

# FEBRUARY PRICE DEVELOPMENTS



Central Bank of Turkey

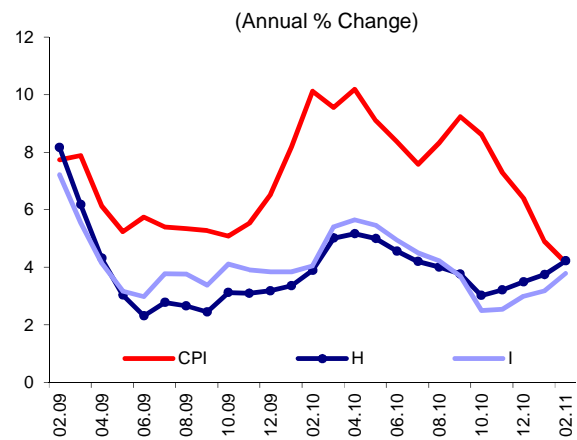
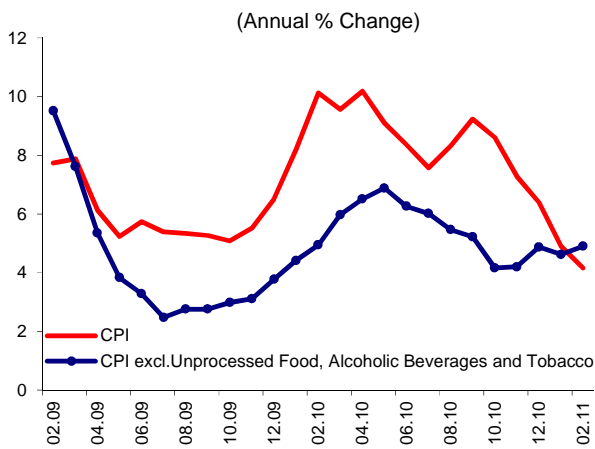
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## SUMMARY ...

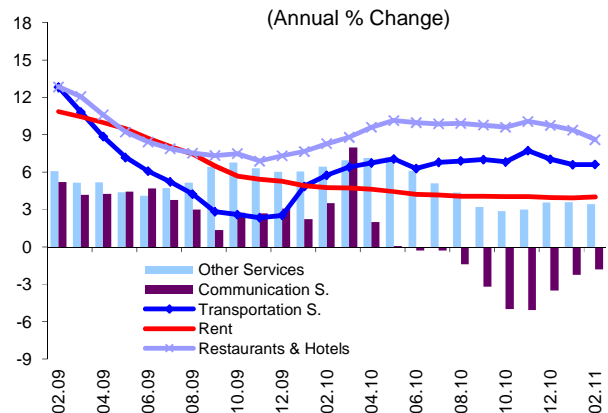
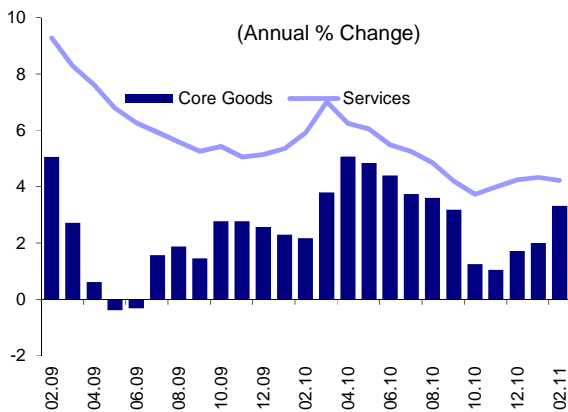
In February, consumer prices increased by 0.73 percent, and annual inflation fell to 4.16 percent. As stated in the Summary of the Monetary Policy Committee meeting, the decline in annual inflation was driven by the high base effect from last year's unprocessed food prices, while the annual rate of increase in core goods and services accelerated. The pick-up in the annual rate of increase in core price measures is expected to continue into coming months.

## ... EVALUATIONS ...

In February, consumer prices were up 0.73 percent, and annual inflation fell 0.74 percentage points to 4.16 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) rose to 4.22 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) accelerated to 3.78 percent year-on-year.



Prices for services increased by 0.38 percent, while the annual services inflation went down to 4.22 percent. The slowing pace of services inflation was largely due to easing prices for restaurants and hotels driven by lower unprocessed food prices. Rising fuel prices continue to put upward pressure on transport services, while the annual rental inflation remains low.



