

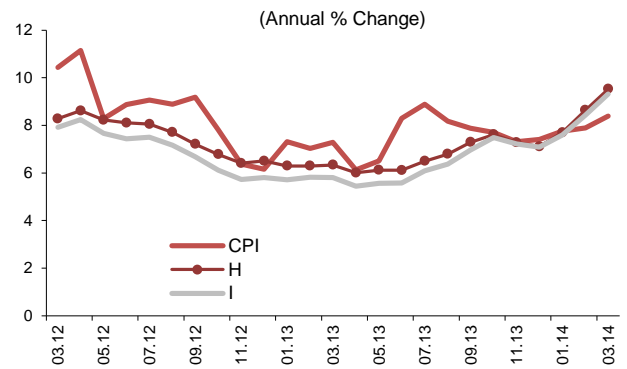
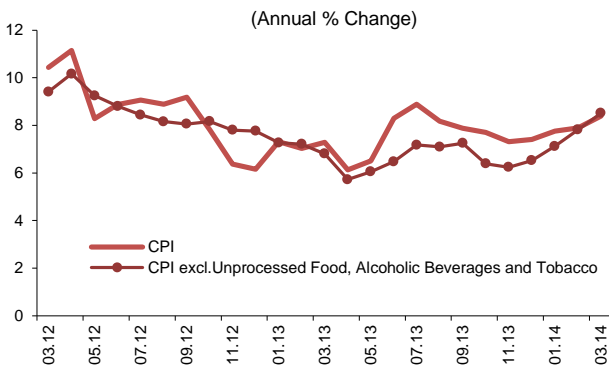
SUMMARY...

In March, consumer prices were up by 1.13 percent and annual inflation reached 8.39 percent. Cumulative effects of the depreciation in the Turkish lira pushed core inflation indicators considerably upwards. Inflation indicators are predicted to continue at high levels for a while depending on the course of food prices and the lagged effects of the exchange rate.

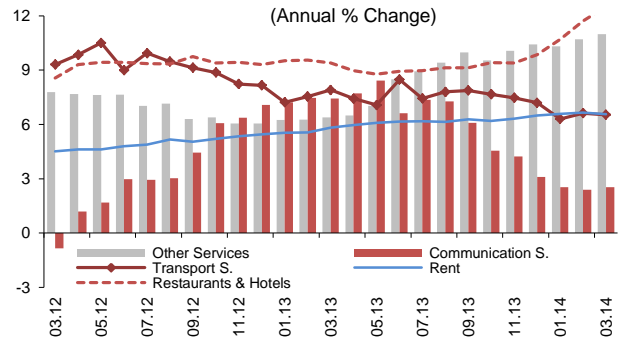
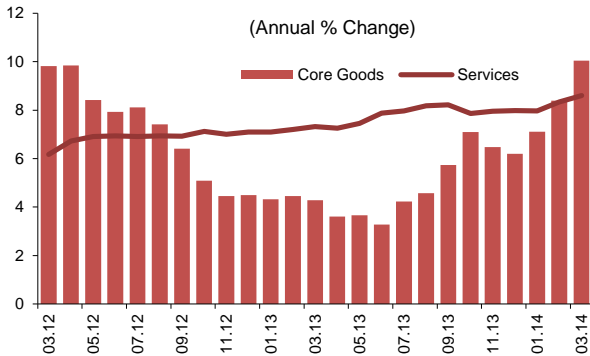
...EVALUATIONS...

In March, consumer prices were up by 1.13 percent and annual inflation reached 8.39 percent. The annual rate of increase in the SCA-H and SCA-I indices rose by 0.89 and 0.88 percentage points on a monthly basis to 9.52 percent 9.32 percent, respectively, remaining above the annual consumer inflation.

