

DECEMBER PRICE DEVELOPMENTS



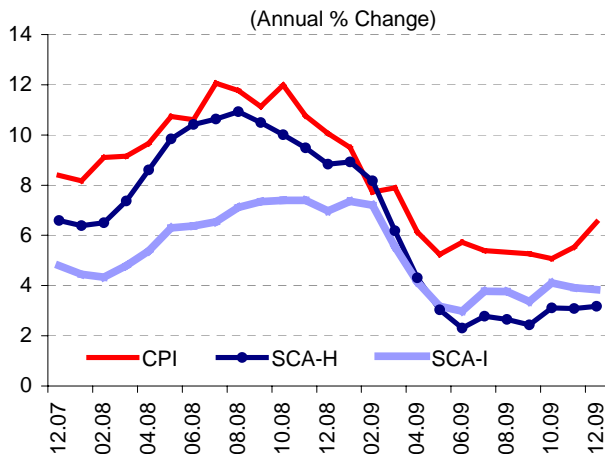
Central Bank of Turkey

January 5, 2010

SUMMARY...

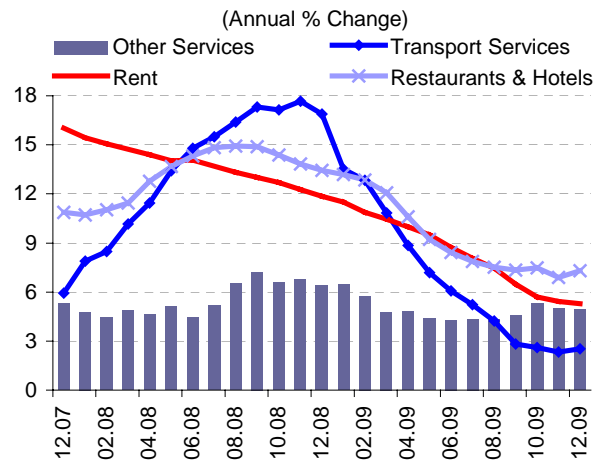
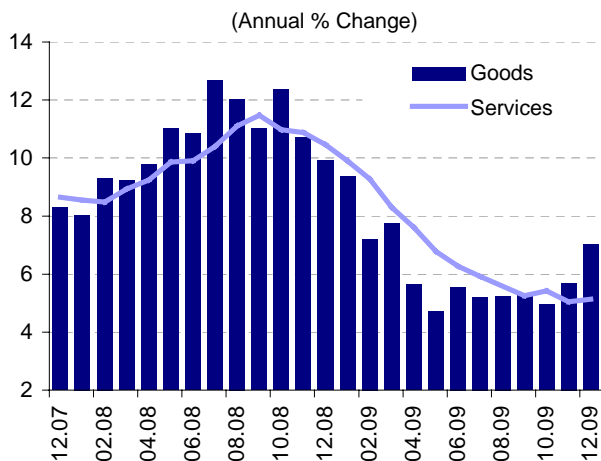
In December, consumer prices rose by 0.53 percent, bringing inflation up by 1 percentage point to 6.53 percent year-on-year. As stated in previous bulletins, the increase in annual inflation was largely driven by the base effect resulting from higher energy prices and by soaring unprocessed food prices. The general pricing behavior seems to have remained stable, while the rate of increase in prices of services and other core inflation measures continued to be consistent with medium-term targets. On balance, annual inflation is expected to rise in January due to public price adjustments and base effects, whereas core inflation measures may continue to hover at low levels.

...EVALUATIONS...



In December, consumer prices were up 0.53 percent, driving inflation up by 1 percentage point to 6.53 percent year-on-year. The rate of increase in the CPI index excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) ended December at 3.18 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) was set at 3.84 percent year-on-year.

Prices were up 0.57 and 0.40 percent, respectively, in goods and services. Accordingly, annual inflation increased to 7.01 and 5.13 percent in goods and services, respectively.



Despite the modestly higher annual rate of increase, seasonally adjusted data indicate that prices of services continued to moderate during December. Therefore, annual services inflation ended 2009 at a historic low. Inflation dropped significantly year-on-year across all subcategories of services over the year, by 14.4, 6.6 and 6.1 percentage points in transport services, rents and restaurants/hotels, respectively.