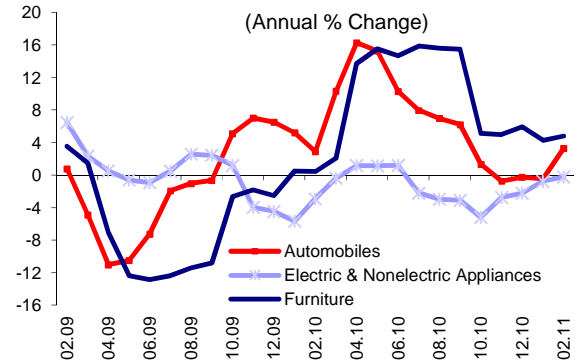
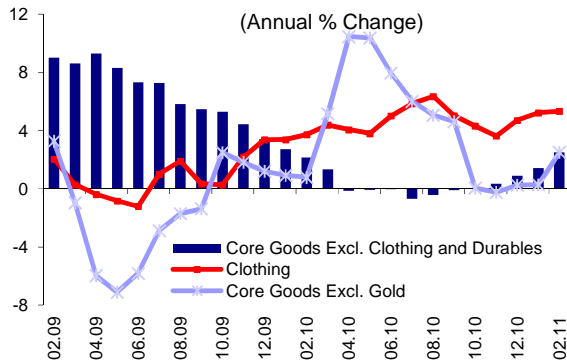
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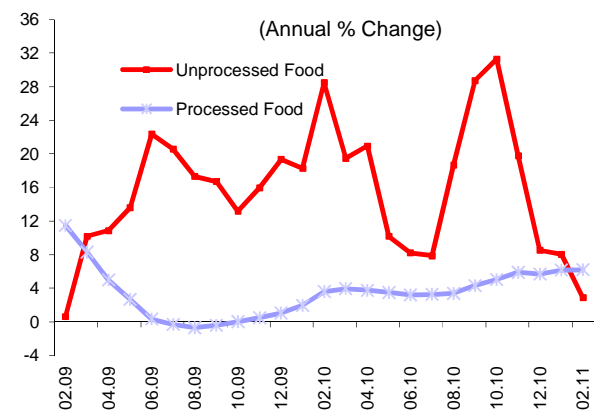
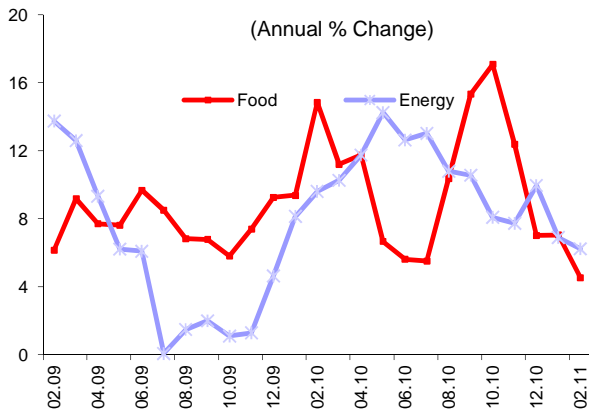
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Prices of core goods (goods excluding food, energy, alcoholic beverages, tobacco and gold) were down 0.21 percent in February, whereas the annual core goods inflation rose by 1.31 percentage points to 3.31 percent on the back of rising prices of durable goods (excluding gold) driven by higher import prices and the weak Turkish lira. Meanwhile, automobile prices soared by 3.73 percent. The surge in international cotton prices continued to put upward pressure on the textile and clothing industry prices in February, which is expected to drive prices of new season arrivals higher.



Developments in international oil prices and exchange rates continued to push domestic fuel prices up in February, albeit at a more moderate pace. Moreover, water supply tariffs were down in Istanbul. Thus, energy prices remained broadly unchanged in February, while the annual energy inflation fell to 6.23 percent.



The annual inflation in food and nonalcoholic beverages decreased by 2.53 percentage points month-on-month to 4.53 percent. Unprocessed food prices were up 4.32 percent on soaring prices of fresh fruits and vegetables, while the annual unprocessed food inflation slowed to 2.89 percent amid falling red meat prices and base effects.

Meanwhile, processed food prices increased by 0.94 percent on rising prices for bread and cereals and oils and fats, whereas the annual processed food inflation remained flat. The temporary suspension of the 130 percent customs duty on wheat imports until May 1, 2011 is expected to ease the run-up in processed food prices over the short term.

