

DECEMBER PRICE DEVELOPMENTS JANUARY 6, 2014

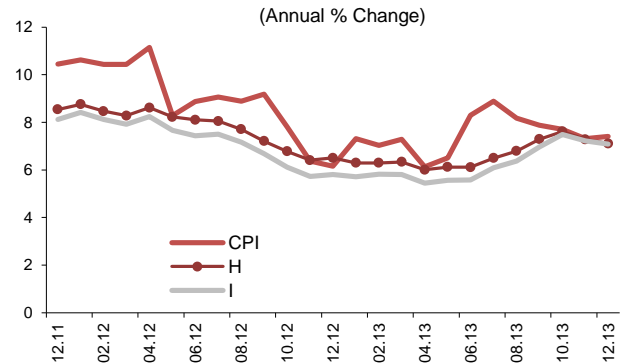
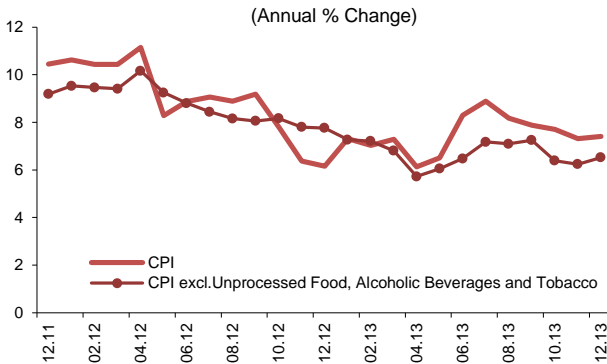
SUMMARY...

In December, annual consumer price inflation increased by 0.46 percent and annual inflation climbed to 7.40 percent. Developments in energy prices were influential in monthly inflation, while the course of annual inflation was shaped by the high course of food prices across the year. Core inflation indicators have recently followed a downward trend. Under the assumption that producer prices have not changed, the net effect of the tax adjustments made in January has been calculated as 0.5 percentage points. Meanwhile, the pricing behavior of firms will be effective in the response of final consumer prices to tax increases.

...EVALUATIONS...

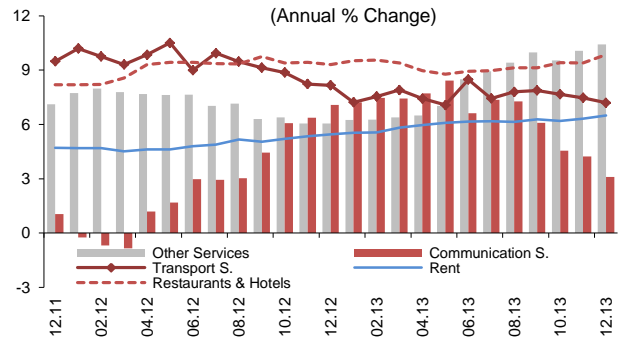
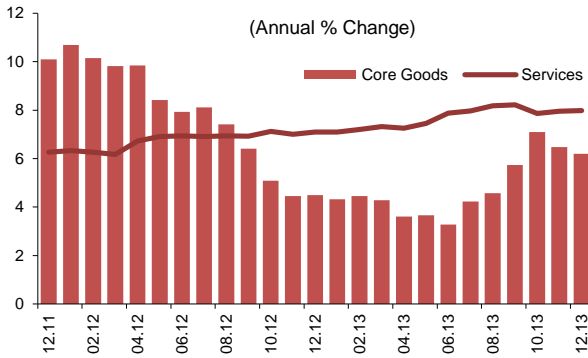
In December, annual consumer price inflation increased by 0.46 percent and annual inflation climbed to 7.40 percent. Thus, consumer price inflation remained above the uncertainty band at the end of the year. The annual rate of increase in the SCA-H and SCA-I indices edged down by 0.17 and 0.14 percentage points on a monthly basis to 7.11 percent 7.08 percent, respectively.

Across subgroups, the contribution of food and services groups to the annual CPI inflation remained virtually unchanged, while that of the energy group rose by 0.36 percentage points. On the other hand, the contribution from the core goods groups registered a slight decrease.

