

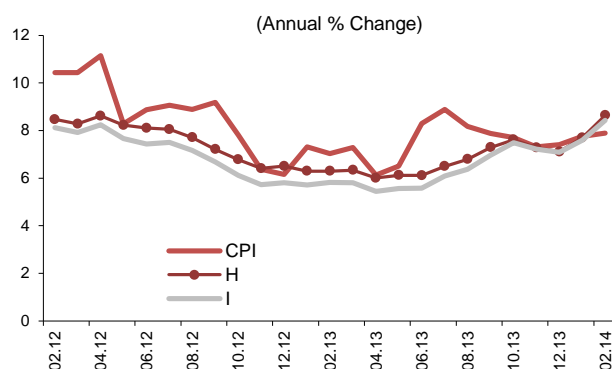
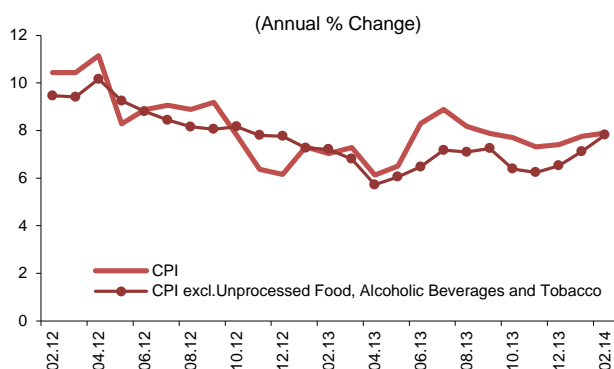
SUMMARY...

In February, consumer prices were up by 0.43 percent and annual inflation recorded a slight increase to 7.89 percent. Lagged effects of the exchange rate pushed core inflation indicators considerably upwards. The unfavorable course of food prices coupled with the exchange rate movements are expected to keep inflation indicators above the 5-percent-target for a while.

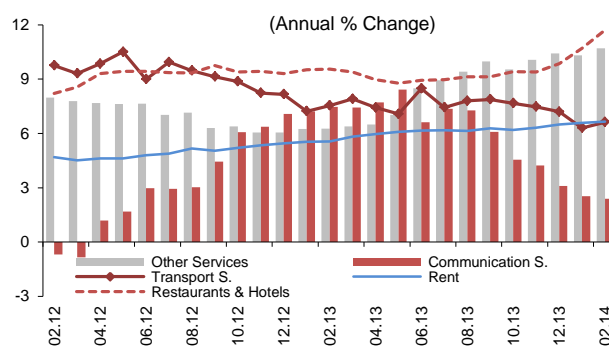
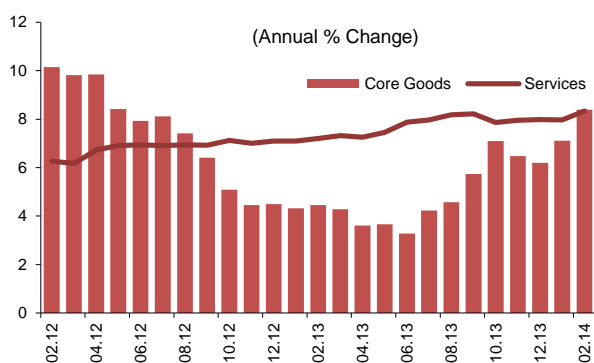
...EVALUATIONS...

In February, consumer prices were up by 0.43 percent and annual inflation increased to 7.89 percent. The annual rate of increase in the SCA-H and SCA-I indices rose by 0.93 and 0.84 percentage points on a monthly basis to 8.63 percent 8.43 percent, respectively, remaining above the annual consumer inflation.

Across subgroups, the contributions of core goods and services groups to the annual CPI inflation crept up by 0.31 and 0.12 percentage points respectively, whereas those of the food and energy groups fell by 0.19 and 0.10 percentage points, respectively.

