

FEBRUARY PRICE DEVELOPMENTS

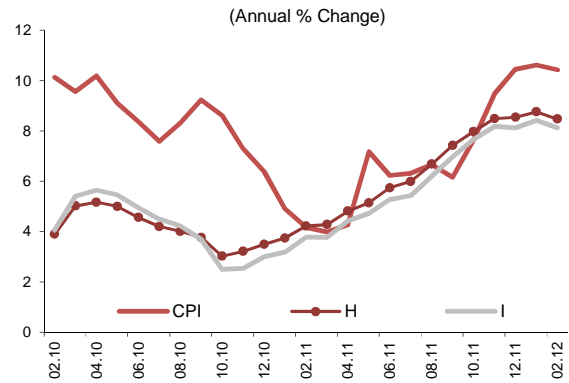
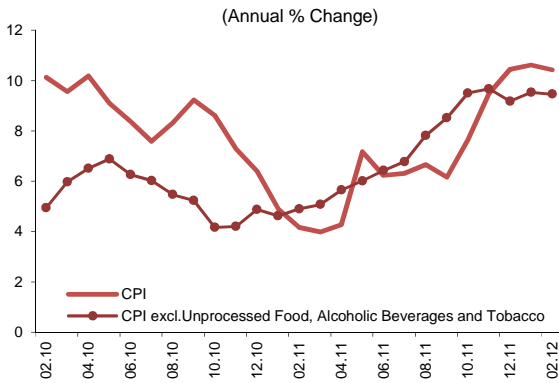
MARCH 6, 2012

SUMMARY...

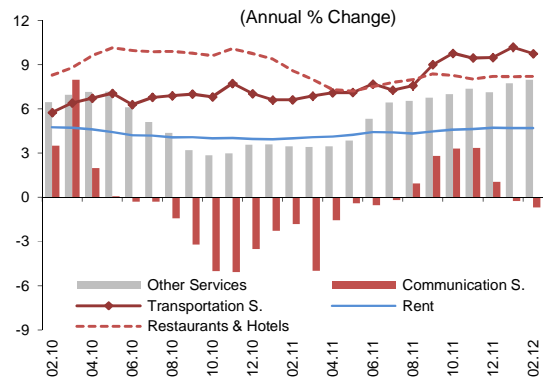
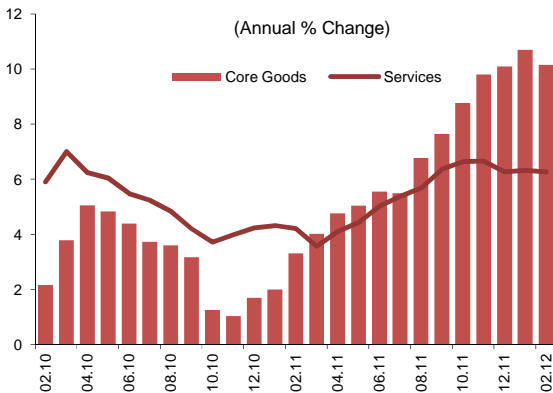
In February, consumer prices increased by 0.56 percent and annual inflation decreased to 10.43 percent. As also stated in the Summary of the Monetary Policy Committee Meeting, food inflation posted a decline, whereas energy prices went up amid the developments in international oil prices. Core inflation indicators followed a downward trend as expected, while the course of services prices remained moderate.

...EVALUATIONS...

In February, consumer prices increased by 0.56 percent and annual inflation decreased to 10.43 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) went down to 8.47 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) decreased to 8.12 percent year-on-year.



