

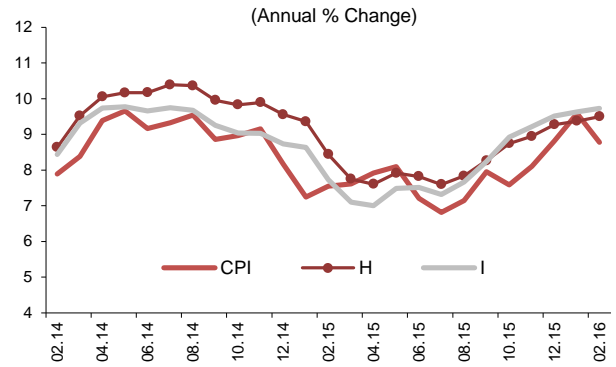
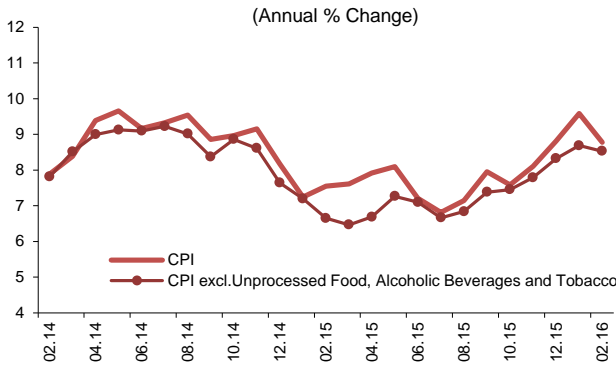
SUMMARY ...

In February, consumer prices edged down by 0.02 percent, and the annual consumer inflation fell by 0.80 point to 8.78 percent. The fall in inflation was mainly driven by unprocessed food and energy prices. In this period, the lagged effects of the exchange rate maintained the downtrend. Annual inflation in core indicators increased slightly, while their underlying trends continued to improve at a limited extent.

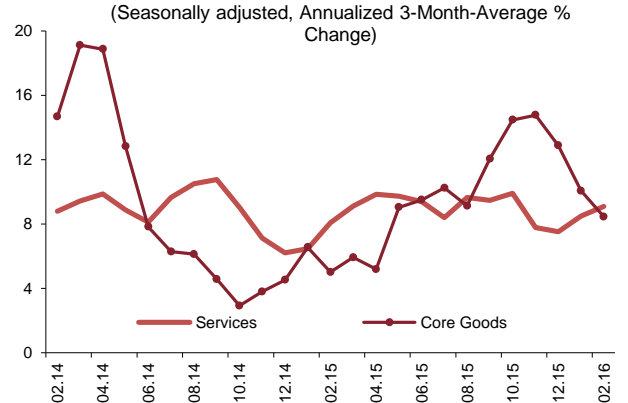
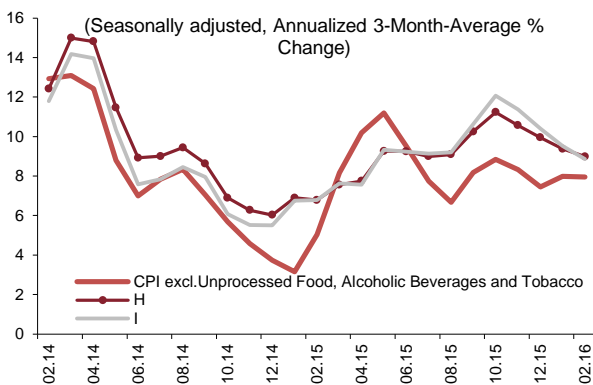
... EVALUATIONS ...

In February, consumer prices edged down by 0.02 percent, and the annual consumer inflation fell by 0.80 point to 8.78 percent. The annual rate of change in the H and I indices rose by around 0.1 point month-on-month to 9.49 and 9.72 percent, respectively.

