

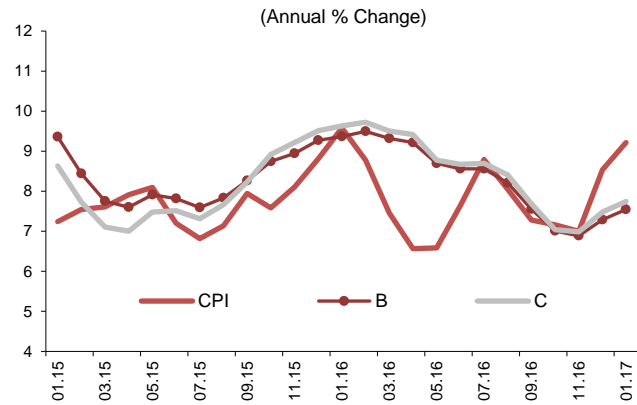
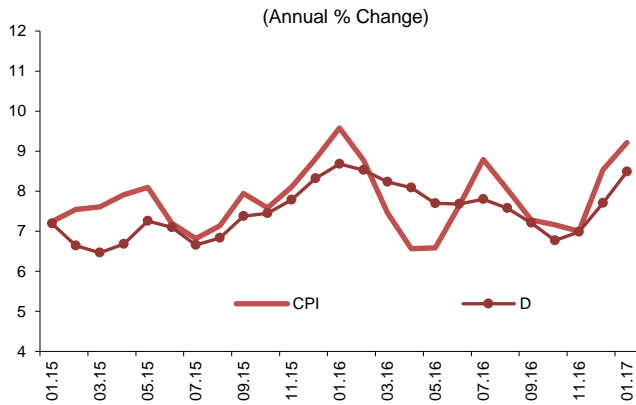
**SUMMARY...**

In January, consumer prices rose by 2.46 percent, and annual consumer inflation increased by 0.69 points to 9.22 percent. As stated in the Summary of the Monetary Policy Committee Meeting of January, annual food inflation increased on account of the unprocessed food group. Annual energy inflation maintained its uptrend amid the rising exchange rate. Despite being partially curbed by demand conditions, the notable depreciation in the Turkish lira raised both the annual inflation and the underlying trend of core indicators in this period.

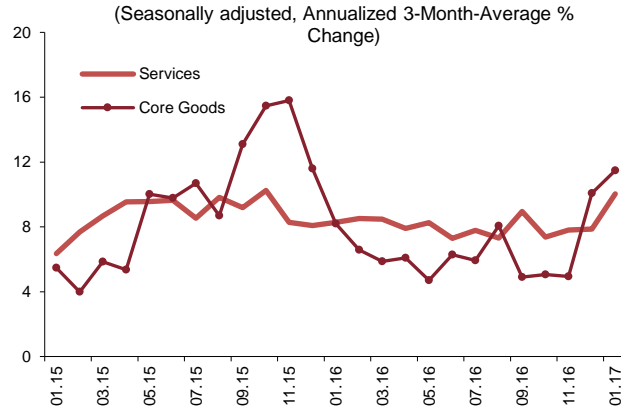
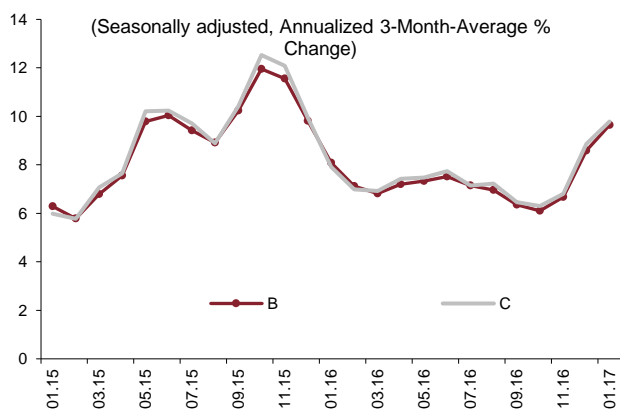
**... EVALUATIONS ...**

In January, consumer prices rose by 2.46 percent, and annual consumer inflation increased by 0.69 points to 9.22 percent. The annual rate of change in the B and C indices increased by 0.25 and 0.26 points month-on-month to 7.54 and 7.74 percent, respectively.<sup>1</sup>

Contributions of sub-groups to annual CPI inflation reveal a month-on-month increase of 0.46 and 0.37 points from the food and energy groups, respectively, but a decline of 0.35 points from the alcohol-tobacco group. Meanwhile, the contribution of the core goods and services groups remained relatively flat.