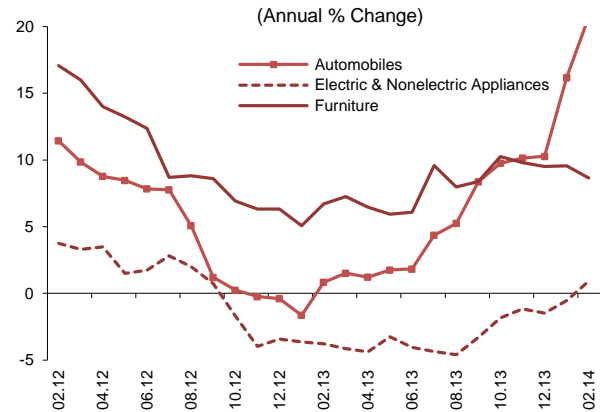
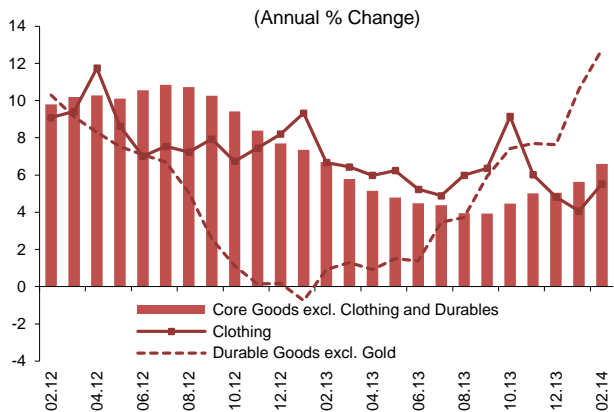


Prices of services rose by 0.77 percent and the group's annual inflation edged up by 0.38 percentage points to 8.34 percent in February. Analysis of subgroups revealed that the annual inflation registered increases in all subgroups except communication. Particularly, the annual inflation in the restaurants-hotels group (due to the prices of catering services) hit the highest level since the first quarter of 2009 with 11.72 percent. The course of the prices of catering services reflected the recent price hikes in certain food products as well. The seasonally-adjusted data indicated that the underlying trend of services inflation remained on an upward track in February.

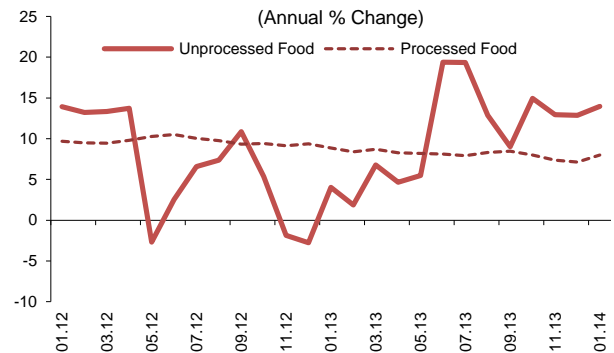
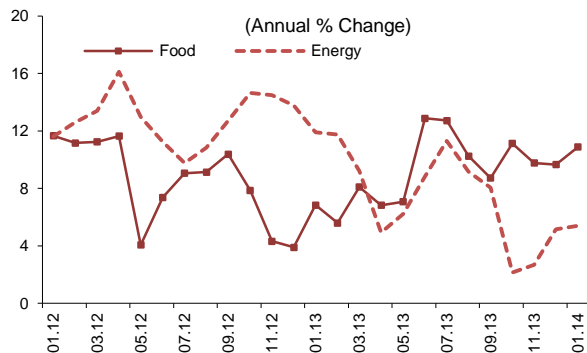


On the core goods front, annual inflation surged by 1.28 percentage points to 8.39 percent in February. This was mainly attributed to rising prices of durable consumption goods amid the

depreciation of the Turkish lira. Having maintained the high course in this period, prices of automobiles and white goods rose by 6.25 percent and 1.99 percent, respectively. The decline in clothing prices stood below the seasonal averages and the group's annual inflation climbed to 5.52 percent. The seasonally-adjusted data pointed to a higher underlying trend in core goods inflation compared to the previous month.



