

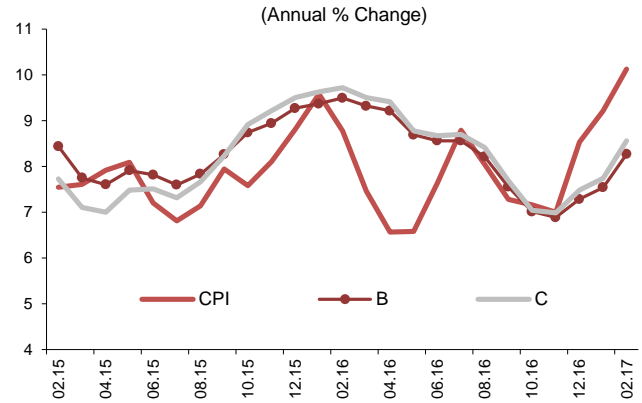
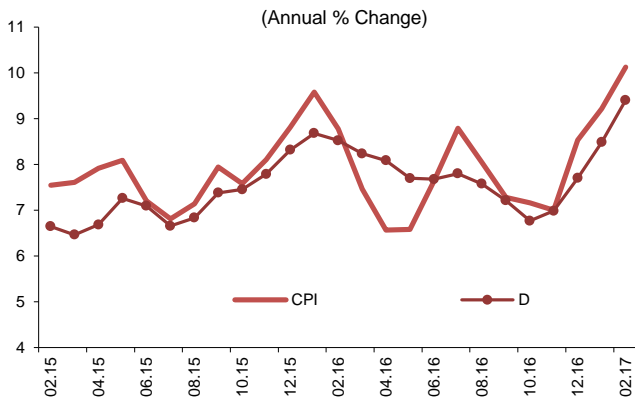
SUMMARY...

In February, consumer prices rose by 0.81 percent, and annual consumer inflation increased by 0.91 points to 10.13 percent. Annual food inflation maintained its uptrend, and the effects of the exchange rate spilled over into the whole, particularly the core goods and energy groups. Despite temporary tax reductions, the core goods inflation that soared amid the cumulative effects of the depreciation in the Turkish lira pushed both the annual inflation and the underlying trend of core indicators upward.

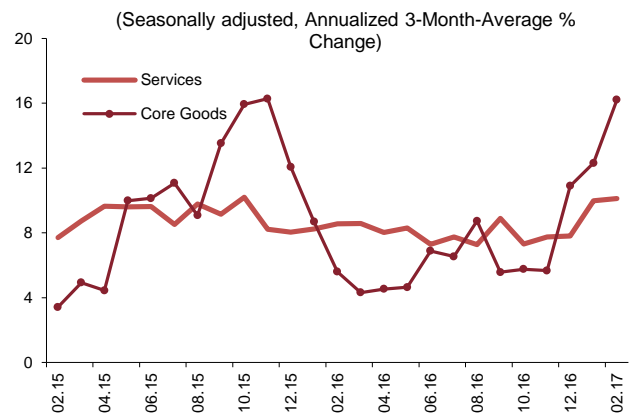
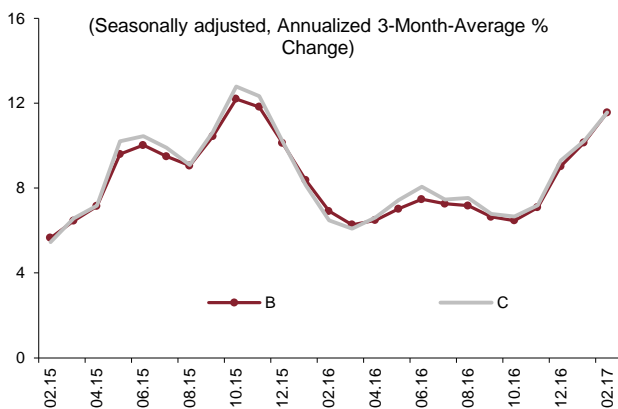
... EVALUATIONS ...

In February, consumer prices rose by 0.81 percent, and annual consumer inflation increased by 0.91 points to 10.13 percent. The annual rate of change in the B and C indices increased by 0.73 and 0.82 points month-on-month to 8.27 and 8.56 percent, respectively.