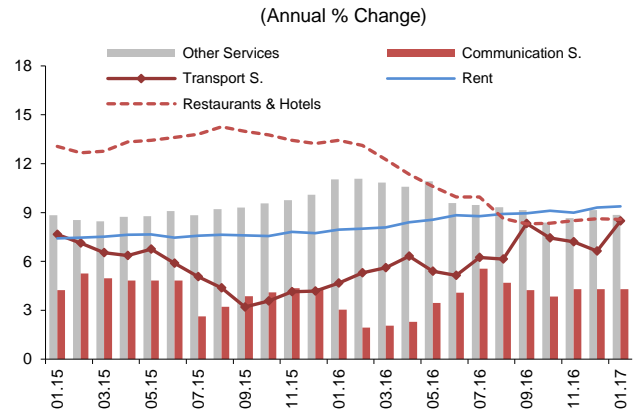
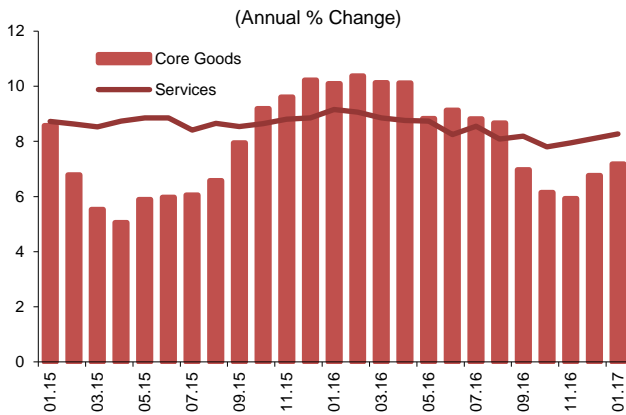


The underlying trend of inflation based on the seasonally-adjusted data in 3-month-averages reveals a sustained deterioration in core inflation indicators. This was driven by the rise in the underlying trend of core goods due to the depreciation in the Turkish lira as well as the upward course of the underlying trend of services.

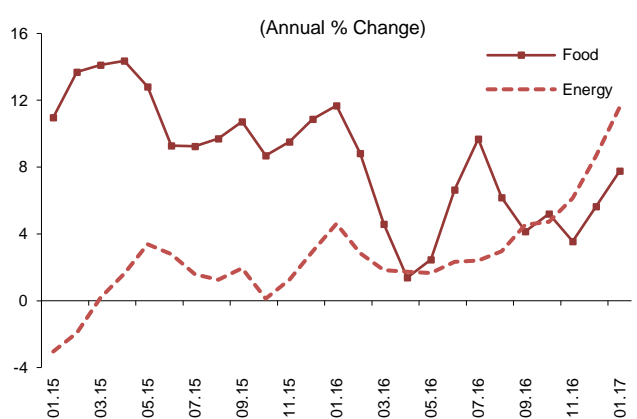
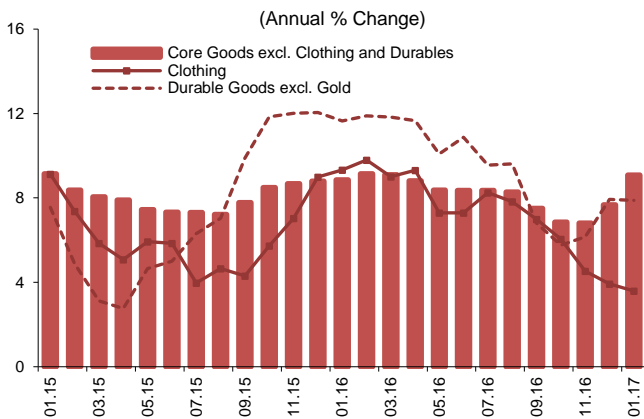


<sup>1</sup> B and C indices, among special indicators, which are newly-released by the TURKSTAT, are the successors of the H and I indices released before 2017. D index is the CPI excluding unprocessed food, alcoholic beverages and tobacco products.

