

INFLATION February 2012

(%)	PPI		CPI	
	2011	2012	2011	2012
February	1.72	-0.09	0.73	0.56
January-February	4.13	0.29	1.14	1.13
Annual	10.87	9.15	4.16	10.43
Annual Average	9.23	10.96	7.76	7.48

Economic
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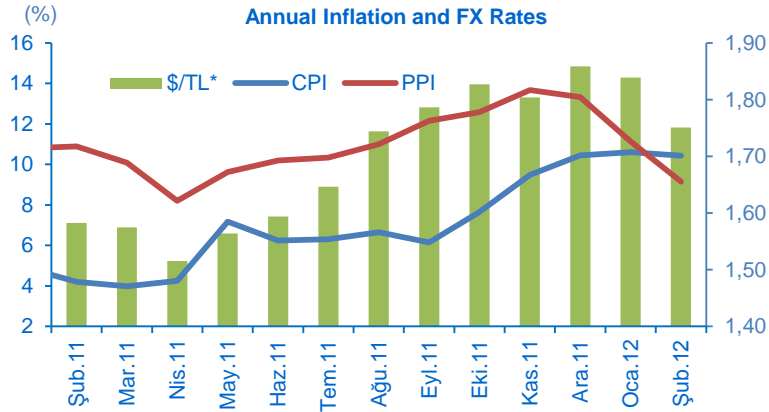
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CPI increased slightly below the expectations.

In February, compared to the previous month, **CPI increased by 0.56%, while PPI decreased by 0.09%**. According to the Reuters' Survey, markets monthly inflation expectations were 0.60% in CPI and 0.50% in PPI. According to the CBRT's survey of expectations on the other hand, CPI was expected to rise by 0.62%.

Annual increase in CPI was 10.43%

In February, the appreciation of TL was influential in the lower than expected inflation figures and the annual increase in CPI declined to 10.43%. The annual increase in PPI, was realized as 9.15%, declined to single-digit level for the first time since May 2011.

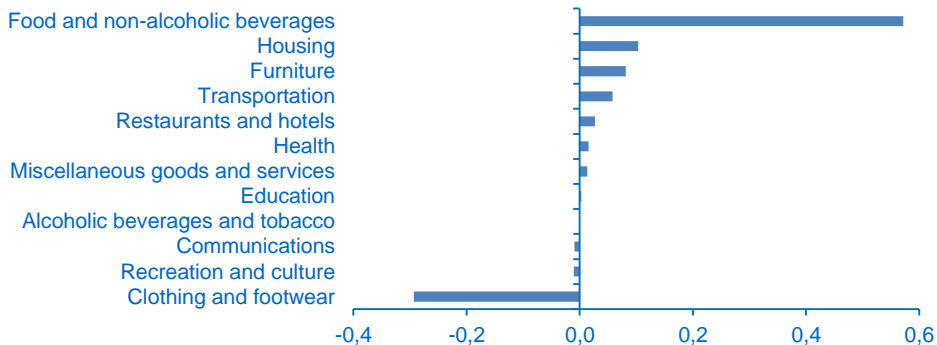


*right axis, monthly average figures

Food and non-alcoholic beverages sub-group was influential on the course of inflation.

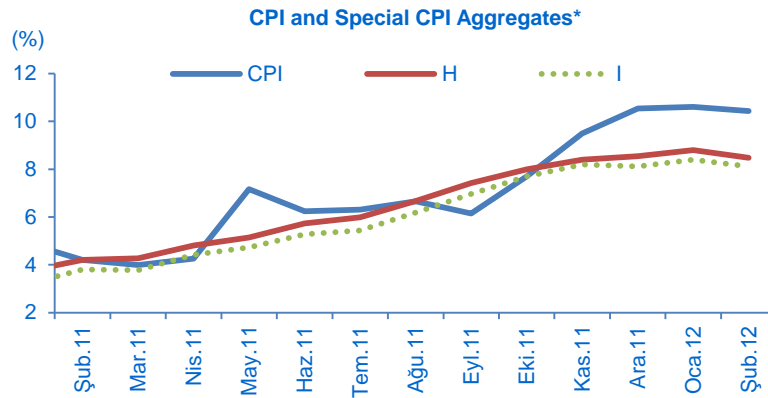
The increase in food and non-alcoholic beverages prices due to the adverse weather conditions during February, played role in the rise of CPI. In this period, the monthly increase of 2.08% in the prices of the mentioned sub-group contributed to inflation by 57 basis points. In line with the appreciation of TL in February, prices in transportation sub-group followed a flat course, while the prices in clothing and footwear sub-group declined due to the seasonal discounts.