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	Monthly Percent Change		Annual Percent Change	
	February 2011	February 2010	February 2011	February 2010
<b>CPI</b>	<b>0.73</b>	<b>1.45</b>	<b>4.16</b>	<b>10.13</b>
<b>1. Goods</b>	<b>0.86</b>	<b>1.79</b>	<b>4.14</b>	<b>11.64</b>
Energy	-0.09	0.53	6.23	9.60
Food and nonalcoholic beverages	2.54	5.01	4.53	14.84
Unprocessed food	4.32	9.55	2.89	28.47
Fresh fruits and vegetables	9.28	18.04	2.92	31.25
Other unprocessed food	0.74	3.98	2.56	26.11
Processed food	0.94	0.90	6.21	3.58
Bread and cereals	1.42	0.77	6.30	-1.17
Other processed food	0.67	0.97	6.16	6.50
Goods excluding energy and food	-0.14	-0.42	2.94	9.93
Core goods	-0.21	-1.49	3.31	2.17
Durable goods	2.21	0.05	4.51	1.45
Durable goods (excluding gold)	2.29	0.08	2.51	0.79
Alcoholic beverages and tobacco	0.01	3.72	-1.51	52.88
Gold	1.15	-0.26	30.90	7.01
<b>2. Services</b>	<b>0.38</b>	<b>0.48</b>	<b>4.22</b>	<b>5.91</b>
Rents	0.34	0.28	4.00	4.75
Restaurants and hotels	0.45	1.17	8.60	8.28
Transport	0.64	0.63	6.62	5.76
Communication	0.43	0.11	-1.50	3.62
Other services*	0.17	0.32	3.44	6.44
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.22	-0.05	4.90	4.94
SCA-H	0.27	-0.19	4.22	3.89
SCA-I	0.10	-0.48	3.78	4.05

Sources: TurkStat; and CBRT.

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

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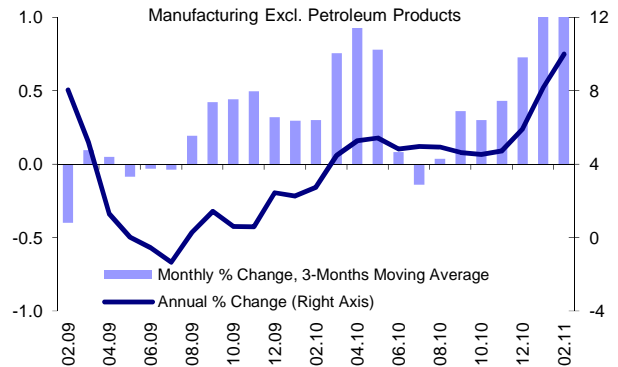
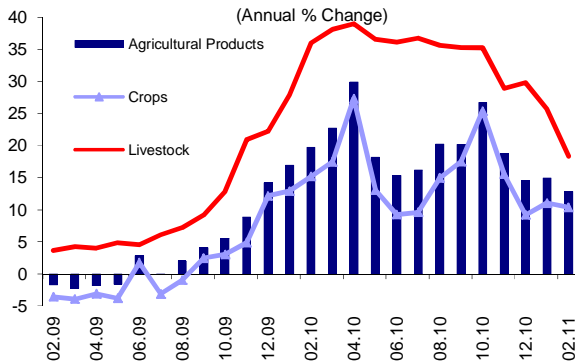


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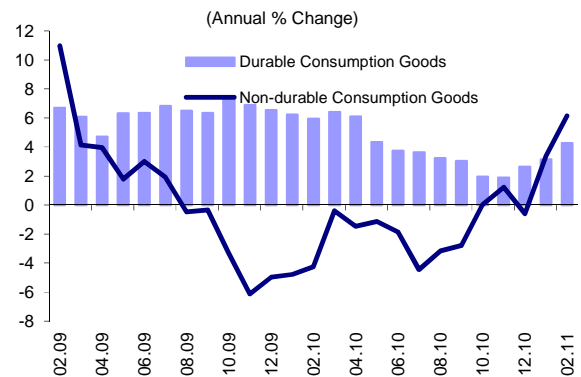
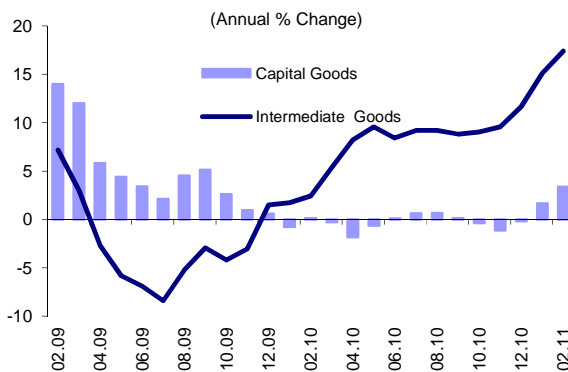
## ... PPI ...