Energy prices remained virtually unchanged in February. Municipal water tariffs rose by 1.13 percent, while bottled gas and domestic fuel prices recorded a decline. As a result, following an increase by three consecutive months, annual energy inflation fell by 0.68 percentage points to 4.73 percent.



Annual inflation in the food and non-alcoholic beverages group fell by 0.84 percentage points to 10.05 percent. This was led by the partial correction in unprocessed food prices that surged in January. The fall by 1.47 percentage points in unprocessed food prices in this period was driven by the decline in vegetable prices, while unprocessed food prices excluding vegetables posted an unfavorable outlook. The annual rate of price increase in unprocessed food excluding fresh fruits and vegetables stood at 24.21 percent. Due to the poor precipitation in recent months compared to seasonal averages, processed food prices (that posted month-on-month increases by 1.65 percent) posted a similar outlook. Price increases in this group spread across all subgroups, yet were most remarkable in bread-cereals, fats-oils and processed meat products. As a result, annual processed food inflation rose by 1.41 percentage points to 9.42 percent, which narrowed the gap between processed and unprocessed food inflation.

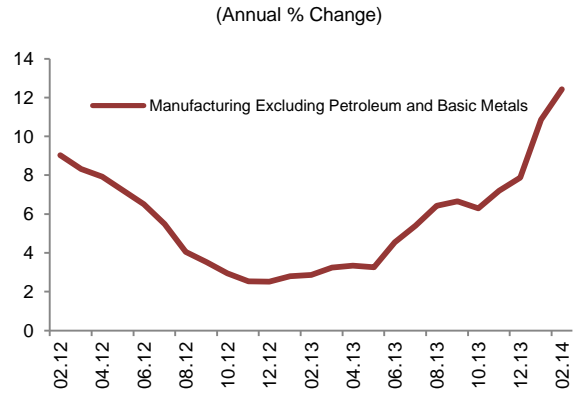
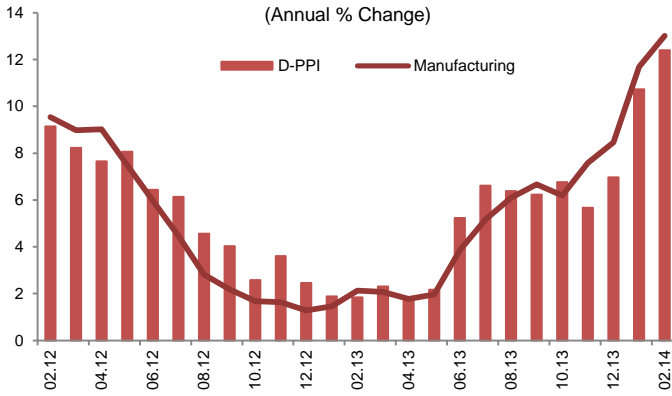
	Monthly Percent Change		Annual Percent Change	
	Feb.2014	Feb.2013	Feb.2014	Feb.2013
CPI	0.43	0.30	7.89	7.03
1. Goods	0.29	0.26	7.75	6.96
Energy	-0.01	0.64	4.73	11.75
Food and nonalcoholic beverages	0.13	0.89	10.05	5.60
Unprocessed food	-1.47	1.52	10.63	1.87
Fresh fruits and vegetables	-6.05	1.11	-6.39	2.79
Other unprocessed food	1.42	1.86	24.21	1.47
Processed food	1.65	0.35	9.42	8.39
Bread and cereals	1.89	1.01	11.84	10.74
Other processed food	1.51	-0.06	7.95	6.99
Goods excluding energy and food	0.56	-0.37	7.30	6.08
Core goods	0.61	-0.58	8.39	4.46
Durable goods	3.70	1.50	11.94	0.58
Durable goods (excluding gold)	3.69	1.72	12.75	0.92
Alcoholic beverages and tobacco	0.02	0.83	3.11	16.31
Gold	3.83	-2.02	-1.20	-4.62
2. Services	0.77	0.41	8.34	7.21
Rents	0.43	0.36	6.65	5.55
Restaurants and hotels	1.42	0.49	11.72	9.56
Transport	0.83	0.53	6.63	7.54
Communication	0.11	0.24	2.40	7.48
Other*	0.77	0.41	10.71	6.26
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.74	0.10	7.81	7.21
SCA-H	0.87	0.00	8.63	6.29
SCA-I	0.70	-0.08	8.43	5.82

Source: TurkStat, CBRT.