Prices of services increased by 1.49 percent on a monthly basis, while the group's annual inflation inched up by 0.16 points to 8.27 percent in January. Annual inflation increased in transport services, but decreased somewhat in other services. Rents, restaurants-hotels and communication groups registered a relatively flat annual inflation. Prices in transport services surged month-on-month due to intercity highway transport services and taxi fares. In the restaurants-hotels group, prices rose both in accommodation and catering services, while price increases accelerated in rents. Moreover, other services, chiefly health services, registered an upsurge in prices as well.



Annual core goods inflation rose by 0.41 points to 7.18 percent in January. Annual inflation fell in clothing and remained flat in durable goods, but increased in other core goods in this period. The downturn in aggregate demand had consequences on the clothing and footwear group, and annual inflation maintained the slowing trend. On the other hand, prices saw massive upswings across subcategories of durable goods due to the depreciating Turkish lira, bringing prices of durable goods up by 1.93 percent. Prices of other core goods were also significantly higher month-on-month. January was marked by the pass-through of the weaker Turkish lira to prices of core goods, despite the partly curbing effect of demand conditions.



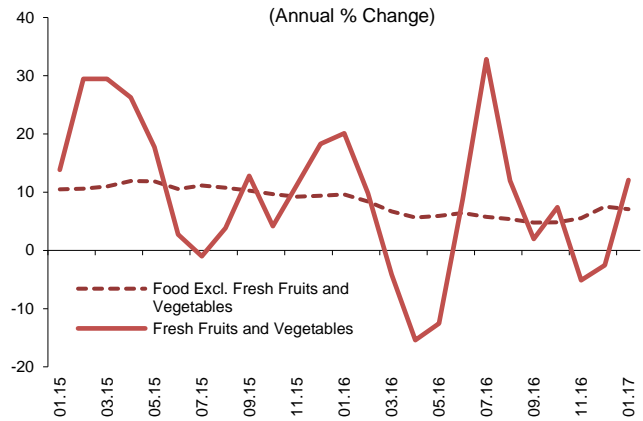
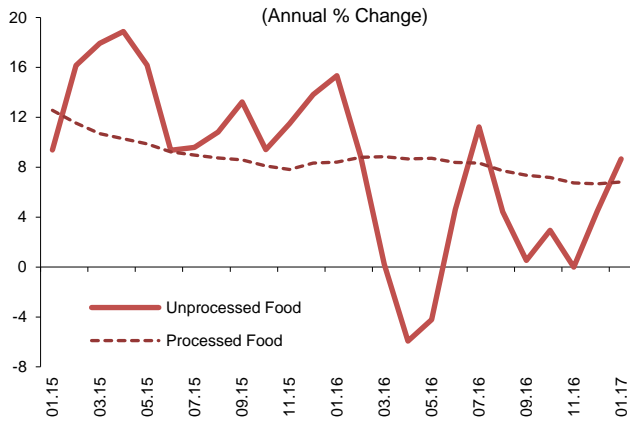
Energy prices increased by 3.53 percent in January amid price hikes across all energy items due to the Turkish lira plunge. Fuel prices soared by 5.43 percent, driving annual inflation up to 28.39 percent in this subcategory. Likewise, prices surged by a dramatic 6.33, 3.91 and 4.39 percent month-on-month in bottled gas, solid fuels and water, respectively. Thus, annual energy inflation rose by 2.93 points to 11.60 percent in January.

Annual inflation in food and non-alcoholic beverages increased by 2.12 points to 7.77 percent in January. This was mainly driven by the dramatic increase in unprocessed food prices on account of vegetables. Annual unprocessed food inflation jumped by 4.15 points to 8.67 percent in

# JANUARY PRICE DEVELOPMENTS

FEBRUARY 6, 2017

January. After remaining modest for some time, red meat prices increased by a striking 1.34 percent in this period. Processed food prices, on the other hand, were up 1.10 percent, whereas annual processed food inflation only inched up to 6.81 percent. In January, increases in food prices were mainly attributable to adverse weather conditions and the tumbling Turkish lira.