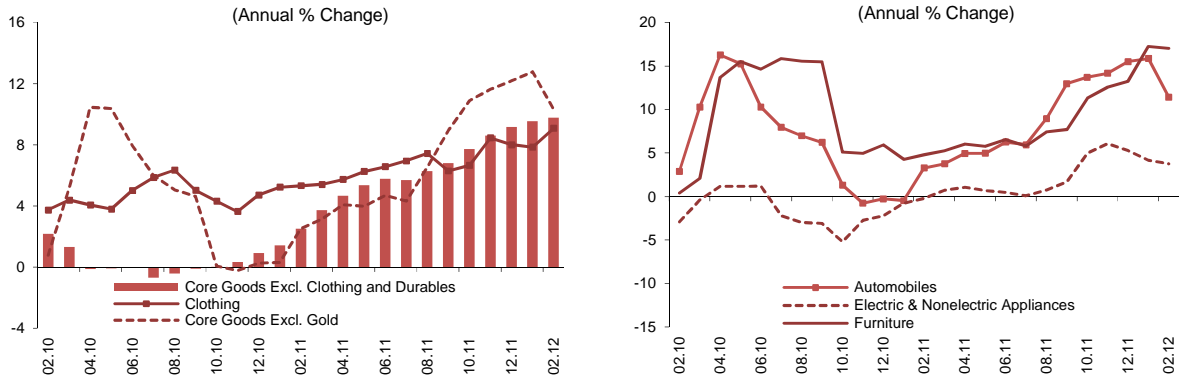
Prices of services rose by 0.32 percent in February, and annual services inflation edged down to 6.27 percent. While the annual inflation in rents and restaurants-hotels has not recorded a remarkable change since October, that in communications group went down approximately by 4 percentage points in the same period. Annual inflation in transport services exhibited a slowdown in February, and that in the services group excluding catering and transport declined to 4.87 percent. Meanwhile, seasonally-adjusted prices and the diffusion index indicate an ongoing mild course in the underlying trend of the services group.



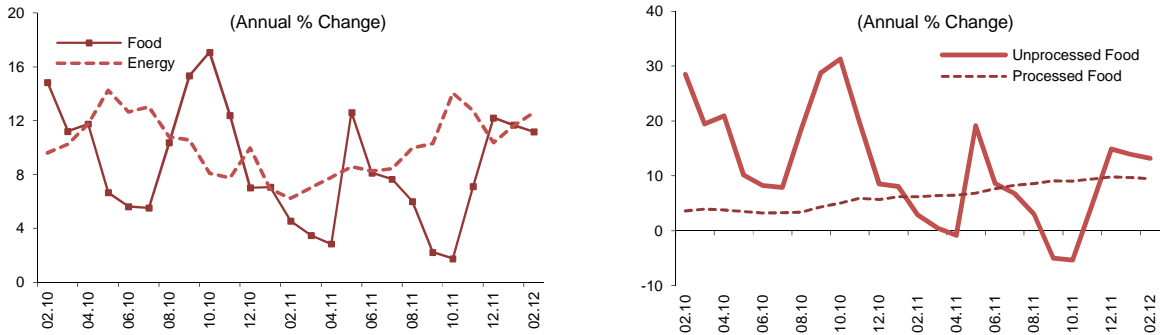
FEBRUARY PRICE DEVELOPMENTS

MARCH 6, 2012

Annual rate of increase in core goods inflation decreased by 0.55 percentage point to 10.15 percent in February. Annual inflation declined in durables on the contrary to other goods. Monthly price developments suggest that prices of durable goods remained unchanged in February. Despite an increase of 2.34 percent in white goods, prices of other durable goods, mainly automobiles followed a modest course. Annual inflation gained momentum on the clothing front following a decline in two subsequent periods, and the seasonal sale from December to February was at lower rates than that in the past years.



Negative repercussions of the developments in international oil prices continued in February and energy prices increased by 0.78 percent, the largest contributor of which was fuel oil and solid fuel group. Particularly, soaring LPG prices were the main driver of the surge in fuel oil prices. Bottled gas prices also recorded increases in this period. Consequently, fuelled by the low base effect, annual inflation in energy group increased nearly by 1 percentage point to 12.60 percent.



Annual inflation in food and nonalcoholic beverages was down by 0.50 percentage point to 11.17 percent. Seasonally adjusted unprocessed food prices recorded a mild increase in February. Fresh fruits and vegetables prices displayed a lower-rated monthly increase compared to the past years' average and the red meat prices continued to decline. Meanwhile, white meat prices surged by 8.85 percent. Consequently, the group's annual inflation went down to 13.21 percent in February.

FEBRUARY PRICE DEVELOPMENTS

MARCH 6, 2012

Processed food prices were up 0.77 percent in February, which was mainly driven by bread prices that recorded a surge in February (2.38 percent) as well as January. Prices of fats and oils continued to increase contrary to the fall in the prices of cheese and other dairy products in line with the decline in milk prices. Against this background, annual inflation in processed food prices stood at 9.49 percent with a decline, albeit limited.