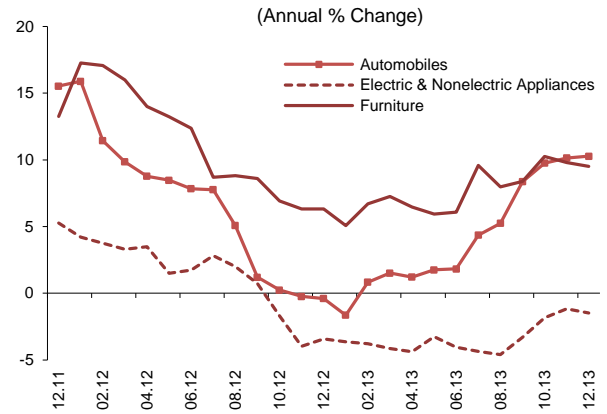
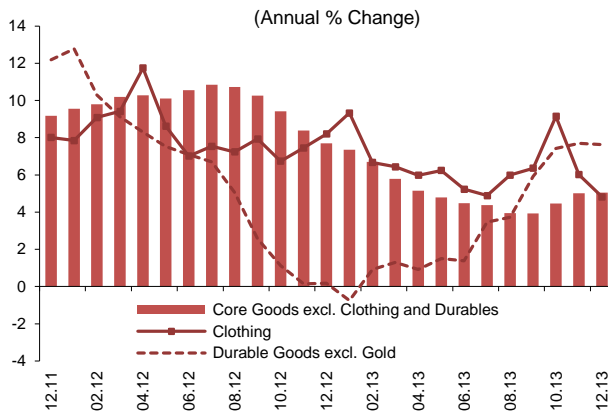


Prices of services crept up by 0.39 percent in December, and the group's annual inflation increased to 7.98 percent. Analysis of subgroups reveal that annual inflation receded in communication and transport services, but increased in rents, restaurants- hotels and other services. Annual rent inflation hit the highest year-end level of the last five years with 6.5 percent. In December, the seasonally-adjusted data did not indicate a notable change in the underlying trend of services inflation.

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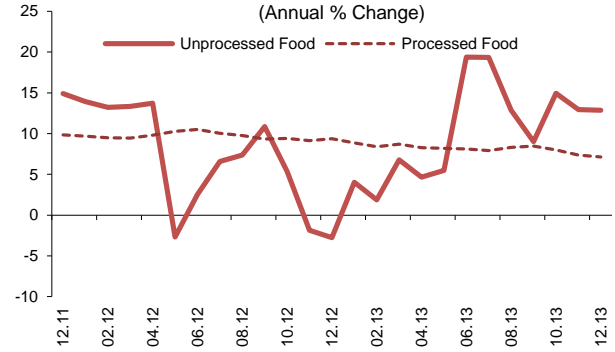
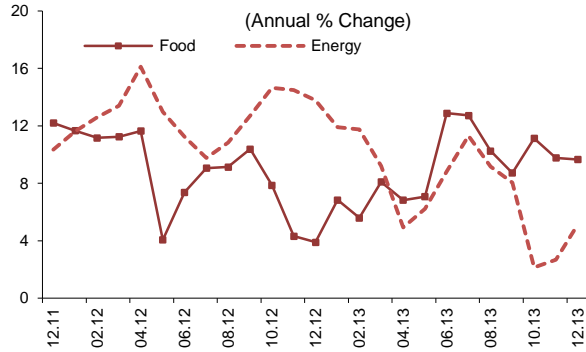


On the core goods front, annual inflation edged down by 0.27 percentage points to 6.20 percent in December, which was mainly attributed to clothing prices. Impacts of the depreciation of the Turkish lira in the second half of the year continued at a slower pace. Clothing prices fell by 2.63 percent in December and the group's annual inflation receded to 4.82 percent. Core goods excluding clothing saw a flat course in annual price increases. Seasonally-adjusted data point to a weakening in the trend of price increases in core goods in December.



Energy prices rose by 2.35 percent in December mainly owing to the price hikes in the LPG (12.4 percent) and bottled gas (9.25 percent). Meanwhile, due to international oil prices and the depreciation of the Turkish lira, gas and diesel prices also recorded increases. As a result, annual energy inflation saw the lowest level of the last four years with 5.15 percent at the year-end despite recent hikes.

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Annual inflation in the food and nonalcoholic beverages group decreased by 0.10 points to 9.67 percent. In December, unprocessed food prices increased by 2.33 percent. Price increases in the fresh fruits and vegetables group were limited, whereas annual inflation in the other unprocessed food group surged to 16.28 percent due to widespread price hikes. Thus, the annual unprocessed food group inflation followed a flat course at 12.88 percent. On the other hand, processed food prices increased by 0.73 percent, while the group's annual inflation declined to 7.11 percent thanks to the bread and cereals group.

