

### CPI came in above the expectations in February.

In February, CPI increased by 0.81% mom, more than market expectations. According to the Reuters survey, monthly CPI inflation had been anticipated to be 0.47%. Domestic PPI (D-PPI) also rose by 1.26 % in February.

February (change %)	CPI		D-PPI	
	2016	2017	2016	2017
Monthly	-0.02	0.81	-0.20	1.26
Year-to-Date	1.80	3.29	0.34	5.29
Annual	8.78	10.13	4.47	15.36
Annual Average	7.97	7.88	5.61	5.87

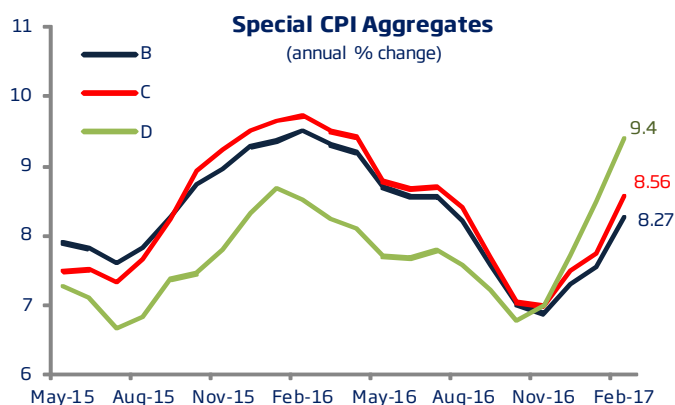
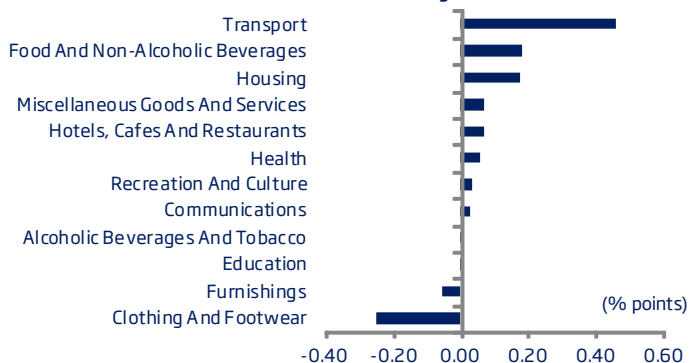
### Annual CPI reached double-digit again.

The annual CPI, which has been rising since December, was realized as 10.13%, climbing at a double digit pace for the first time since 2012. Annual D-PPI reached 15.36%, its highest level since July 2008.

### Monthly inflation in February was largely driven by the rise in transportation prices.

In February, the lagged pass-through impact stemming from the depreciation in TRY and the relatively high level of energy prices lifted up prices mainly in transportation and housing groups. Transportation prices surged by 2.82% mom, pushed the inflation up by 48 basis points. The prices in housing group, which increased by 1.18% in this period, also contributed 18 basis points to the inflation. The upward trend in food prices continued in February despite losing momentum compared to January. Food prices, which increased by 0.84% mom, added 19 basis points to inflation.

#### Contributions to the Monthly CPI Inflation



B:excluding unprocessed food, energy, alcoholic beverages, tobacco and gold  
C:excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold  
D:excluding unprocessed food, alcoholic beverages and tobacco

On the other hand, clothing and footwear group limited the increase in inflation by 26 basis points, posting a monthly price decline of 3.35% thanks to the ongoing seasonal discounts. Moreover, special consumption tax reduction on white goods led to 0.67% monthly price decline in household appliances.

Core inflation indicators continued to surge in February. The annual increases in B and C indices reached 8.27% and 8.56%, respectively, the highest levels of last 7 months.

### Food prices and exchange rate developments were influential in the course of the D-PPI.

In February, the upsurge in D-PPI mainly stemmed from the higher food prices and the lagged impacts of TRY depreciation. Prices of food products increased by 1% mom, making the highest contribution to D-PPI by 18 basis points. Chemical sector, highly dependent on imported inputs, was affected from the depreciation in the TRY and contributed 14 basis points to the D-PPI. In addition, rising prices in textile sector, also pulled the D-PPI up by 12 basis points.

### Expectations...

The lagged impacts of the depreciation in TRY and relatively high level of energy prices led inflation to rise to double digit figures. Taking the low base year effect into consideration, we predict that inflation will continue to hover at double-digit levels in the short-term. The continuation of the upward trend in core inflation indicators also implies that CBRT will continue to implement tight liquidity policy in the coming period.

**Inflation (%)**

	Consumer Price Index (2003=100)				Domestic Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
<b>2015</b>	January	1.10	1.10	7.24	8.80	0.33	0.33	3.28	9.59
	February	0.71	1.82	7.55	8.77	1.20	1.53	3.10	8.79
	March	1.19	3.03	7.61	8.70	1.05	2.60	3.41	8.03
	April	1.63	4.71	7.91	8.57	1.43	4.06	4.80	7.36
	May	0.56	5.30	8.09	8.45	1.11	5.22	6.52	6.98
	June	-0.51	4.76	7.20	8.28	0.25	5.49	6.73	6.74
	July	0.09	4.85	6.81	8.07	-0.32	5.15	5.62	6.43
	August	0.40	5.27	7.14	7.88	0.98	6.19	6.21	6.14
	September	0.89	6.21	7.95	7.80	1.53	7.81	6.92	5.92
	October	1.55	7.86	7.58	7.69	-0.20	7.59	5.74	5.58
	November	0.67	8.58	8.10	7.61	-1.42	6.06	5.25	5.33
	December	0.21	8.81	8.81	7.67	-0.33	5.71	5.71	5.28
<b>2016</b>	January	1.82	1.82	9.58	7.87	0.55	0.55	5.94	5.50
	February	-0.02	1.80	8.78	7.97	-0.20	0.34	4.47	5.61
	March	-0.04	1.75	7.46	7.96	0.40	0.75	3.80	5.64
	April	0.78	2.55	6.57	7.84	0.52	1.27	2.87	5.47
	May	0.58	3.15	6.58	7.71	1.48	2.77	3.25	5.19
	June	0.47	3.63	7.64	7.74	0.41	3.19	3.41	4.91
	July	1.16	4.84	8.79	7.91	0.21	3.41	3.96	4.77
	August	-0.29	4.53	8.05	7.98	0.08	3.49	3.03	4.51
	September	0.18	4.72	7.28	7.92	0.29	3.79	1.78	4.07
	October	1.44	6.23	7.16	7.89	0.84	4.66	2.84	3.83
	November	0.52	6.78	7.00	7.79	2.00	6.76	6.41	3.93
	December	1.64	8.53	8.53	7.78	2.98	9.94	9.94	4.30
<b>2017</b>	January	2.46	2.46	9.22	7.76	3.98	3.98	13.69	4.96
	February	0.81	3.29	10.13	7.88	1.26	5.29	15.36	5.87
	<b>March<sup>(E)</sup></b>	<b>0.85</b>	<b>4.17</b>	<b>11.11</b>	<b>8.19</b>	<b>1.00</b>	<b>6.34</b>	<b>16.05</b>	<b>6.89</b>

(E) Estimate

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