	Monthly Percent Change		Annual Percent Change	
	February 2012	February 2011	February 2012	February 2011
CPI	0.56	0.73	10.43	4.16
1. Goods	0.66	0.86	11.94	4.14
Energy	0.78	-0.09	12.60	6.23
Food and nonalcoholic beverages	2.08	2.54	11.17	4.53
Unprocessed food	3.67	4.32	13.21	2.89
Fresh fruits and vegetables	6.67	9.28	18.68	2.92
Other unprocessed food	1.31	0.74	9.03	2.56
Processed food	0.77	0.94	9.49	6.21
Bread and cereals	1.54	1.42	8.21	6.30
Other processed food	0.31	0.67	10.13	6.16
Goods excluding energy and food	-0.58	-0.14	12.38	2.94
Core goods	-0.71	-0.21	10.15	3.31
Durable goods	0.02	2.21	12.43	4.51
Durable goods (excluding gold)	0.04	2.29	10.29	2.51
Alcoholic beverages and tobacco	0.00	0.01	18.51	-1.51
Gold	-0.36	1.15	39.80	30.90
2. Services	0.32	0.38	6.27	4.22
Rents	0.35	0.34	4.69	4.00
Restaurants and hotels	0.46	0.45	8.20	8.60
Transport	0.24	0.64	9.75	6.62
Communication	0.00	0.44	-0.69	-1.83
Other*	0.40	0.17	7.97	3.44
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.15	0.22	9.46	4.90
SCA-H	0.00	0.27	8.47	4.22
SCA-I	-0.18	0.10	8.12	3.78

Source: TurkStat, CBRT.

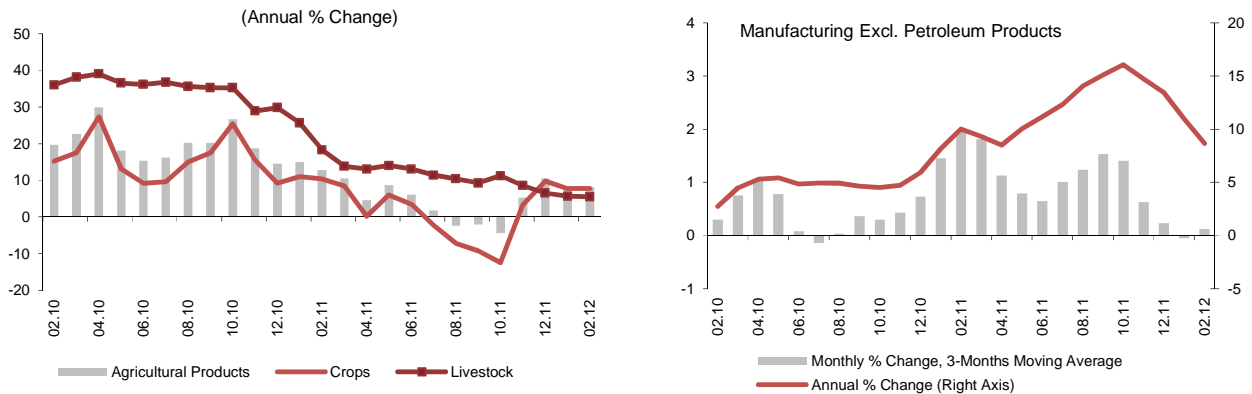
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

FEBRUARY PRICE DEVELOPMENTS

MARCH 6, 2012

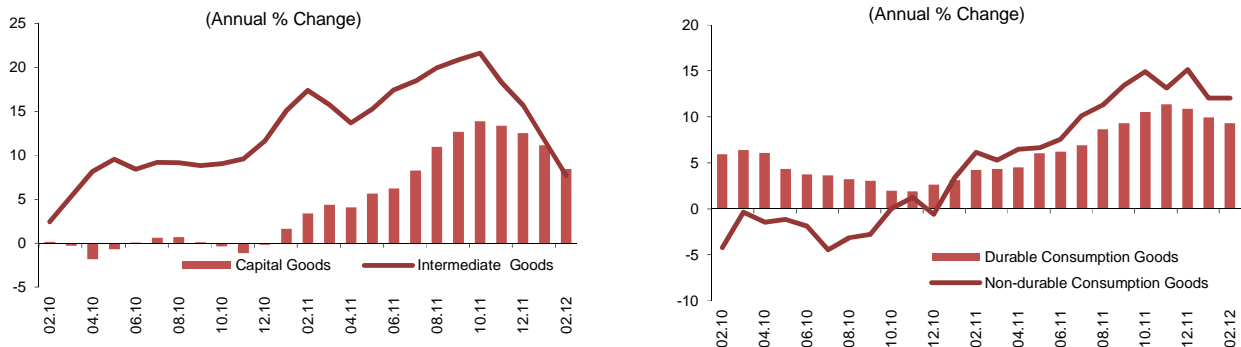
...PPI...