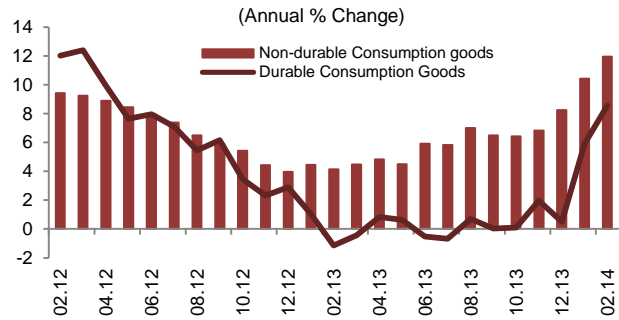
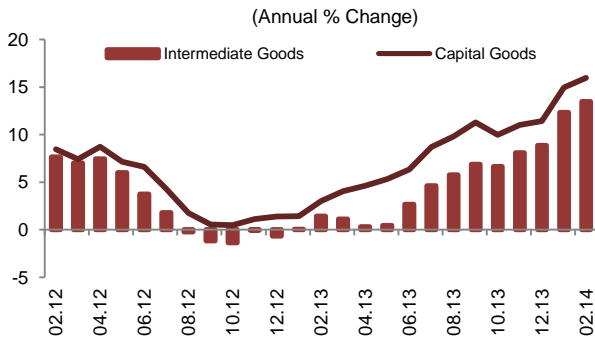
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

D-PPI was up by 1.38 percent and the group's annual inflation reached 12.40 percent in February. Due to the lagged effects of the depreciation in the Turkish lira, price increases that spread across the manufacturing group persisted, albeit at a slower pace. In this period, particularly food, textiles, motor vehicles and petroleum products saw notable price hikes. Exclusion of petroleum and basic metals also pointed to a higher course in the underlying trend of inflation in the manufacturing industry.



According to the Main Industrial Groupings (MIGs), annual inflation continued with rising figures across all subgroups in February. Particularly, annual inflation in non-durable and capital goods hit the highest levels of the last five years (11.95 percent and 15.98 percent, respectively). In sum, the significant upward trend in manufacturing industry prices since mid-2013 driven by the depreciation of the Turkish lira indicates that consumer prices may continue to face cost pressures in the upcoming period.



...TABLES

February CPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
CPI	100	0.43	7.89	0.30	7.03
Food and nonalcoholic beverages	24.45	0.13	10.05	0.89	5.60
Alcoholic beverages and tobacco	5.29	0.02	3.11	0.83	16.31
Clothing and footwear	7.17	-5.06	5.59	-6.36	6.66
Housing	16.41	0.46	4.84	0.25	10.31
Household equipment	7.52	1.33	6.77	1.01	5.34
Health	2.44	0.76	6.62	0.43	1.86
Transport	15.54	2.29	12.68	1.63	5.27
Communication	4.70	0.19	0.63	0.18	6.28
Recreation and culture	3.36	0.63	7.60	-0.63	1.09
Education	2.26	0.21	9.87	0.34	5.21
Restaurants and hotels	6.58	1.42	11.72	0.49	9.56
Miscellaneous goods and services	4.28	1.14	4.32	-0.18	7.98

Source: TurkStat.

February D-PPI and Subcategories (Percent Change)					
	Weight	2014		2013	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.38	12.40	-0.13	1.84
Mining	3.97	1.29	14.53	0.49	7.60
Manufacturing	85.93	1.86	13.01	0.67	2.13
Electricity, gas, steam and air-conditioning supply	9.31	-2.97	4.90	-13.93	11.41
Water supply	0.79	1.66	8.81	1.21	11.03

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.