Contributions to the monthly CPI by sub-groups (% points)



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Core inflation figures... Analyzing core inflation indicators in February revealed that, the price developments in unprocessed food were determinant on the rise in CPI. In this period, the monthly changes in CBRT's favorite core inflation aggregates denominated by H and I were realized at the lowest level since July 2011. The annual increases in these indices lost some momentum and were materialized as 8.47% and 8.12%, respectively. The recent developments in core inflation aggregates, suggest a favorable outlook in inflation for the coming period.



(*) Annual change

H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.

I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold.

Monthly PPI decreased by 0.09%.

PPI, which has high sensitivity to the changes in FX rates, decreased by 0.09% in February. In this period, the price developments in the manufacture of electricity and basic metals had decreasing effects on the monthly change in PPI by 41 and 26 basis points, respectively. Price movements in agriculture sub-group on the other hand, limited the decline in PPI.

We expect CPI and PPI to rise by 0.50% and 0.20%, respectively in March.

Despite the inflationary risks stemming from the rise in oil prices, we anticipate that the lagged effects of the recent appreciation of TL would continue to mitigate cost pressures also in March. In this context, we expect CPI and PPI to rise by 0.50% and 0.20%, respectively in March.

CBRT narrowed the interest rate corridor.

Monetary Policy Committee decreased O/N lending rate from 12.5% to 11.5% and cut the interest rate on borrowing facilities provided for primary dealers via repo transactions in the framework of open market operations from 12% to 11% in its February meeting. One-week repo rate, which is the policy rate, was kept at 5.75%.

In its statement, CBRT indicated that the rebalancing between the domestic and external demand was ongoing while the contribution of net external demand to growth was increasing. CBRT envisaged the improvement in the current account deficit to continue and expected the core inflation indicators to follow a downward path due to favorable cost factors starting from February. CBRT also referred to the expansionary monetary policy decisions taken by Fed, ECB and central banks of some developing countries in recent periods and decided to cut the upper limit of the interest rate corridor. On the other hand, CBRT indicated that the "cautious stance" in monetary policy should be maintained for a while in order to keep inflation outlook consistent with the medium term targets.



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INFLATION (%)									
		PRODUCER PRICE INDEX (2003=100)				CONSUMER PRICE INDEX (2003=100)			
		Monthly	Year to date	Annual	Annual Average	Monthly	Year to date	Annual	Annual Average
2011	January	2.36	2.36	10.80	8.89	0.41	0.41	4.90	8.28
	February	1.72	4.13	10.87	9.23	0.73	1.14	4.16	7.76
	March	1.22	5.40	10.08	9.36	0.42	1.57	3.99	7.29
	April	0.61	6.04	8.21	9.17	0.87	2.45	4.26	6.79
	May	0.15	6.20	9.63	9.21	2.42	4.93	7.17	6.64
	June	0.01	6.21	10.19	9.42	-1.43	3.43	6.24	6.47
	July	-0.03	6.18	10.34	9.59	-0.41	3.00	6.31	6.37
	August	1.76	8.05	11.00	9.76	0.73	3.75	6.65	6.24
	September	1.55	9.72	12.15	10.03	0.75	4.53	6.15	6.00
	October	1.60	11.48	12.58	10.26	3.27	7.95	7.66	5.93
	November	0.65	12.20	13.67	10.72	1.73	9.82	9.48	6.13
	December	1.00	13.33	13.33	11.09	0.58	10.45	10.45	6.47
2012	January	0.38	0.38	11.13	11.11	0.56	0.56	10.61	6.95
	February	-0.09	0.29	9.15	10.96	0.56	1.13	10.43	7.48
	March(E)	0.20	0.49	8.05	10.80	0.50	1.63	10.52	8.02

(E) Estimate

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