The contributions of sub-groups to annual CPI inflation reveal a month-on-month increase of 0.42, 0.30 and 0.22 points from the core goods, energy and food groups, respectively. Meanwhile, the contribution from the services, alcohol and tobacco groups remained almost unchanged.



The underlying trend of inflation based on the seasonally-adjusted data in 3-month-averages reveals a sustained deterioration in core inflation indicators. Despite being limited by tax reductions in part, this was driven by the upsurge in the underlying trend of core goods due to the depreciated Turkish lira.

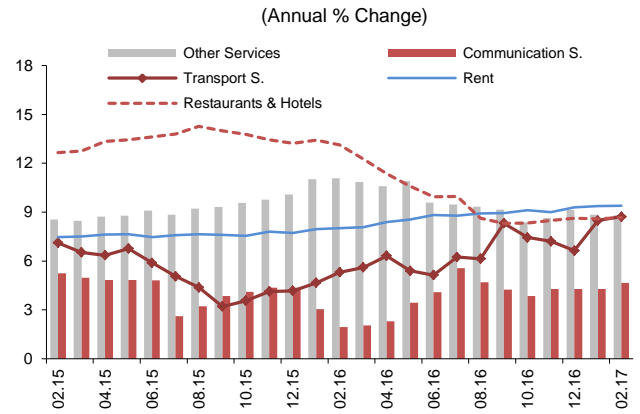
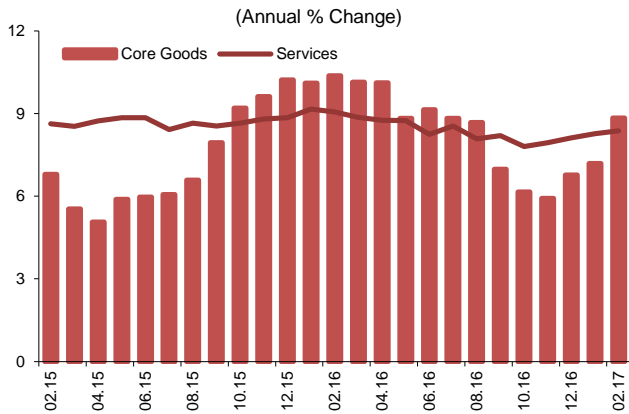


Prices of services rose by 0.68 percent in February, while the group's annual inflation inched up by 0.10 points to 8.37 percent. Annual inflation increased in transport and communication services, but remained relatively flat in other services. On the transport services front, prices of highway and airway transport services increased, further parallel to the cumulative increase in

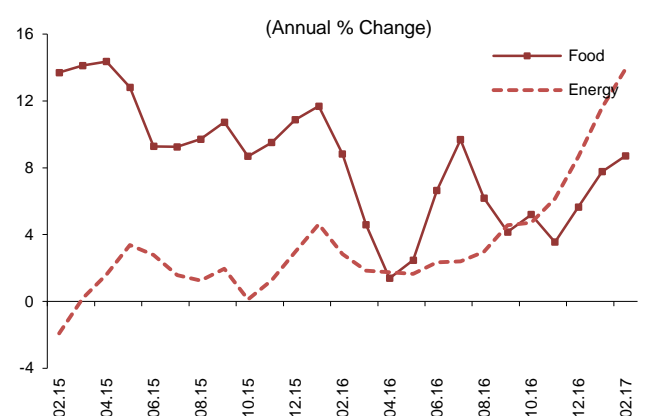
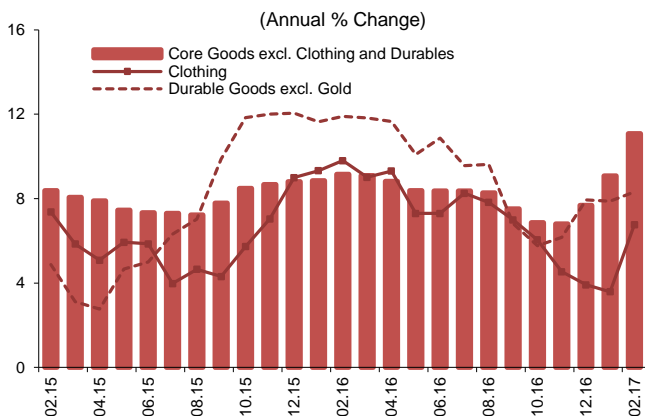
FEBRUARY PRICE DEVELOPMENTS

MARCH 6, 2017

fuel prices. In the restaurants-hotels group, prices rose in catering services, but receded in accommodation services, keeping the annual accommodation services inflation low (0.12 percent). On the other hand, annual inflation in rents and other services remained high, and the course of other services was mainly shaped by pre-school and elementary school education (12.31 percent) and health services (10.67 percent).