Contributions of sub-groups to annual CPI inflation reveal a decline in food and energy groups by 0.67 and 0.23 points respectively, in February. Contribution of core goods and services groups remained relatively flat month-on-month, while that of alcoholic beverages-tobacco group increased by 0.08 point in this period.



The underlying trend of inflation based on seasonally-adjusted data in 3-month averages reveal that the improvement in the core inflation indicators continued, albeit limited. In February, core goods prices remained on a downtrend amid the mitigated effects of cumulative depreciation in the Turkish lira, while the underlying trend of services inflation displayed a slight rise.

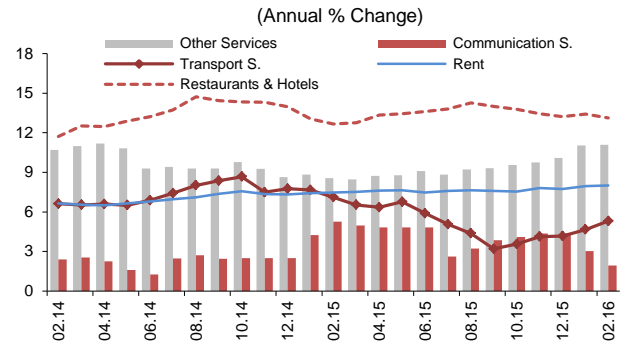
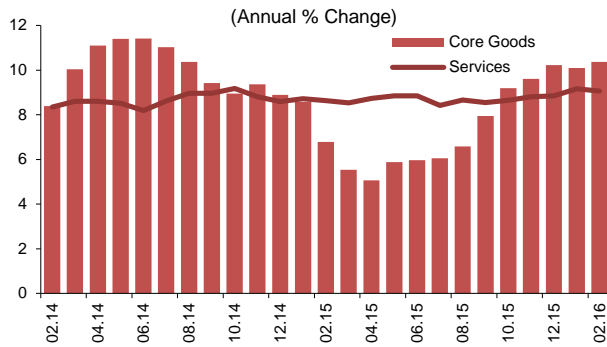


Prices of services increased by 0.59 percent on a monthly basis and the group's annual inflation fell by 0.10 point to 9.06 percent in February. Annual inflation decreased in communication services and the restaurants-hotels group, but increased in other subgroups. Hitting 8.02 percent, annual rent inflation recorded the highest figures of the last six years. Despite a slight recovery, the restaurants-hotels group maintained a high course in annual inflation. Price increases in the other services group were seen in items related to insurance, health and

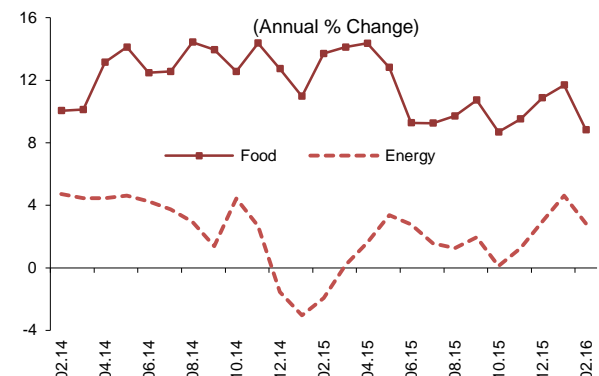
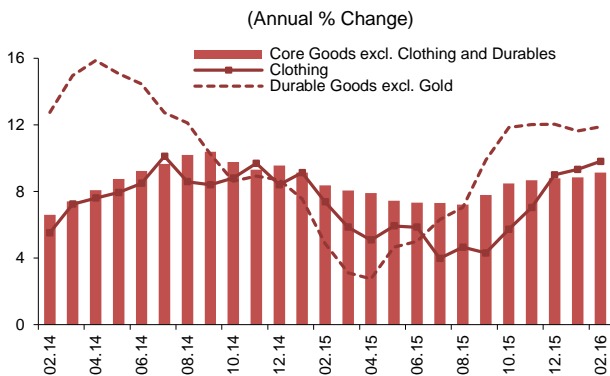
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maintenance-repair services. Prices of transport services maintained the uptrend due to the price increases in administered transport services.



