

FEBRUARY PRICE DEVELOPMENTS

MARCH 4, 2015

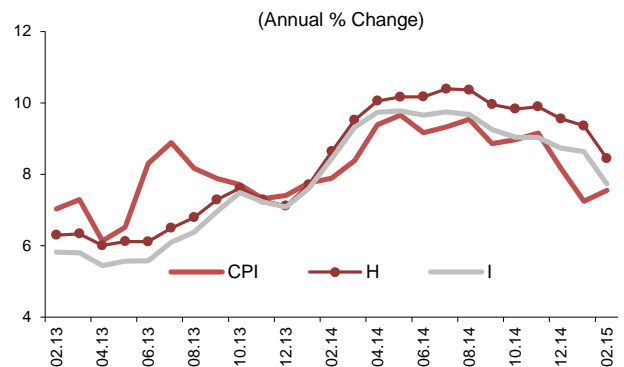
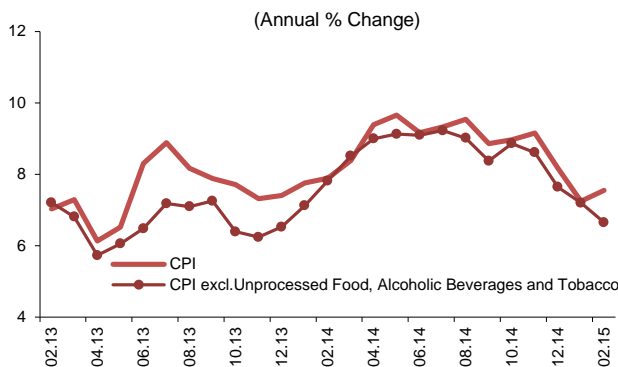
SUMMARY...

In February, consumer prices rose by 0.71 percent, pushing the annual consumer inflation up by 0.31 point to 7.55 percent. This rise in inflation was mostly driven by food prices, while the annual consumer prices inflation excluding food remained on the decline. Due also to the high base from the last year, a notable improvement was recorded in annual core goods inflation in this period. The underlying trend of inflation continued to increase in the services group in contrast to a fast decline in the core goods group, which was led by clothing prices. Accordingly, improvement in core inflation indicators continued in this period.

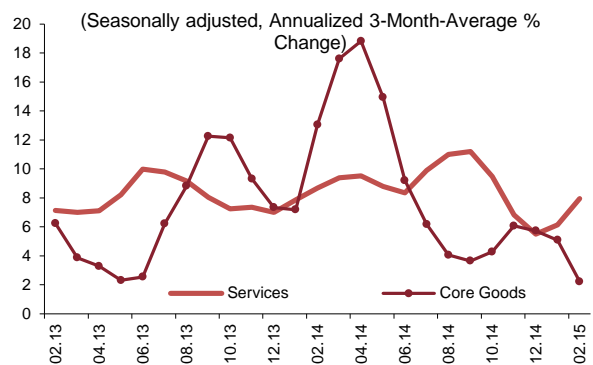
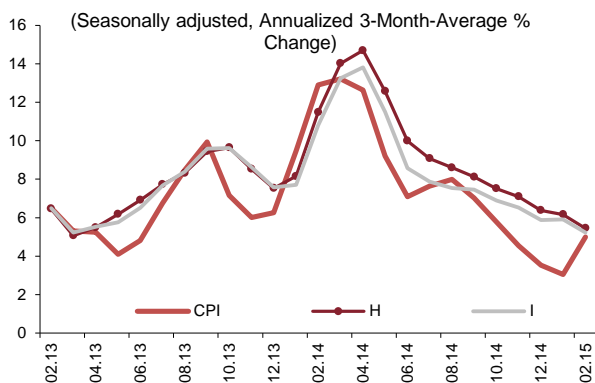
... EVALUATIONS ...

In February, consumer prices rose by 0.71 percent and the annual inflation increased to 7.55 percent. The annual rate of increase in the SCA-H and SCA-I indices registered a month-on-month decline by around 0.9 point to 8.44 and 7.73 percent, respectively.

Across subgroups, the contribution of the food and energy groups to the annual CPI inflation increased by 0.64 and 0.16 points, respectively in February. The contribution of core goods decreased by 0.46 points, while that of services besides alcoholic beverages and tobacco groups did not record a noticeable change. The food group proved to be the pioneering contributor of consumer inflation with 3.36 points in February.