Annual core goods inflation climbed by 1.65 points to 8.83 percent in February. Effects of the depreciated Turkish lira grew apparent across sub-groups. The February sale in clothing prices remained well below past averages. Pioneered by soaring prices of automobiles (4.82 percent) as well as electrical and non-electrical devices (1.39 percent), durable goods saw an uptick in prices, whereas the temporary tax reductions in the furniture and white goods in February pulled prices down in these items (by -4.86 and -1.47 percent, respectively). Tax reductions emerged partly in furniture prices and slightly in prices of white goods. Moreover, core goods excluding clothing and durable goods saw surging prices due to the exchange rate pass-through. This was led by rising prices in maintenance-repair, spare parts, personal care, medication and household items. In sum, the temporary tax reductions notwithstanding, February was marked by the lagged effects of the exchange rate on core goods.



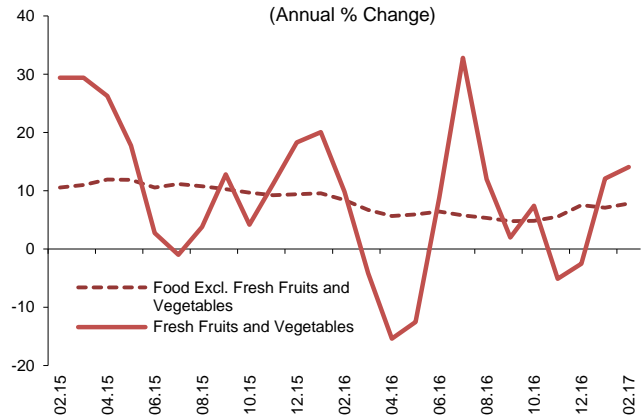
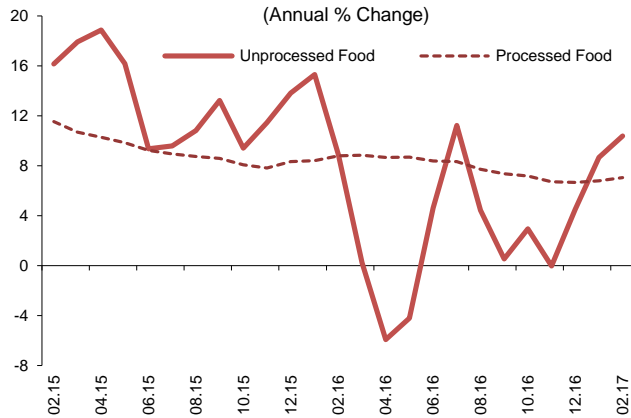
Energy prices increased by 1.52 percent in February amid price hikes across the group. Prices of bottled gas, solid fuels and water displayed a month-on-month surge by 5.08, 1.78 and 1.61 percent, respectively. Moreover, fuel prices soared by 1.97 percent in this period, and the cumulative increase in this group reached 27.40 percent in the last six months. Thus, annual energy inflation rose by 2.34 points to 13.94 percent in February.

Annual inflation in food and non-alcoholic beverages inched up by 0.95 points to 8.72 percent in February. This was mainly driven by the rise in unprocessed food prices on account of fresh fruits. Red meat prices followed a mild course, whereas sub-groups such as legumes and rice

FEBRUARY PRICE DEVELOPMENTS

MARCH 6, 2017

witnessed noteworthy price increases. Unprocessed food saw accelerated month-on-month price increases (1.33 percent), while the group's annual inflation jumped to 7.06 percent in February. Across subgroups, fats and oils, cheese and other dairy products and non-alcoholic beverages displayed soaring prices.