	Monthly Percent Change		Annual Percent Change	
	Dec.2013	Dec.2012	Dec.2013	Dec.2012
CPI	0.46	0,38	7,40	6,16
1. Goods	0.49	0,38	7,18	5,82
Energy	2.35	-0,05	5,15	13,79
Food and nonalcoholic beverages	1.46	1,55	9,67	3,90
Unprocessed food	2.33	2,38	12,88	-2,78
Fresh fruits and vegetables	0.58	7,47	7,86	-6,79
Other unprocessed food	3.47	-0,96	16,28	0,30
Processed food	0.73	0,96	7,11	9,37
Bread and cereals	0.92	1,57	9,71	12,09
Other processed food	0.61	0,58	5,54	7,77
Goods excluding energy and food	-0.97	-0,33	6,29	3,78
Core goods	-0.61	-0,35	6,20	4,49
Durable goods	-0.20	-0,13	6,19	0,02
Durable goods (excluding gold)	-0.09	-0,02	7,62	0,17
Alcoholic beverages and tobacco	-2.66	0,01	10,52	0,98
Gold	-2.40	-2,16	-15,96	-2,73
2. Services	0.39	0,37	7,98	7,09
Rents	0.54	0,37	6,50	5,46
Restaurants and hotels	0.81	0,39	9,86	9,31
Transport	-0.26	-0,01	7,20	8,16
Communication	-0.01	1,10	3,09	7,08
Other*	0.48	0,15	10,43	6,04
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.42	0,15	6,52	7,76
SCA-H	0.04	0,21	7,11	6,50
SCA-I	-0.11	0,02	7,08	5,81

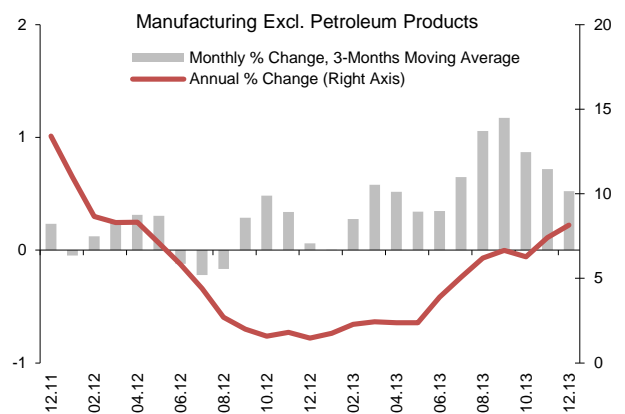
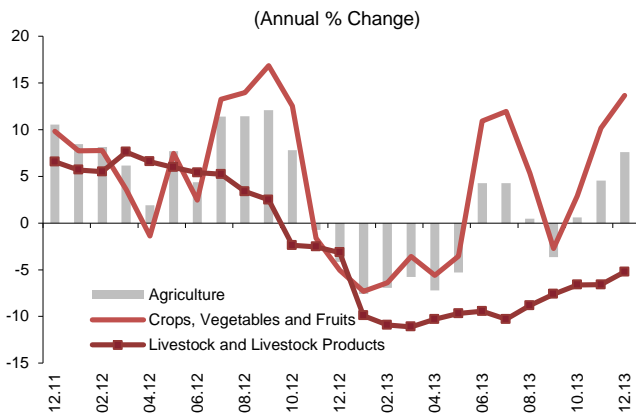
Source: TurkStat, CBRT.

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

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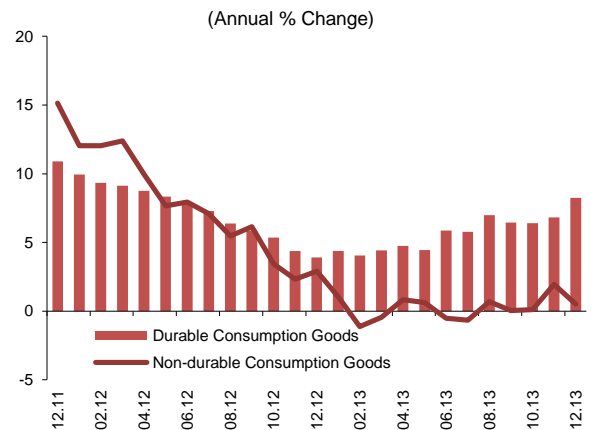
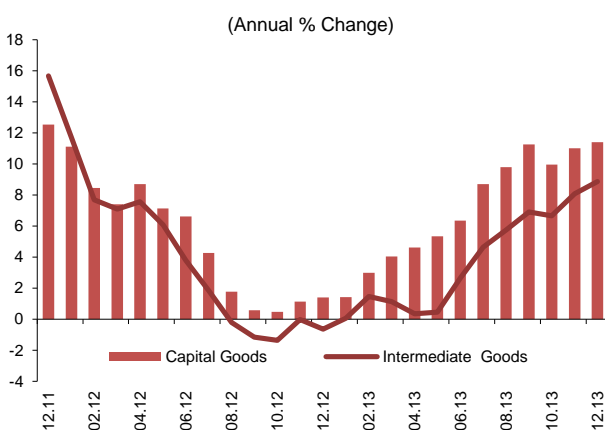
...PPI...