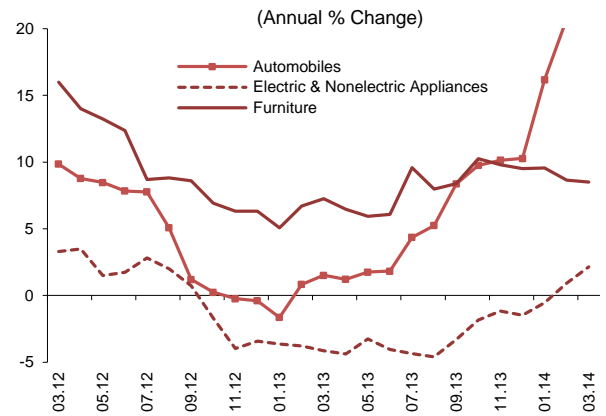
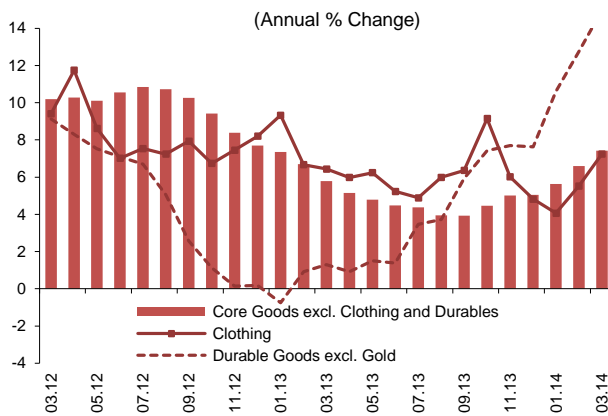
Across subgroups, the most remarkable increase in the contribution to the annual CPI inflation is 0.39 percentage points by the core goods group, while the energy group contribution fell by 0.05 percentage points. On the other hand, the contributions of the services and food groups to the annual CPI inflation crept up by 0.08 and 0.05 percentage points, respectively.



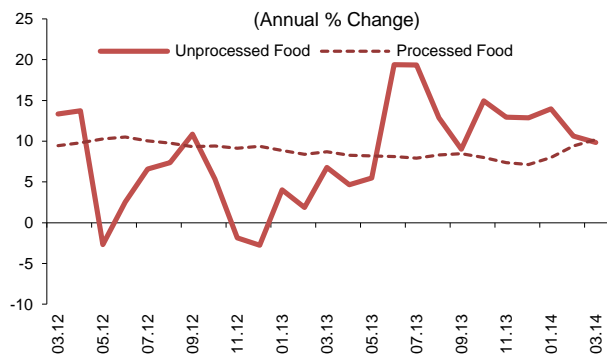
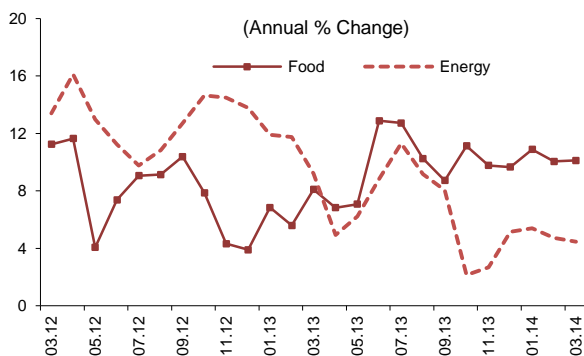
Prices of services rose by 0.65 percent and the group's annual inflation edged up by 0.26 percentage points to 8.60 percent in March. This was mainly led by the persisting price hikes in the restaurants and hotels group. As a matter of fact, the highest annual inflation rate was recorded by this group with 12.51 percent. Amid the price increases in food products, this course was also shaped by the prices of catering services. Additionally, annual inflation in the other services item (amid the effects of subgroups like health, clothing, maintenance of transport vehicles and housekeeping services) registered an increase in this period. On the other hand, annual inflation in rent and transport services groups displayed slight decreases. In line with this outlook, the seasonally-adjusted data indicated that the underlying trend of services inflation remained on an upward track in March.