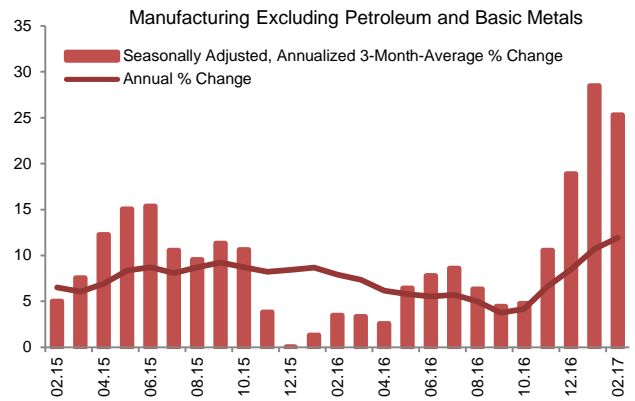
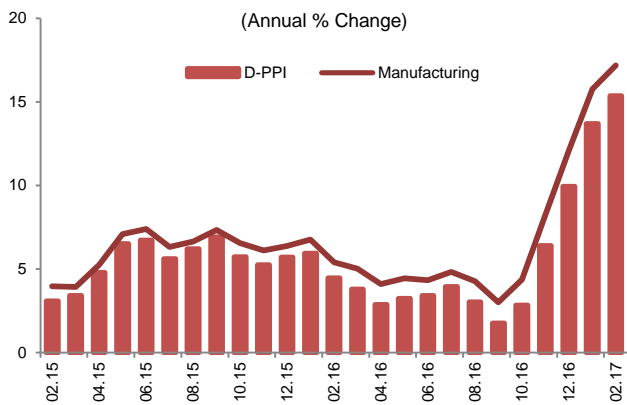
	Monthly Percent Change		Annual Percent Change	
	Feb.2017	Feb.2016	Feb.2017	Feb.2016
CPI	0.81	-0.02	10.13	8.78
1. Goods	0.87	-0.29	10.90	8.66
Energy	1.52	-0.56	13.94	2.85
Food and nonalcoholic beverages	0.84	-0.04	8.72	8.83
Unprocessed food	0.36	-1.21	10.39	8.89
Fresh fruits and vegetables	-0.60	-2.33	14.08	9.83
Other unprocessed food	1.01	-0.37	9.12	7.76
Processed food	1.33	1.09	7.06	8.79
Bread and cereals	0.76	2.01	6.65	8.71
Other processed food	1.66	0.57	7.30	8.86
Goods excluding energy and food	0.63	-0.37	11.58	10.99
Core goods	0.73	-0.80	8.83	10.37
Durable goods (excluding gold)	1.74	1.33	8.32	11.89
Clothing and footwear ^(*)	-3.43	-6.30	6.77	9.80
Other core goods	2.56	0.72	11.07	9.15
Alcoholic beverages and tobacco	0.03	1.00	21.72	12.78
Gold	1.24	6.22	28.72	16.08
2. Services	0.68	0.59	8.37	9.06
Rents	0.55	0.54	9.40	8.02
Restaurants and hotels	0.86	0.78	8.66	13.12
Transport	1.17	0.94	8.72	5.31
Communication	0.35	0.00	4.66	1.94
Other	0.52	0.55	8.81	11.08
3. Core Measures				
B	0.81	0.13	8.27	9.49
C	0.70	-0.06	8.56	9.72
D	0.93	0.08	9.40	8.52

Source: TurkStat.