Annual core goods inflation edged up by 0.27 point to 10.37 percent in February. An uptick in annual inflation spread across all subgroups in this period. Hikes in automobile prices were striking in durable consumption goods, and furniture prices increased in this period again after soaring in January. Thus, cumulative increases in these subgroups neared 5 percent in the first two months of the year. Annual inflation in clothing hit one of the highest figures of the index history with 9.80 percent. Annual inflation in core goods excluding clothing and durables maintained the uptrend, and lagged effects of the exchange rate remained brisk on this group.



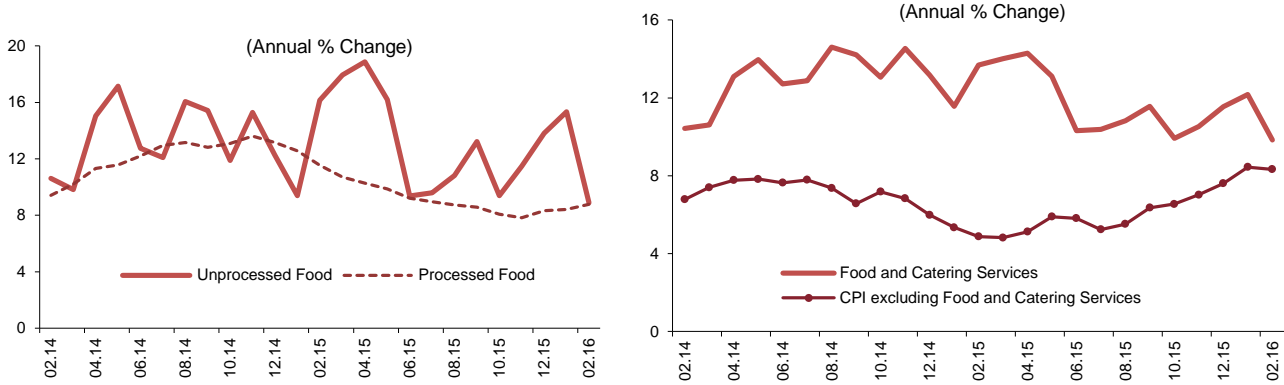
Energy prices declined by 0.56 percent in February, on the back of the fall in fuel prices by 2.32 percent amid the appreciation in the Turkish lira. Bottled gas prices were down by 1.65 percent in this period. Against this background, annual energy inflation receded to 2.85 percent with a decline by 1.77 points.

Annual inflation in food and non-alcoholic beverages decreased by 2.86 points to 8.83 percent. This fall stemmed from the correction in unprocessed food prices that surged in January. Owing particularly to the decline in vegetables prices, annual inflation in fresh fruits and vegetables decreased to 9.83 percent. Meanwhile, thanks to recent measures, red meat prices recorded a slight decline. On the other hand, price increases in pulses did not decelerate, and the annual rate of price increase in pulses hit 16 percent. Against this background, annual unprocessed food inflation displayed an evident decline to 8.89 percent. Meanwhile, annual processed food inflation maintained the uptrend which was led by the bread-cereals group. A cumulative increase in bread prices in the last three months reached 6.67 percent. Olive oil prices continued to increase, albeit at a slower pace, while prices in other processed food items followed a relatively moderate outlook. As a result, annual inflation in the processed food group edged up by 0.38 point to 8.89 percent in February.

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Annual inflation in food and catering services receded to 9.84 percent, while consumer inflation excluding food and catering services fell to 8.33 percent in February.