On the core goods front, annual inflation surged by 1.64 percentage points to 10.04 percent in March. This was mainly attributed to clothing prices that hit the highest-ever level recorded in the March period and the rising prices of durable consumption goods due to the depreciation in the Turkish lira. The upward trend in the prices of automobiles and white goods continued, albeit at a slower pace. Thus, annual inflation in durable consumption goods climbed to 14.97 percent. The increase in clothing prices stood above the seasonal averages at 2.52 percent and the group's annual inflation climbed to 7.24 percent. Price developments in March indicated that the effects of the exchange rate in the core goods group created an evident spillover. Accordingly, the seasonally-adjusted data pointed to a notable increase in the underlying trend in core goods inflation.



Energy prices were down by 0.54 percent in March. This was caused by the decline in bottled gas and fuel prices upon the fall in international oil prices. As a result, annual energy inflation maintained its favorable course by receding to 4.46 percent.



Annual inflation in the food and non-alcoholic beverages group edged up by 0.07 percentage points to 10.12 percent. In contrast to the increase the processed food group, annual inflation recorded a decline in the unprocessed food group. In this period, processed food prices rose by 1.42 percent, maintaining the upward trend that has persisted since the start of the year. This was driven by the depreciation in the Turkish lira in addition to the poor precipitation compared to seasonal averages. Price increases in this group spread across all subgroups, yet were most remarkable in bread-cereals. As a result, the course of annual unprocessed food inflation was shaped by fresh fruits and vegetables, while the group's annual inflation decreased by 0.80 percentage points to 9.82 percent.

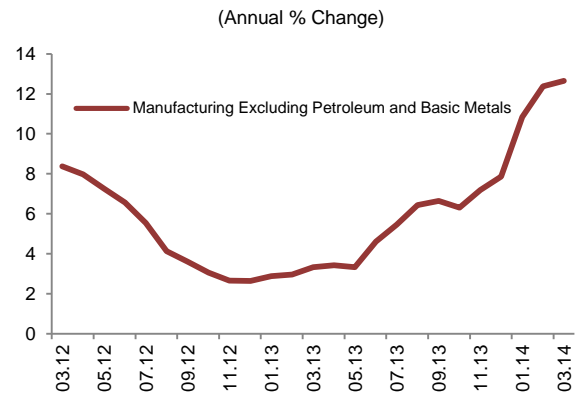
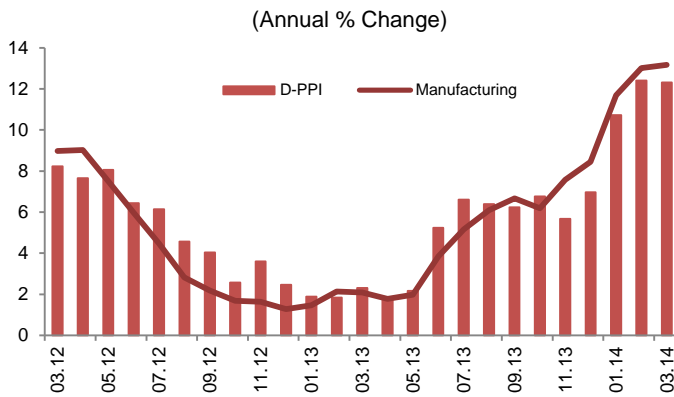
	Monthly Percent Change		Annual Percent Change	
	Mar.2014	Mar.2013	Mar.2014	Mar.2013
CPI	1.13	0.66	8.39	7.29
1. Goods	1.32	0.76	8.36	7.28
Energy	-0.54	-0.28	4.46	9.22
Food and nonalcoholic beverages	2.10	2.04	10.12	8.10
Unprocessed food	2.82	3.57	9.82	6.79
Fresh fruits and vegetables	6.71	6.09	-5.84	13.92
Other unprocessed food	0.56	1.55	22.99	1.68
Processed food	1.42	0.70	10.21	8.71
Bread and cereals	2.06	0.98	13.04	11.34
Other processed food	1.04	0.53	8.50	7.14
Goods excluding energy and food	1.55	0.26	8.68	5.95
Core goods	1.86	0.34	10.04	4.29
Durable goods	2.18	0.12	14.24	0.96
Durable goods (excluding gold)	2.13	0.16	14.97	1.29
Alcoholic beverages and tobacco	-0.02	0.00	3.10	16.31
Gold	3.03	-0.57	2.38	-3.99
2. Services	0.65	0.42	8.60	7.32
Rents	0.37	0.46	6.56	5.83
Restaurants and hotels	1.33	0.62	12.51	9.40
Transport	0.39	0.47	6.54	7.90
Communication	0.16	0.02	2.54	7.44
Other*	0.67	0.41	10.99	6.39
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.95	0.30	8.51	6.80
SCA-H	1.25	0.43	9.52	6.33
SCA-I	1.20	0.38	9.32	5.80

Source: TurkStat, CBRT.