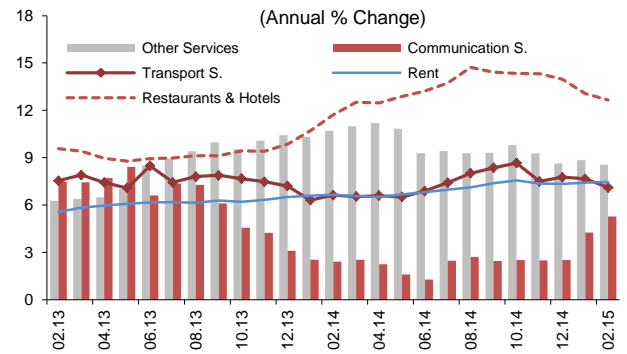
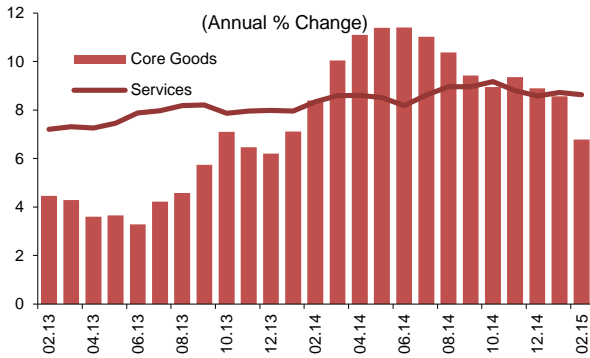
The underlying trends of seasonally-adjusted inflation in 3-month averages indicate that the improvement in core inflation indicators continued. The underlying trend of services inflation recorded an uptick in this month as it did in January. On the other hand, the improvement in the underlying trend of core goods inflation accelerated amid the favorable outlook in the clothing group.



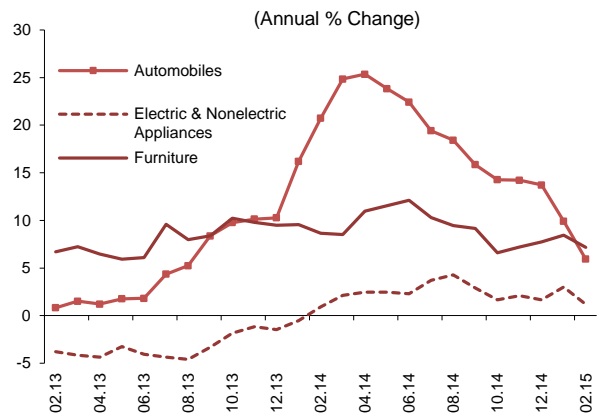
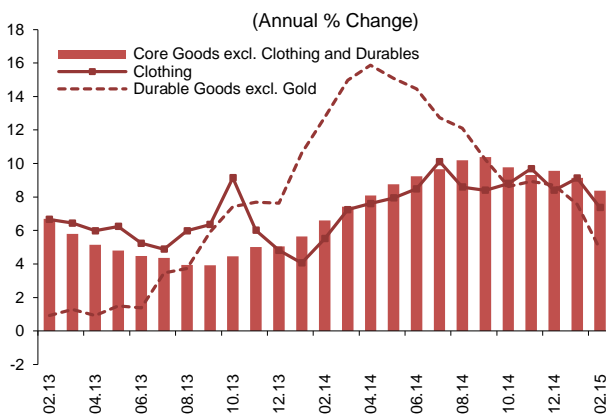
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Prices of services increased by 0.68 percent on a monthly basis and the group's annual inflation edged down by 0.1 points to 8.63 percent in February. Communication prices registered an uptick by 1.08 percent due to phone call charges and the group's annual inflation reached 5.26 percent. The annual inflation in the restaurants-hotels group receded on an annual basis due to the base effect, yet the group's trend of monthly price increase accelerated parallel to the unfavorable course of food prices. Prices of transport services, which have been on the decrease since November, registered a partial increase amid the rise in fuel prices in February. Meanwhile, having decreased in the other services group, annual inflation followed a flat course in rent.



Annual core goods inflation fell by approximately 1.8 points to 6.79 percent. Following the adverse outlook in January, prices of durable consumption goods recorded a lower increase in February. Automobile prices increased due both to the depreciation in the Turkish lira and seasonal effects, while prices in commodity groups like furniture, electrical/non-electrical home appliances remained flat. Accordingly, the annual inflation in durable consumption goods declined by 2.68 points to 4.88 percent due to the base effect. Clothing prices, which receded upon seasonal effects, displayed a more favorable outlook compared to the February periods of previous years. Additionally, the downtrend continued in the annual inflation in core goods excluding clothing and durables.