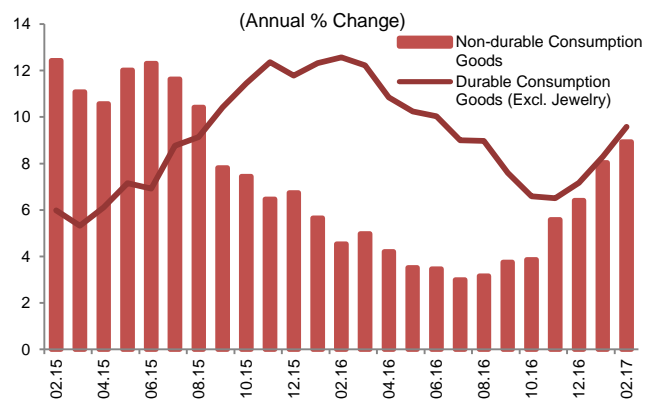
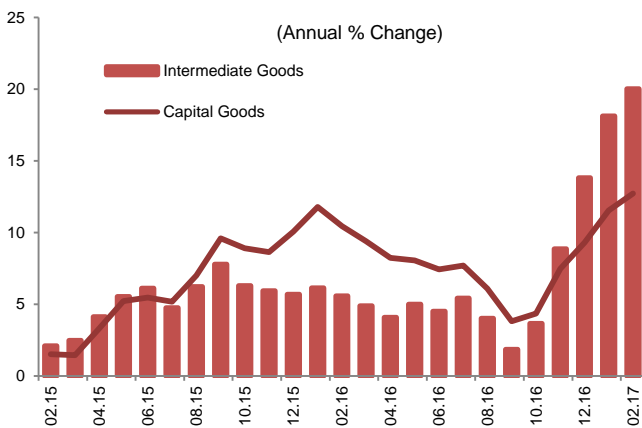
(*) Does not cover clothing services.

... D-PPI ...

Domestic producer prices rose by 1.26 percent in February, while annual PPI inflation climbed by 1.67 points to 15.36 percent, which was led by the exchange rate and international commodity prices. Annual inflation reached 17.18 percent in the manufacturing industry and 11.92 percent in the manufacturing industry excluding petroleum and base metals. The seasonally-adjusted underlying trend of manufacturing industry prices excluding petroleum and base metals maintained its high level.



According to the Main Industrial Groupings (MIGs), prices registered notable gains across all subcategories in February. The upswing in prices of intermediate goods was driven by basic chemicals, plastic products and textile products. Prices of durable goods rose on account of furniture and consumer electronics, while those of non-durable goods increased due to fats and oils. Motor vehicles drove the prices of capital goods upwards in this period. Hence, producer-driven cost pressures on consumer prices remained robust.



... TABLES

February CPI and Subcategories (Percent Change)					
	Weight	2017		2016	
		Monthly	Annual	Monthly	Annual
CPI	100	0.81	10.13	-0.02	8.78
Food and nonalcoholic beverages	21.77	0.84	8.72	-0.04	8.83
Alcoholic beverages and tobacco	5.87	0.03	21.72	1.00	12.78
Clothing and footwear	7.33	-3.35	6.77	-6.16	9.80
Housing	14.85	1.18	7.42	0.36	7.22
Household equipment	7.72	-0.67	4.93	0.50	11.04
Health	2.63	2.17	12.53	1.80	9.20
Transport	16.31	2.82	17.96	0.77	6.32
Communication	4.12	0.65	4.36	-0.42	1.26
Recreation and culture	3.62	0.89	7.32	-0.13	11.25
Education	2.69	0.02	9.33	0.11	6.66
Restaurants and hotels	8.05	0.86	8.66	0.78	13.12
Miscellaneous goods and services	5.04	1.38	12.82	1.31	12.00

Source: TurkStat.

February D-PPI and Subcategories (Percent Change)					
	Weight	2017		2016	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	1.26	15.36	-0.20	4.47
Mining	3.36	2.39	19.19	0.09	2.46
Manufacturing	88.79	1.36	17.18	0.15	5.40
Manufacturing excl. petroleum products	86.18	1.40	15.12	0.22	6.57
Manufacturing excl. petroleum products and basic metals	77.80	1.45	11.92	0.35	7.91
Electricity, gas, steam and air-conditioning supply	6.81	-0.68	-5.71	-4.17	-4.30
Water supply	1.03	1.91	9.81	0.98	9.40
D-PPI (MIGs Classification)					
Intermediate Goods		1.69	20.03	0.08	5.57
Durable Consumption Goods		1.56	12.73	1.51	13.49
Durable Consumption Goods (Excl. Jewelry)		1.35	9.58	0.17	12.57
Non-Durable Consumption Goods		1.08	8.93	0.25	4.54
Capital Goods		1.04	12.73	-0.02	10.44
Energy		0.18	17.82	-3.02	-7.57

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.