	Monthly Percent Change		Annual Percent Change	
	Jan.2017	Jan.2016	Jan.2017	Jan.2016
<b>CPI</b>	<b>2.46</b>	<b>1.82</b>	<b>9.22</b>	<b>9.58</b>
<b>1. Goods</b>	<b>2.89</b>	<b>2.03</b>	<b>9.63</b>	<b>9.77</b>
Energy	3.53	0.81	11.60	4.61
Food and nonalcoholic beverages	6.37	4.28	7.77	11.69
Unprocessed food	12.26	7.97	8.67	15.33
Fresh fruits and vegetables	34.06	16.59	12.09	20.09
Other unprocessed food	0.94	2.35	7.62	11.73
Processed food	1.10	0.97	6.81	8.41
Bread and cereals	1.14	1.55	7.97	7.01
Other processed food	1.07	0.65	6.16	9.24
Goods excluding energy and food	0.43	0.88	10.48	10.45
Core goods	-0.45	-0.83	7.18	10.10
Durable goods (excluding gold)	1.93	1.98	7.88	11.65
Clothing and footwear <sup>(*)</sup>	-7.14	-6.85	3.59	9.32
Other core goods	1.96	0.65	9.08	8.85
Alcoholic beverages and tobacco	2.36	9.60	22.90	11.17
Gold	10.63	5.28	35.05	13.35
<b>2. Services</b>	<b>1.49</b>	<b>1.34</b>	<b>8.27</b>	<b>9.16</b>
Rents	0.84	0.77	9.38	7.95
Restaurants and hotels	1.04	1.08	8.58	13.43
Transport	2.14	0.40	8.48	4.66
Communication	0.00	0.00	4.29	3.04
Other	2.42	2.71	8.85	11.03
<b>3. Core Measures<sup>(**)</sup></b>				
B	0.66	0.42	7.54	9.37
C	0.57	0.33	7.74	9.63
D	1.26	0.53	8.49	8.68

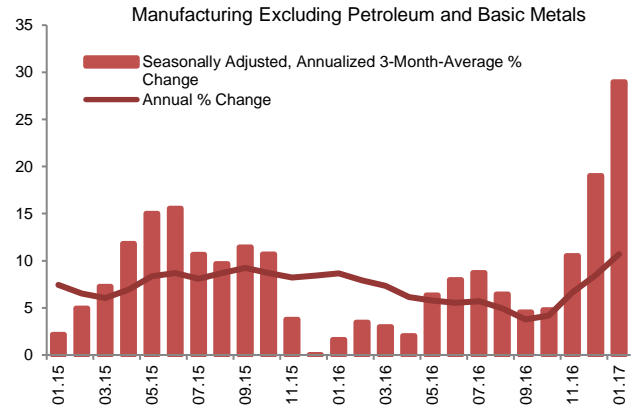
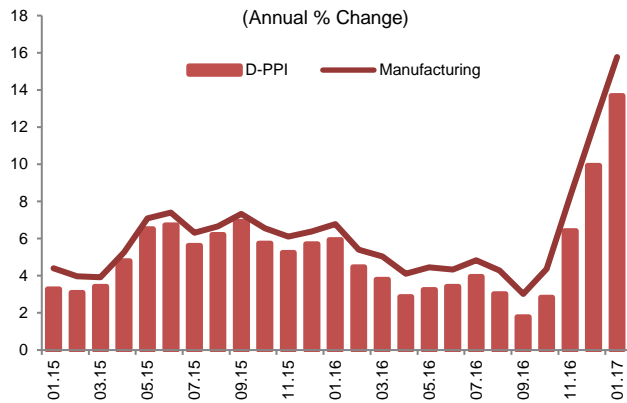
Source: TurkStat.

(\*) Does not cover clothing services.