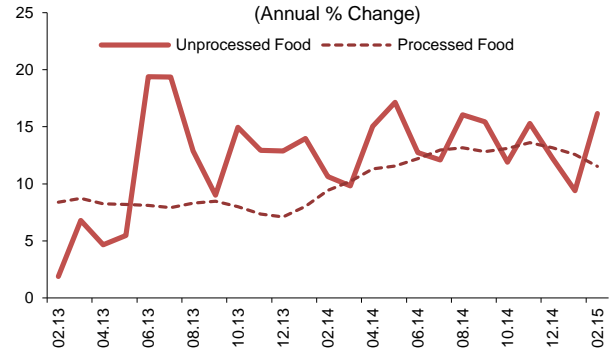
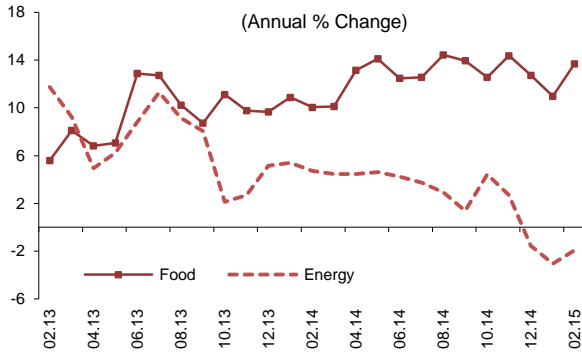
Following a fall for three consecutive months, energy prices rose by 1.14 percent in February. This was led by the fuel prices that surged by 2.88 percent upon the depreciation in the Turkish lira and the rise in international oil prices. Moreover, following the hike in January, municipal water tariffs rose again by 1.14 percent in February. All in all, annual energy inflation stood at -1.92 percent.

Annual inflation in the food and non-alcoholic beverages group rose by 2.73 points to 13.70 percent. This rise was driven by the annual unprocessed food inflation that climbed to 16.16 percent.

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percent. In fact, the seasonally-adjusted data indicated a rise also in February as in January in the unprocessed food group. The uptrend in meat prices grew stronger in this period, and prices of vegetables recorded an increase due to unfavorable weather conditions. Annual inflation in processed food prices receded to 11.54 percent in February, yet the monthly trend of increase in this group spilled over into the whole group and continued. The group excluding bread and cereals, chiefly fats-oils, tea and canned vegetables saw monthly price hikes.



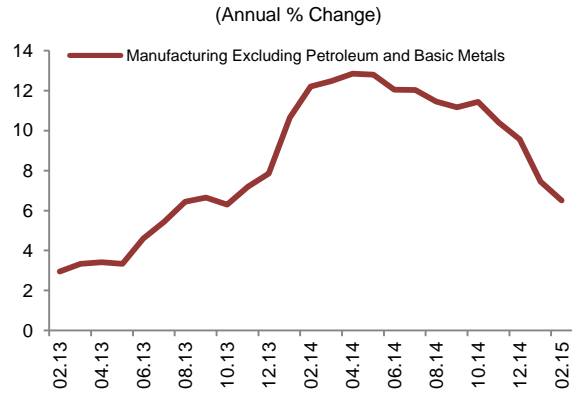
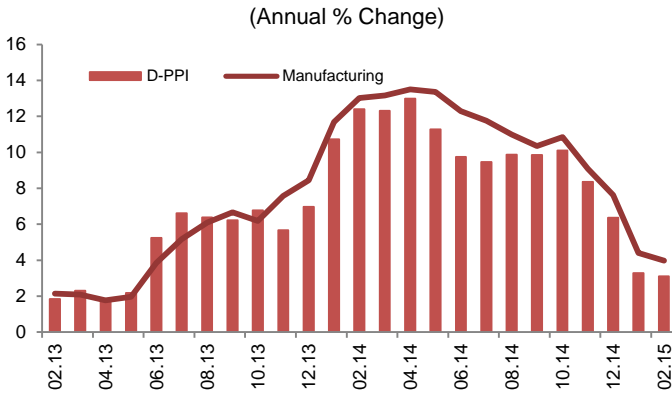
	Monthly Percent Change		Annual Percent Change	
	Feb.2015	Feb.2014	Feb.2015	Feb.2014
CPI	0.71	0.43	7.55	7.89
1. Goods	0.73	0.29	7.09	7.75
Energy	1.14	-0.01	-1.92	4.73
Food and nonalcoholic beverages	2.59	0.13	13.70	10.05
Unprocessed food	4.63	-1.47	16.16	10.63
Fresh fruits and vegetables	6.79	-6.05	29.44	-6.39
Other unprocessed food	3.29	1.42	8.92	24.21
Processed food	0.73	1.65	11.54	9.42
Bread and cereals	0.41	1.89	11.60	11.84
Other processed food	0.92	1.51	11.48	7.95
Goods excluding energy and food	-0.86	0.56	6.16	7.30
Core goods	-1.05	0.61	6.79	8.39
Durable goods	1.24	3.70	4.90	11.94
Durable goods (excluding gold)	1.11	3.69	4.88	12.75
Alcoholic beverages and tobacco	-0.44	0.02	3.91	3.11
Gold	3.72	3.83	4.89	-1.20
2. Services	0.68	0.77	8.63	8.34
Rents	0.48	0.43	7.47	6.65
Restaurants and hotels	1.06	1.42	12.66	11.72
Transport	0.32	0.83	7.12	6.63
Communication	1.08	0.11	5.26	2.40
Other*	0.50	0.77	8.56	10.71
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.23	0.74	6.65	7.81
SCA-H	0.02	0.87	8.44	8.63
SCA-I	-0.14	0.70	7.73	8.43

Source: TurkStat, CBRT.