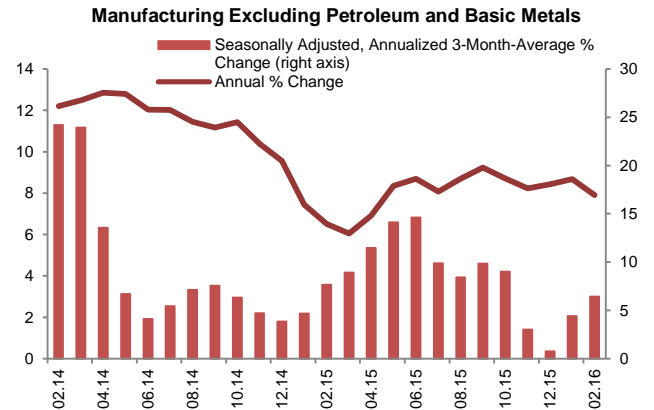
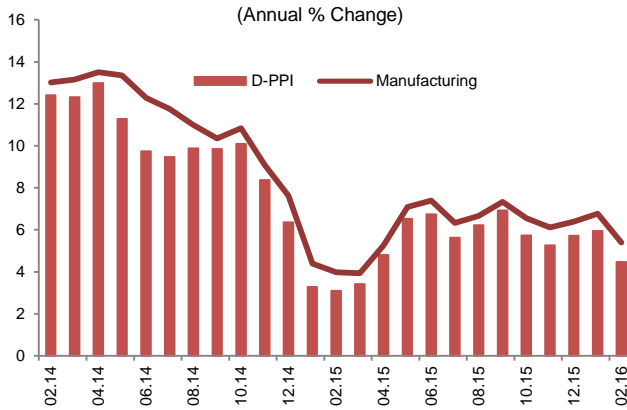
	Monthly Percent Change		Annual Percent Change	
	Feb.2016	Feb.2015	Feb.2016	Feb.2015
CPI	-0.02	0.71	8.78	7.55
1. Goods	-0.29	0.73	8.66	7.09
Energy	-0.56	1.14	2.85	-1.92
Food and nonalcoholic beverages	-0.04	2.59	8.83	13.70
Unprocessed food	-1.21	4.63	8.89	16.16
Fresh fruits and vegetables	-2.33	6.79	9.83	29.44
Other unprocessed food	-0.37	3.29	7.76	8.92
Processed food	1.09	0.73	8.79	11.54
Bread and cereals	2.01	0.41	8.71	11.60
Other processed food	0.58	0.92	8.86	11.48
Goods excluding energy and food	-0.36	-0.86	11.00	6.16
Core goods	-0.80	-1.05	10.37	6.79
Durable goods	1.60	1.24	12.13	4.90
Durable goods (excluding gold)	1.33	1.11	11.89	4.88
Alcoholic beverages and tobacco	1.00	-0.44	12.78	3.91
Gold	6.22	3.72	16.08	4.89
2. Services	0.59	0.68	9.06	8.63
Rents	0.54	0.48	8.02	7.47
Restaurants and hotels	0.78	1.06	13.12	12.66
Transport	0.94	0.32	5.31	7.12
Communication	0.00	1.08	1.94	5.26
Other*	0.55	0.50	11.08	8.56
3. Core Measures				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.08	0.23	8.53	6.65
H	0.13	0.02	9.49	8.44
I	-0.06	-0.14	9.72	7.73

Source: TurkStat, CBRT.