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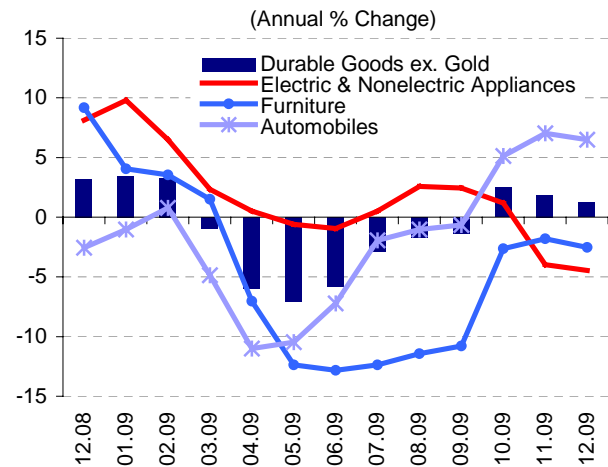
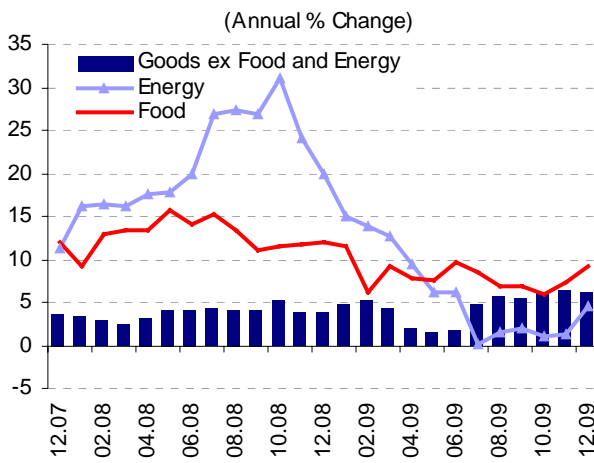


Central Bank of Turkey

January 5, 2010

Energy prices were up 0.65 percent in December amid rising bottled gas prices (up 3.18 percent). Moreover, international oil price developments caused fuel prices to pick up by 0.68 percent. Owing to the December outlook and the low base effect from a year earlier, energy inflation increased rapidly to 4.64 percent year-on-year. Base effects are expected to have further impact on energy prices in coming months.

In goods excluding energy and food, the rate of increase in prices fell by 0.25 percentage points to 6.15 percent year-on-year. Clothing and footwear discounts were smaller than a year ago, while prices for durable goods (excluding gold) and pharmaceuticals went down. Gold prices, on the other hand, continued to rise in December, recording a cumulative increase of 34.16 percent over 2009.



In the durable goods (excluding gold) category, prices dropped by 1.04 percent in December, on the back of falling automobile and furniture prices (down 1.79 and 1.39 percent, respectively). Thus, prices of durable goods increased only slightly, by 1.22 percent, over 2009. Among subcategories, prices of furniture and white goods were down from their year-ago levels.

	Monthly Percentage Change		Annual Percentage Change	
	December 2009	December 2008	December 2009	December 2008
CPI	0.53	-0.41	6.53	10.06
1. Goods	0.57	-0.66	7.01	9.93
Energy	0.65	-2.58	4.64	19.81
Unprocessed Foods	3.97	1.01	19.35	7.87
Processed Food	0.59	0.04	1.04	15.46
Goods excl. Energy and Food	-0.97	-0.74	6.15	3.75
Durable Goods	-0.72	0.11	3.76	5.54
ex. Gold	-1.04	-0.43	1.22	3.19
Semi-Durable Goods	-0.35	-2.38	4.55	11.54
Non-Durable Goods	1.61	0.42	9.80	9.99
2. Services	0.40	0.32	5.13	10.46
Rents	0.26	0.39	5.28	11.85
Restaurants and Hotels	0.63	0.23	7.31	13.44
Transport	0.68	0.49	2.53	16.89
Other	0.25	0.28	4.96	6.40