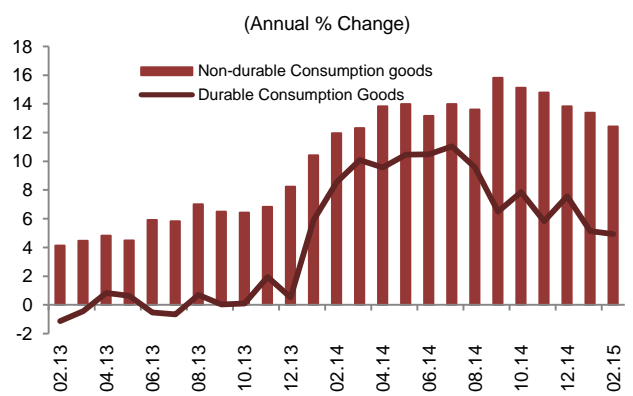
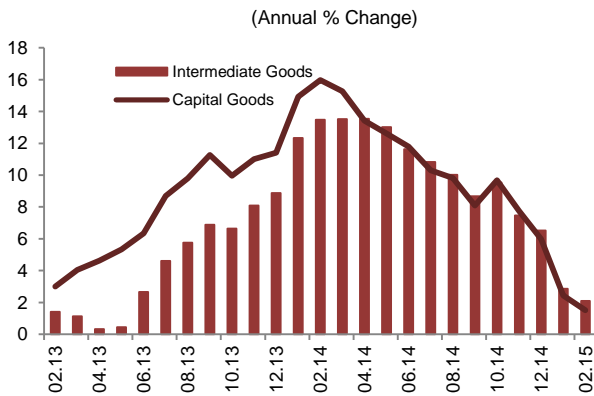
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

Domestic producer prices rose by 1.20 percent and the group's annual inflation fell to 3.10 percent in February. Similarly, the annual inflation dropped to 3.98 percent in the manufacturing industry and 6.51 percent in the manufacturing industry excluding petroleum and basic metals. However, the monthly increase of manufacturing industry prices gained pace due to the surge in international oil prices and the depreciation in the Turkish lira.



According to the Main Industrial Groupings (MIGs), prices surged across all main groups in February. Prices of durable consumption goods increased due to jewelry prices, while prices of non-durable goods were pushed up by food manufacturing prices. Prices of intermediate and capital goods saw an overall increase. Prices across all main groups posted an uptick in February as they did in January, yet annual inflation rates decreased due to the base effect.



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...TABLES

February CPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
CPI	100	0.71	7.55	0.43	7.89
Food and nonalcoholic beverages	24.25	2.59	13.70	0.13	10.05
Alcoholic beverages and tobacco	4.82	-0.44	3.91	0.02	3.11
Clothing and footwear	7.38	-6.58	7.40	-5.06	5.59
Housing	15.79	0.46	7.50	0.46	4.84
Household equipment	7.78	0.23	7.37	1.33	6.77
Health	2.57	0.82	8.29	0.76	6.62
Transport	15.38	1.77	-1.49	2.29	12.68
Communication	4.38	0.94	3.95	0.19	0.63
Recreation and culture	3.54	0.58	6.03	0.63	7.60
Education	2.53	-0.08	7.96	0.21	9.87
Restaurants and hotels	6.98	1.06	12.66	1.42	11.72
Miscellaneous goods and services	4.60	0.59	9.18	1.14	4.32

Source: TurkStat.

February D-PPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.20	3.10	1.38	12.40
Mining	3.40	-2.92	-7.79	1.29	14.53
Manufacturing	86.21	1.45	3.98	1.86	13.01
Manufacturing excl. petroleum products	83.24	1.01	5.74	1.81	12.46
Manufacturing excl. petroleum products and basic metals	75.00	1.07	6.51	1.95	12.21
Electricity, gas, steam and air-conditioning supply	9.30	0.33	-2.84	-2.97	4.90
Water supply	1.09	1.67	22.84	1.66	8.81
D-PPI (MIGs Classification)					
Intermediate Goods		0.62	2.09	1.37	13.48
Durable Consumption Goods		1.79	4.93	1.99	8.56
Non-Durable Consumption Goods		1.31	12.43	2.17	11.95
Capital Goods		1.19	1.52	2.10	15.98
Energy		2.31	-10.31	-0.77	8.66

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.