In February, producer prices increased by 1.72 percent, while the annual PPI inflation remained constant at 10.87 percent. Agricultural prices were up 2.15 percent due to rising prices of fruits and vegetables. Livestock prices remained flat, while cotton prices rose by a dramatic 8.04 percent.



Developments in exchange rates and commodity prices continued to affect manufacturing industry prices, which rose further by 2.32 percent in February. Manufacturing industry prices excluding petroleum and base metals increased by 2 percent.

Producer prices were up across all subcategories of the Main Industrial Groupings (MIGs), excluding energy. Prices of intermediate goods increased due to rising producer prices for base metals and fabrics, while prices of capital goods were up mainly on the back of higher producer prices for metal goods and motor vehicles. Prices of durable goods continued to rise on higher producer prices for furniture, while prices of non-durable goods increased due to changes in producer prices for food, clothing and textiles.



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## ... TABLES

February CPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		MoM	YoY	MoM	YoY
CPI	100	0.73	4.16	1.45	10.13
Food and nonalcoholic beverages	26.78	2.54	4.53	5.01	14.84
Alcoholic beverages and tobacco	5.90	0.01	-1.51	3.72	52.88
Clothing and footwear	7.22	-5.15	5.35	-5.25	3.78
Housing	16.46	-0.14	4.38	0.39	4.58
Household equipment	6.93	0.92	4.66	-0.11	-0.82
Health	2.40	0.11	1.29	-0.20	1.87
Transport	15.15	1.77	6.03	0.42	9.68
Communication	4.64	0.43	-1.50	0.11	3.62
Recreation and culture	2.70	-0.40	-1.97	-0.57	6.24
Education	2.32	0.14	4.35	0.02	5.93
Restaurants and hotels	5.89	0.45	8.60	1.17	8.28
Miscellaneous goods and services	3.61	0.83	7.36	0.22	7.01

Source: TurkStat.

February PPI and Subcategories (Percent Change)					
	Weight	2011		2010	
		MoM	YoY	MoM	YoY
PPI	100	1.72	10.87	1.66	6.82
Agriculture	17.49	2.15	12.86	4.04	19.73
Crops, fruits and vegetables	12.23	2.65	10.39	3.28	15.21
Livestock and animal products	4.52	-0.02	18.31	6.22	36.02
Industry	82.51	1.63	10.44	1.16	4.16
Mining	3.10	2.77	12.77	0.28	10.78
Manufacturing	70.68	2.32	10.98	0.39	5.52
Manufacturing excluding petroleum	67.56	2.16	10.00	0.47	2.74
Manufacturing excluding petroleum and base metals	61.66	2.00	7.38	0.43	2.47
Electricity, gas and water	8.73	-4.42	5.33	9.14	-14.30

Sources: TurkStat; and CBRT.

PPI by MIGs														
Monthly Percent Change														
	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sept 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	YoY
Intermediate goods	0.66	3.06	1.80	0.00	-0.50	0.49	0.79	0.83	-0.22	1.14	2.80	3.39	2.67	17.39
Capital goods	0.36	0.59	-0.72	-0.59	0.10	0.12	-0.18	0.04	-0.45	-0.10	0.81	1.66	2.09	3.38
Durable goods	-0.92	0.28	-0.48	0.78	0.16	-1.64	0.49	0.13	1.23	1.20	-1.39	3.63	1.71	6.14
Non-durable goods	0.54	0.73	0.45	-0.49	-0.51	0.29	-0.27	0.74	0.17	0.13	0.72	0.61	1.62	4.25
Energy	4.88	1.99	0.91	0.47	-0.93	0.68	2.45	-0.01	0.15	0.61	4.27	2.44	-1.04	12.54

Sources: TurkStat; and 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.