In December, producer prices were up by 1.11 percent, while the group's annual inflation rose to 6.97 percent. In this period, price increases were seen in both agricultural and industrial sectors. Specifically, the upsurge in domestic wheat, rice and sesame prices over the last four months (in cumulative terms, 3.5, 18 and 8.5 percent, respectively) continued to affect consumer prices. Livestock prices continued to decline on a year-on-year basis in this period.



Manufacturing industry prices increased by 0.82 percent in December mainly due to the recent depreciation of the Turkish lira. The largest contribution to this increase came from the manufacturing of the food products group, the prices of which rose significantly (by 1.29 percent) during this period. Manufacturing industry prices excluding petroleum and base metals continued to accelerate in December, with the group's annual rate of increase reaching 8.02 percent.

According to the Main Industrial Groupings (MIGS), the only decline was in the durable goods group in December because of falling jewelry prices. In this period, intermediate goods prices went up particularly as a result of the rising prices of cereals, paper and base chemicals. Capital goods prices increased due to prices of motor vehicles and motor vehicle parts and prices of metal construction materials, while nondurable goods prices increased due to prices of meat and meat products. In sum, the significant upward trend in manufacturing industry prices since June driven by the depreciation of the Turkish lira indicates that consumer prices may face cost pressures in the upcoming period.



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...TABLES

December CPI and Subcategories (Percent Change)					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
CPI	100	0.46	7.40	0.38	6.16
Food and nonalcoholic beverages	24.09	1.46	9.67	1.55	3.90
Alcoholic beverages and tobacco	5.07	-2.66	10.52	0.01	0.98
Clothing and footwear	6.83	-2.58	4.87	-1.50	8.17
Housing	16.68	0.89	4.84	0.24	11.37
Household equipment	7.28	0.19	5.95	0.21	5.89
Health	2.22	0.78	4.85	0.04	1.68
Transport	17.99	1.10	9.77	-0.27	5.54
Communication	4.64	-0.13	1.20	1.23	5.90
Recreation and culture	2.95	0.19	5.18	-0.17	1.98
Education	1.91	0.01	10.05	0.02	4.81
Restaurants and hotels	6.18	0.81	9.86	0.39	9.31
Miscellaneous goods and services	4.16	-0.01	2.24	0.10	8.66

Source: TurkStat.

December PPI and Subcategories (Percent Change)					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
PPI	100	1.11	6.97	-0.12	2.45
Agriculture	16.34	2.49	7.58	-0.39	-4.17
Crops, fruits and vegetables	10.76	3.02	13.66	-0.13	-5.05
Livestock and animal products	4.87	0.34	-5.23	-1.11	-3.15
Industry	83.66	0.84	6.85	-0.07	3.83
Mining	3.06	0.66	12.64	-0.33	5.49
Manufacturing	72.14	0.82	8.45	0.01	1.27
Manufacturing excluding petroleum	69.53	0.71	8.15	0.03	1.48
Manufacturing excluding petroleum and base metals	62.81	0.78	8.02	0.13	2.50
Electricity, gas and water	8.46	1.00	-8.92	-0.46	23.64

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	Dec.12	Jan.13	Feb.13	Mar.13	Apr.13	May.13	Jun.13	Jul.13	Aug.13	Sep.13	Oct.13	Nov.13	Dec.13	Annual
Intermediate goods	-0.12	0.55	0.37	0.73	-0.34	0.08	1.38	1.33	1.10	1.74	-0.02	1.02	0.62	8.88
Capital goods	0.36	0.40	1.19	1.61	0.76	0.12	1.14	1.98	0.86	1.74	-0.67	1.04	0.74	11.42
Durable goods	0.92	-0.97	-0.49	0.51	-0.29	-1.40	0.15	-0.22	1.39	2.03	-0.02	0.38	-0.52	0.51
Nondurable goods	-0.17	0.19	0.74	1.00	0.58	0.27	0.56	0.31	1.68	0.37	0.71	0.38	1.16	8.24
Energy	-0.48	0.33	-7.34	1.17	-2.08	0.46	1.65	2.14	-1.11	3.23	-0.71	-0.63	1.54	-1.75

Source: TurkStat, CBRT.

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.