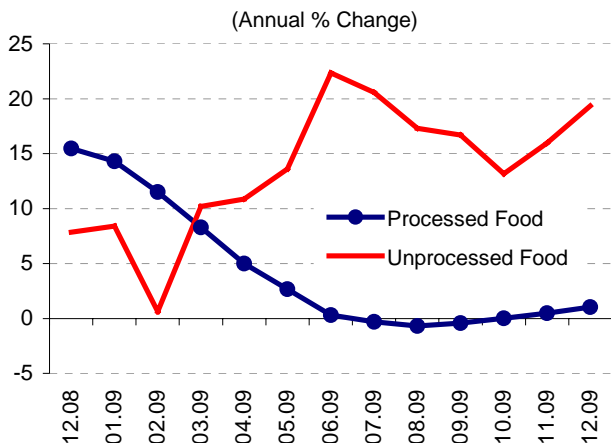
Source: TURKSTAT, CBRT

DECEMBER PRICE DEVELOPMENTS



Central Bank of Turkey

January 5, 2010

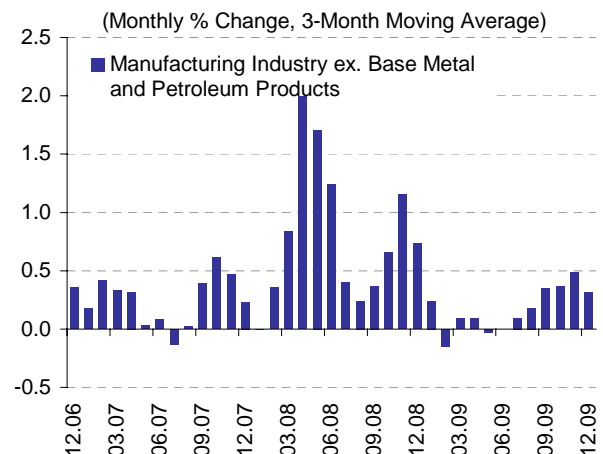
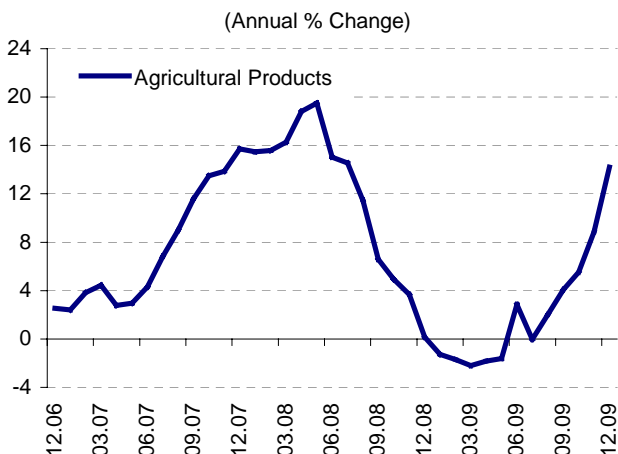


In the unprocessed food category, prices surged by 3.97 percent in December, while inflation increased by 6.2 percentage points in the last two months to 19.35 percent year-on-year, marking the highest year-end rate in the history of the index. Meanwhile, processed food inflation climbed to 1.04 percent year-on-year due to higher meat and dairy prices. Accordingly, inflation in food and non-alcoholic beverages ended 2009 at 9.26 percent year-on-year.

Renewed taxes on some energy items and services as well as on alcoholic beverages and tobacco, effective January, are expected to have a direct impact of about 1.5 percentage points on January inflation (primarily due to the rise in fuel and tobacco prices). Therefore, annual inflation may increase sharply in January, although the outlook regarding core inflation measures is likely to remain favorable.

...PPI...

In December, producer prices rose by 0.66 percent month-on-month and 5.93 percent year-on-year. The rise in the annual rate of increase was mainly attributable to base effects and changes in agricultural prices. In the agriculture, inflation rose further to 14.22 percent year-on-year, whereas in the manufacturing industry excluding petroleum products, the annual rate of increase in prices surged to 2.45 percent amid base effects.