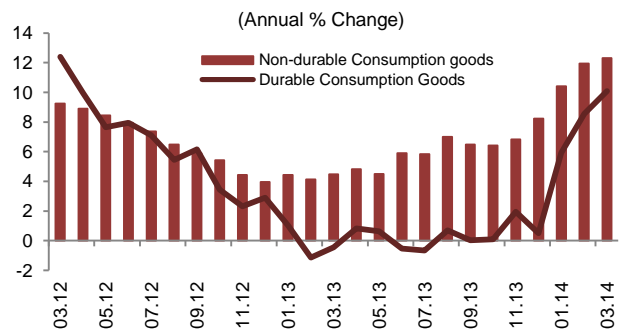
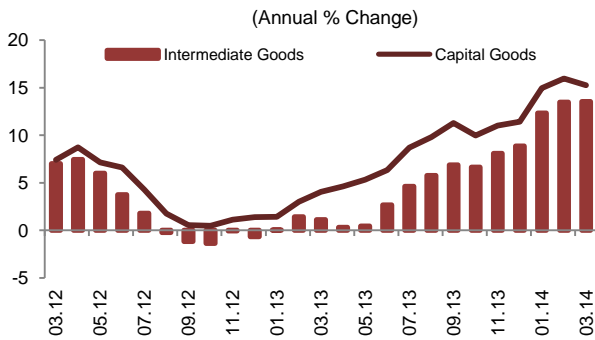
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

D-PPI was up by 0.74 percent and the group's annual inflation edged down to 12.31 percent in March. Due to the lagged effects of the depreciation in the Turkish lira, price increases that spread across the manufacturing group persisted in this period. Price hikes particularly in food, textiles, electronic products and motor vehicles stood out. Annual inflation in the manufacturing industry excluding petroleum and basic metals increased to 12.65 percent in this period.



According to the Main Industrial Groupings (MIGs), annual inflation saw rising figures across all main groups excluding energy in March. Annual inflation increased in durable consumption goods, remained flat in intermediate goods and declined in capital goods. Accordingly, annual inflation in the manufacturing industry maintained its upward trend, albeit limited. In sum, these persisting upward figures in the prices of manufacturing industry, especially in durable consumption goods indicate that consumer prices may continue to face cost pressures in the upcoming period.



...TABLES

March CPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
CPI	100	1.13	8.39	0.66	7.29
Food and nonalcoholic beverages	24.45	2.10	10.12	2.04	8.10
Alcoholic beverages and tobacco	5.29	-0.02	3.10	0.00	16.31
Clothing and footwear	7.17	2.49	7.30	0.86	6.44
Housing	16.41	0.23	4.84	0.23	9.84
Household equipment	7.52	0.90	7.64	0.09	4.49
Health	2.44	0.85	7.02	0.48	2.03
Transport	15.54	0.88	13.74	-0.05	4.03
Communication	4.70	0.27	0.88	0.02	6.64
Recreation and culture	3.36	0.68	7.97	0.33	1.17
Education	2.26	0.19	9.98	0.09	5.12
Restaurants and hotels	6.58	1.33	12.51	0.62	9.40
Miscellaneous goods and services	4.28	1.20	5.27	0.29	7.57

Source: TurkStat.

March D-PPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.74	12.31	0.81	2.30
Mining	3.97	-0.10	13.73	0.61	8.63
Manufacturing	85.93	1.03	13.16	0.90	2.08
Electricity, gas, steam and air-conditioning supply	9.31	-1.69	1.12	1.98	15.09
Water supply	0.79	0.56	9.00	0.39	11.04

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.