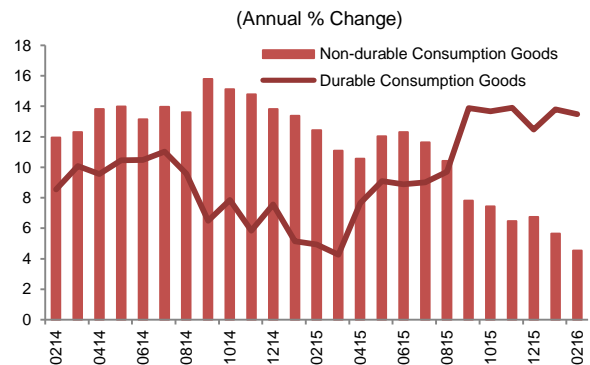
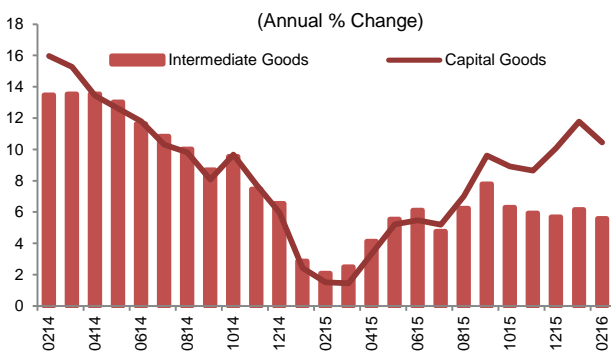
*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...D-PPI...

Domestic producer prices edged down by 0.20 percent month-on-month, and the group's annual inflation fell by 1.47 points to 4.47 percent in February. This was mainly driven by the recent stable outlook of the Turkish lira and the low course of international commodity prices. Meanwhile, annual inflation decreased to 5.40 percent in the manufacturing industry, and to 7.91 percent in those industries excluding petroleum and basic metals.



According to the Main Industrial Groupings (MIGs), prices exhibited a favorable course in all subcategories excepting durable consumption goods with 1.51 percent in February. Durable consumption goods witnessed mild price increases in all items except jewelry. The favorable course of manufacturing prices of intermediate goods in February stemmed mainly from the decline in the prices of iron-steel products. The course of manufacturing prices of capital goods was mainly shaped by falling prices in metal construction products. The monthly price increase in the manufacture of non-durable consumption goods remained limited by 0.25 percent, which was led by food manufacturing prices on account of processed fruits and vegetables. All in all, producer-driven cost pressures on consumer prices dwindled in February.



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...TABLES

February CPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
CPI	100	-0.02	8.78	0.71	7.55
Food and nonalcoholic beverages	23.68	-0.04	8.83	2.59	13.70
Alcoholic beverages and tobacco	4.98	1.00	12.78	-0.44	3.91
Clothing and footwear	7.43	-6.16	9.80	-6.58	7.40
Housing	15.93	0.36	7.22	0.46	7.50
Household equipment	8.02	0.50	11.04	0.23	7.37
Health	2.66	1.80	9.20	0.82	8.29
Transport	14.31	0.77	6.32	1.77	-1.49
Communication	4.42	-0.42	1.26	0.94	3.95
Recreation and culture	3.81	-0.13	11.25	0.58	6.03
Education	2.56	0.11	6.66	-0.08	7.96
Restaurants and hotels	7.47	0.78	13.12	1.06	12.66
Miscellaneous goods and services	4.73	1.31	12.00	0.59	9.18

Source: TurkStat.

February D-PPI and Subcategories (Percent Change)					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	-0.20	4.47	1.20	3.10
Mining	3.50	0.09	2.46	-2.92	-7.79
Manufacturing	87.28	0.15	5.40	1.45	3.98
Manufacturing excl. petroleum products	84.65	0.22	6.57	1.01	5.74
Manufacturing excl. petroleum products and basic metals	75.61	0.35	7.91	1.07	6.51
Electricity, gas, steam and air-conditioning supply	8.13	-4.17	-4.30	0.33	-2.84
Water supply	1.08	0.98	9.40	1.67	22.84
D-PPI (MIGs Classification)					
Intermediate Goods		0.08	5.57	0.62	2.09
Durable Consumption Goods		1.51	13.49	1.79	4.93
Non-Durable Consumption Goods		0.25	4.54	1.31	12.43
Capital Goods		-0.02	10.44	1.19	1.52
Energy		-3.02	-7.57	2.31	-10.31

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.