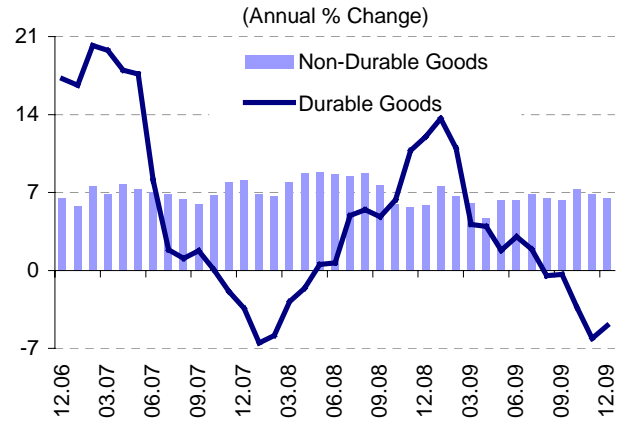
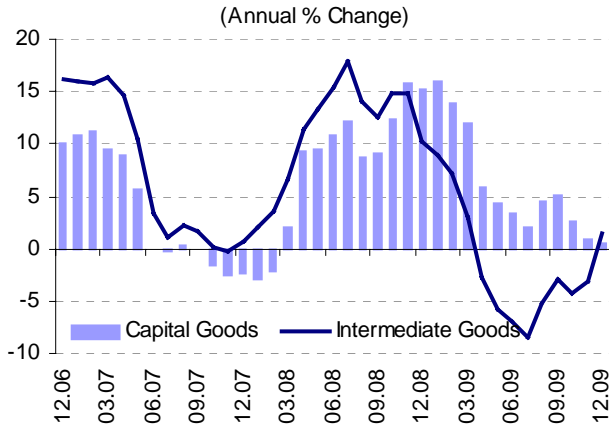
On the intermediate goods side, prices advanced on rising producer prices for base metals and textiles during December, outpacing their year-ago level for the first time since April. On the durable goods side, prices rose by 0.43 percent month-on-month, but continued to decline year-on-year. Prices of capital goods declined on falling producer prices for motor vehicles, whereas prices of non-durable goods remained virtually unchanged month-on-month. In sum, producer prices have been on a moderate uptrend since mid-2009, which, being modest, puts no significant cost pressure on consumer prices.

DECEMBER PRICE DEVELOPMENTS



Central Bank of Turkey

January 5, 2010



Changes in PPI based on MIGS Classification

Monthly Percentage Change

	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	Jun.09	Jul.09	Aug.09	Sep.09	Oct.09	Nov.09	Dec.09	Annual
Intermediate goods	-3.60	0.04	-0.02	0.21	-0.89	-1.24	0.54	-0.23	0.81	1.16	-0.41	0.63	0.89	1.48
Capital goods	0.20	1.23	-0.57	1.04	0.83	-1.75	-0.66	-0.42	-0.24	0.61	0.03	0.67	-0.15	0.59
Durable goods	-0.80	-0.56	-1.47	-3.60	0.60	0.45	0.90	1.03	-0.85	-0.26	-1.63	-0.01	0.43	-4.96
Non-durable goods	0.31	0.40	0.81	0.29	0.75	1.19	0.06	0.40	0.13	0.91	1.23	0.20	-0.02	6.53
Energy	-12.18	-0.01	6.32	1.23	0.34	-3.31	3.51	-1.36	1.54	-0.54	-0.12	4.31	0.25	12.45

Source: TURKSTAT, CBRT.

DECEMBER PRICE DEVELOPMENTS



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January 5, 2010

... TABLES

December CPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
CPI	100	0.53	6.53	-0.41	10.06
Food and nonalcoholic beverages	28.03	2.22	9.26	0.48	11.90
Alcoholic beverages and tobacco	4.58	-0.05	20.91	0.00	0.32
Clothing and footwear	7.22	-2.79	3.39	-3.92	-1.54
Housing	18.63	0.49	2.31	-0.53	22.88
Household equipment	7.53	-0.36	-2.68	0.59	10.37
Health	2.50	-0.44	2.44	-0.31	2.01
Transport	12.64	-0.26	7.89	-2.51	2.37
Communication	4.60	0.93	3.35	0.51	5.74
Recreation and culture	2.54	-0.38	8.92	0.59	6.98
Education	2.47	0.00	5.47	-0.08	7.32
Restaurants and hotels	5.47	0.63	7.31	0.23	13.44
Miscellaneous goods and services	3.79	0.50	13.75	1.49	11.66

Source: TURKSTAT

December PPI and Sub-Items (Percentage Change)					
	Weight	2009		2008	
		Monthly	Annual	Monthly	Annual
PPI	100	0.66	5.93	-3.54	8.11
Agriculture	17.76	1.90	14.22	-2.87	0.16
Industry	82.24	0.36	4.14	-3.69	10.07
Mining	2.20	2.31	10.58	-3.05	16.93
Manufacturing	73.75	0.28	5.20	-3.81	6.36
Electricity, gas and water	6.29	0.64	-10.50	-2.67	60.28

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 of monthly inflation developments by the public during the period between the announcement of official price statistics and the Monetary Policy Committee meeting.