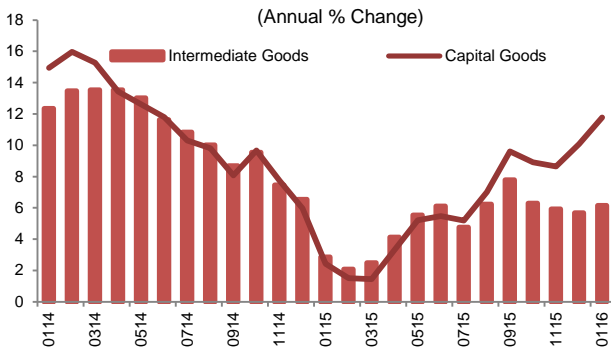
Domestic producer prices rose by 0.55 percent month-on-month, and the group's annual inflation rose by 0.23 point to 5.94 percent in January. This was mainly driven by the depreciation in the Turkish lira, while the decline in international commodity prices, chiefly oil, limited the rise in producer prices. Meanwhile, annual inflation hit 6.77 percent in the manufacturing industry, and 8.68 percent in those industries excluding petroleum and basic metals.

JANUARY PRICE DEVELOPMENTS

FEBRUARY 4, 2016



According to the Main Industrial Groupings (MIGs), prices increased in all subcategories, and most evidently in durable consumption goods and capital goods (3.21 and 1.65 percent, respectively). Durable consumption goods rose due mainly to the furniture group, the consumer prices of which also increased. Prices of intermediate goods exhibited a month-on-month increase by 0.60 percent in January. The increase in manufacturing prices of capital goods was mainly led by prices of special-purpose machinery production and metal construction products. Rising prices in the manufacture of non-durable consumption goods by 0.77 percent were driven by food manufacturing prices, mainly meat and dairy products. All in all, January witnessed a curbing of exchange rate developments by the decline in international oil prices.



...TABLES

January CPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
CPI	100	1.82	9.58	1.10	7.24
Food and nonalcoholic beverages	23.68	4.28	11.69	3.52	10.97
Alcoholic beverages and tobacco	4.98	9.60	11.17	4.19	4.40
Clothing and footwear	7.43	-6.71	9.31	-6.98	9.14
Housing	15.93	1.71	7.33	1.13	7.50
Household equipment	8.02	1.82	10.75	2.01	8.54
Health	2.66	2.42	8.14	1.49	8.23
Transport	14.31	0.34	7.37	-0.56	-0.99
Communication	4.42	0.05	2.64	0.94	3.18
Recreation and culture	3.81	2.09	12.05	1.64	6.08
Education	2.56	0.08	6.46	0.02	8.27
Restaurants and hotels	7.47	1.08	13.43	0.90	13.06
Miscellaneous goods and services	4.73	2.71	11.21	2.52	9.77

Source: TurkStat.

January D-PPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.55	5.94	0.33	3.28
Mining	3.50	-1.20	-0.63	-1.27	-3.80
Manufacturing	87.28	0.56	6.77	0.19	4.40
Manufacturing excl. petroleum products	84.65	0.94	7.42	0.81	6.58
Manufacturing excl. petroleum products and basic metals	75.61	1.11	8.68	0.88	7.44
Electricity, gas, steam and air-conditioning supply	8.13	0.96	0.20	0.95	-6.03
Water supply	1.08	2.20	10.14	11.31	22.83
D-PPI (MIGs Classification)					
Intermediate Goods		0.60	6.15	0.17	2.85
Durable Consumption Goods		3.21	13.80	2.01	5.14
Non-Durable Consumption Goods		0.77	5.65	1.81	13.39
Capital Goods		1.65	11.78	0.11	2.43
Energy		-2.33	-2.49	-2.41	-13.01

Source: TurkStat.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation by the public of the monthly inflation developments during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.