In February, producer prices were up by 0.09 percent and annual PPI inflation went down by 2 points to 9.15 percent. Agricultural prices posted a relatively moderate increase, which also reflected on unprocessed food prices, and livestock and animal product prices declined. Meanwhile, among the inputs for the manufacturing industry, sunflower prices maintained the upward trend, and wheat prices went up by 0.43 percent. As for the cotton prices, a surge by 2.45 percent was recorded following a decline for a year.



In the manufacturing industry, prices remained unchanged, while annual inflation decreased by 2.54 percent to 9.54 percent. Despite the surge in prices of metal and oil in international markets, the appreciation of the Turkish lira pulled down the producer prices of oil products and base metals by 0.33 and 4.22 percent, respectively. Excluding oil and base metal prices, manufacturing prices increased by 0.44 percent and the group's annual inflation decreased by 1.69 percentage points to 8.91 percent.

Main Industrial Groupings (MIGs) suggest that prices of intermediate goods and non-durable goods decreased, whereas those of durable and non-durable goods increased. Prices of intermediate goods and capital goods went down amid the decline in the manufacturing prices of basic metals and machinery-equipment by 1.01 and 0.36, respectively. Furniture group provided the largest contribution to the 1.70 percent increase in the producer prices of durable consumption goods, while food manufacturing prices, meat products in particular, pushed the prices of nondurables up by 1.06 percent. In sum, producer prices suggest that pressures driven by the manufacturing industry remained subdued in the last four months.



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MARCH 6, 2012

...TABLES

February CPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
CPI	100	0.56	10.43	0.73	4.16
Food and nonalcoholic beverages	26.22	2.08	11.17	2.54	4.53
Alcoholic beverages and tobacco	5.21	0.00	18.51	0.01	-1.51
Clothing and footwear	6.87	-4.07	9.07	-5.15	5.35
Housing	16.44	0.60	9.79	-0.14	4.38
Household equipment	7.45	1.04	11.79	0.92	4.66
Health	2.29	0.66	0.70	0.11	1.29
Transport	16.73	0.33	11.30	1.77	6.03
Communication	4.60	-0.19	0.61	0.43	-1.50
Recreation and culture	2.98	-0.34	7.52	-0.40	-1.97
Education	2.18	0.11	6.35	0.14	4.35
Restaurants and hotels	5.63	0.46	8.20	0.45	8.60
Miscellaneous goods and services	3.40	0.37	17.10	0.83	7.36

Source: TurkStat.

February PPI and Subcategories (Percent Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
PPI	100	-0.09	9.15	1.72	10.87
Agriculture	17.21	1.85	8.13	2.15	12.86
Crops, fruits and vegetables	11.76	2.68	7.77	2.65	10.39
Livestock and animal products	4.73	-0.19	5.51	-0.02	18.31
Industry	82.79	-0.50	9.37	1.63	10.44
Mining	3.09	-0.17	13.43	2.77	12.77
Manufacturing	70.83	0.00	9.54	2.32	10.98
Manufacturing excluding petroleum	68.22	0.02	8.66	2.16	10.00
Manufacturing excluding petroleum and base metals	62.07	0.44	8.91	2.00	7.38
Electricity, gas and water	8.87	-4.59	6.56	-4.42	5.33

Source: TurkStat, CBRT.

PPI by MIGS (Monthly Percent Change)														
	Feb.11	Mar.11	Apr.11	May.11	Jun.11	Jul.11	Aug.11	Sep.11	Oct.11	Nov.11	Dec.11	Jan.12	Feb.12	Annual
Intermediate goods	2.67	1.61	0.02	1.37	1.38	1.35	2.06	1.62	0.40	-1.63	0.50	-0.16	-1.01	7.70
Capital goods	2.09	1.56	-0.99	0.91	0.66	2.02	2.31	1.59	0.59	-0.55	0.09	0.38	-0.36	8.46
Durable goods	1.71	-0.52	0.62	0.92	1.04	0.71	1.58	2.04	2.53	-0.36	0.35	0.85	1.70	12.03
Nondurable goods	1.62	0.84	0.59	0.96	-0.33	0.91	1.39	1.36	1.25	0.91	0.28	-0.27	1.06	9.33
Energy	-1.04	2.25	-0.56	-2.12	0.67	1.11	4.43	2.33	2.61	1.20	1.66	1.85	-3.17	12.69

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