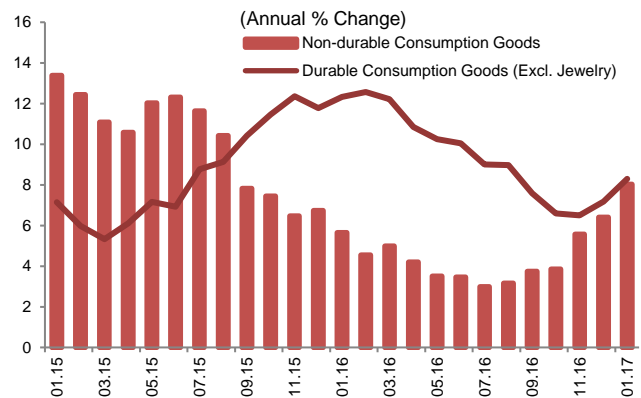
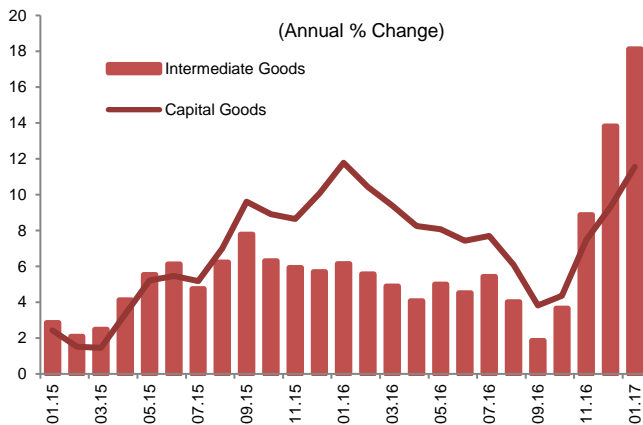
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**... D-PPI ...**

Domestic producer prices soared by 3.98 percent in January, while annual PPI inflation climbed by 3.75 points to 13.69 percent, mainly due to the depreciation of the Turkish lira. Annual inflation reached 15.77 percent in the manufacturing industry and 10.70 percent in the manufacturing industry excluding petroleum and base metals. The seasonally adjusted underlying trend of manufacturing industry prices excluding petroleum and base metals posted a dramatic upsurge.



According to the Main Industrial Groupings (MIGs), prices registered notable gains across all subcategories in January. The upswing in prices of intermediate goods was driven by higher iron and steel prices, while prices of capital goods rose due to price developments in motor vehicles and metal construction products. Furniture prices were the main driver of price increases across durable goods, while prices of nondurable goods were up amid rising processed fruit and vegetable prices. Hence, consumer prices faced strong cost pressures from producer prices in January largely due to the Turkish lira plunge.



## ... TABLES

January CPI and Subcategories (Percent Change)					
	Weight	2017		2016	
		Monthly	Annual	Monthly	Annual
CPI	100	2.46	9.22	1.82	9.58
Food and nonalcoholic beverages	21.77	6.37	7.77	4.28	11.69
Alcoholic beverages and tobacco	5.87	2.36	22.90	9.60	11.17
Clothing and footwear	7.33	-6.99	3.66	-6.71	9.31
Housing	14.85	1.82	6.54	1.71	7.33
Household equipment	7.72	1.75	6.16	1.82	10.75
Health	2.63	4.66	12.13	2.42	8.14
Transport	16.31	3.24	15.61	0.34	7.37
Communication	4.12	0.11	3.24	0.05	2.64
Recreation and culture	3.62	2.39	6.23	2.09	12.05
Education	2.69	0.05	9.43	0.08	6.46
Restaurants and hotels	8.05	1.04	8.58	1.08	13.43
Miscellaneous goods and services	5.04	4.25	12.74	2.71	11.21

Source: TurkStat.

January D-PPI and Subcategories (Percent Change)					
	Weight	2017		2016	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	3.98	13.69	0.55	5.94
Mining	3.36	6.58	16.51	-1.20	-0.63
Manufacturing	88.79	3.87	15.77	0.56	6.77
Manufacturing excl. petroleum products	86.18	3.62	13.78	0.94	7.42
Manufacturing excl. petroleum products and basic metals	77.80	3.19	10.70	1.11	8.68
Electricity, gas, steam and air-conditioning supply	6.81	4.12	-9.02	0.96	0.20
Water supply	1.03	3.72	8.81	2.20	10.14
D-PPI (MIGs Classification)					
Intermediate Goods		4.40	18.13	0.60	6.15
Durable Consumption Goods		4.06	12.67	3.21	13.80
Durable Consumption Goods (Excl. Jewelry)		3.91	8.30	2.82	12.32
Non-Durable Consumption Goods		2.30	8.03	0.77	5.65
Capital Goods		3.73	11.55	1.65	11.78
Energy		6.58	14.05	-2.33	-2.49

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.