



CPI inflation was above expectations in February.

In February, CPI rose by 0.73% on a monthly basis, above market expectations. According to the Reuters' survey, CPI was expected to increase by 0.5% in this period. Domestic Producer Price Index (D-PPI) recorded its fastest monthly rise since January 2017, surging by 2.68% in February.

Annual CPI inflation declined to 10.26%.

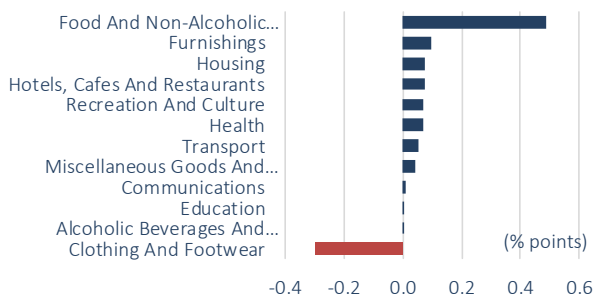
Due to high-base effect, annual CPI inflation continued to decline in February and came in at 10.26%. Besides, annual increase in D-PPI rose to 13.71% in this period.

February (change %)	CPI		D-PPI	
	2017	2018	2017	2018
Monthly	0.81	0.73	1.26	2.68
Year-to-Date	3.29	1.76	5.29	3.69
Annual	10.13	10.26	15.36	13.71
Annual Average	7.88	11.23	5.87	15.50

Food prices drove the inflation up.

Among the main expenditure groups, food and non-alcoholic beverages made the highest contribution by 52 basis points to the monthly inflation in February. Furnishing and household equipment group made the second highest contribution to the monthly inflation by 10 basis points. Price increases in housing and transportation groups, which have the highest weights in CPI after the food and non-alcoholic beverages, lost momentum in this period. On the other hand, thanks to seasonal factors, clothing and footwear group recorded a decrease of 4.09%, limiting the monthly CPI increase by 27 basis points. Seasonal factors had also a positive impact on the overall index. Indeed, excluding seasonal products, monthly CPI becomes 0.9%.

Contributions to the Monthly CPI Inflation

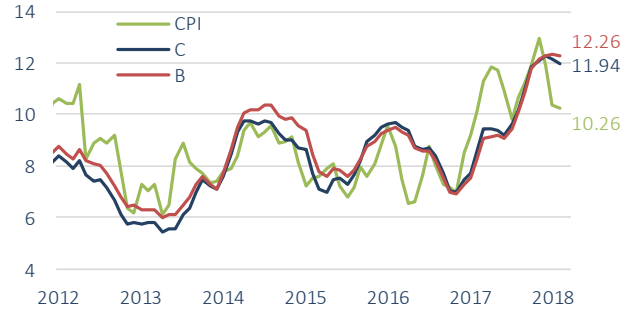


Core inflation indicators...

Annual increases in B and C core inflation indicators, which are monitored closely by the CBRT, remained still at high levels in February despite declining on a monthly basis.

Annual rise in B index became 12.28% in February, the first monthly deceleration since June 2017. The annual increase in C index continued to decline in this period and was realized as 11.94%.

CPI and Special CPI Aggregates (annual % change)

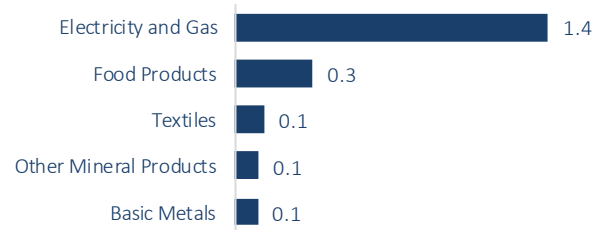


B:excluding unprocessed food, energy, alcoholic beverages, tobacco and gold
C:excluding energy, food, non-alcoholic beverages, alcoholic beverages, tobacco and gold

D-PPI increased rapidly on a monthly basis in February.

Annual D-PPI inflation, which slowed down in January, accelerated in February. All sub-groups that are listed under the index recorded annual rises during this period. On a monthly basis, the subsector of electricity, gas, steam and air conditioning made the highest contribution to the rise in D-PPI, pushing it up by 136 basis points.

Contributions to the Monthly D-PPI Inflation (% points)



Expectations...

We anticipate that the recent downward trend in annual consumer inflation, which prevailed in the first two months of the year, will continue also in March, bringing the annual CPI inflation to as low as 10%. Since the elevated course of core indicators points to the deterioration in pricing behavior, we expect that annual CPI inflation will remain in double-digit levels throughout 2018.

Source: Turkstat, Datastream

Inflation (%)

	Inflation (%)								
	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to Date	Annual	Annual Average	Monthly	Year to Date	Annual	Annual Average	
2016	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
2017	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
	March	1.02	4.34	11.29	8.21	1.04	6.38	16.09	6.89
	April	1.31	5.71	11.87	8.66	0.76	7.19	16.37	8.01
	May	0.45	6.18	11.72	9.09	0.52	7.74	15.26	9.02
	June	-0.27	5.89	10.90	9.36	0.07	7.82	14.87	9.98
	July	0.15	6.05	9.79	9.44	0.72	8.60	15.45	10.94
	August	0.52	6.60	10.68	9.66	0.85	9.52	16.34	12.05
	September	0.65	7.29	11.20	9.98	0.24	9.78	16.28	13.26
	October	2.08	9.52	11.90	10.37	1.71	11.66	17.28	14.47
	November	1.49	11.16	12.98	10.87	2.02	13.91	17.30	15.38
	December	0.69	11.92	11.92	11.14	1.37	15.47	15.47	15.82
2018	January	1.02	1.02	10.35	11.23	0.99	0.99	12.14	15.66
	February	0.73	1.76	10.26	11.23	2.68	3.69	13.71	15.50
	March ^(E)	0.80	2.57	10.02	11.12	0.95	4.68	13.62	15.29

Source: Turkstat, Datastream

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