



### CPI inflation was realized below expectations in February.

CPI came in below expectations, rising by 0.16% mom in February. According to the Reuters' survey, the monthly CPI inflation was expected to be 0.4%. Domestic PPI (D-PPI) followed a flat course in February, increasing by 0.09% mom.

### Annual CPI inflation was 19.67%.

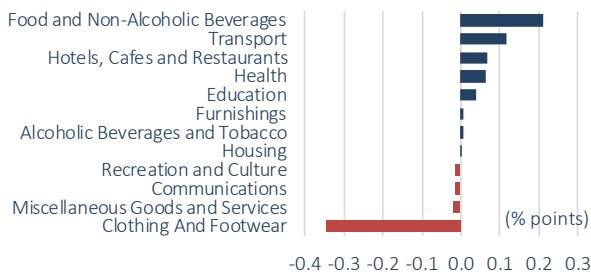
Having remained above 20% since September 2018, annual CPI inflation declined to 19.67% in February thanks to relatively stable course in Turkish lira, slowdown in domestic demand and measures taken by government. Annual D-PPI inflation, which followed a downward trend since October, continued this trend and declined to 29.59% in February. Thus, annual D-PPI inflation fell below 30% for the first time since July 2018.

February (change %)	CPI		D-PPI	
	2018	2019	2018	2019
Monthly	0.73	0.16	2.68	0.09
Year-to-Date	1.76	1.23	3.69	0.55
Annual	10.26	19.67	13.72	29.59
Annual Average	11.23	17.93	15.50	29.97

### Rise in food prices decelerated in February.

Prices in food and non-alcoholic beverages, which had a rapid rise in January, increased by 0.9% mom in February. Measures taken by the government during this month were considered to be effective in this development. Although prices decelerated in this period, food and nonalcoholic beverages made the highest contribution to the monthly inflation by 22 bps among the main expenditure groups. Transportation group made the second highest contribution to the monthly CPI inflation by 12 bps. On the other hand, thanks to seasonal factors, clothing and footwear group recorded a monthly fall of 4.8%, limiting the monthly CPI increase by 32 bps. Besides, most of the fastest price increases were recorded in the fresh fruits and vegetables group.

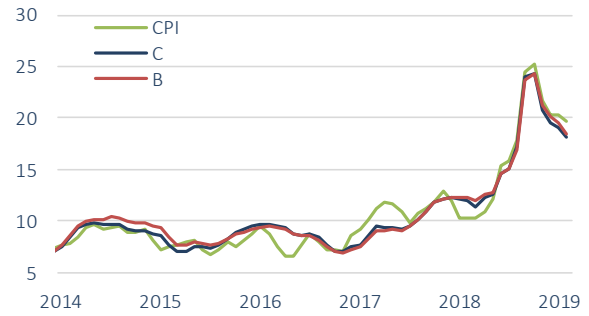
### Contributions to the Monthly CPI Inflation



### Core inflation indicators...

In February, the improving trend since November 2018 in CBRT's favorite core inflation indicators, B (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) continued. The annual increases in B and C indices declined to 18.48% and 18.12%, respectively.

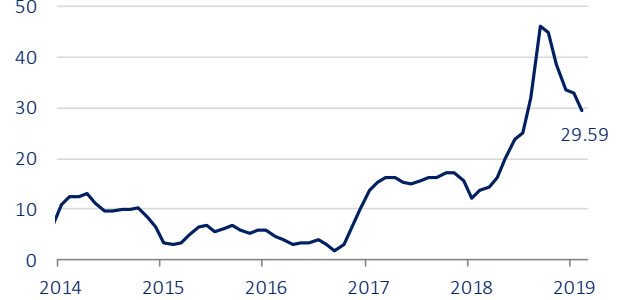
CPI and Special CPI Aggregates  
(annual % change)



### D-PPI had a flat course in February.

In February, food and coke and refined petroleum products sectors made the highest contributions to the monthly D-PPI inflation. These sectors pull up the monthly D-PPI inflation by 42 bps. The 7.37% rise in basic pharmaceutical products stood out in this period. On the other hand, prices in electricity, gas production and distribution sector fell by 7.43% mom and pulled down the monthly D-PPI by 48 bps.

D-PPI Inflation  
(annual % change)



### Expectations...

In March, we expect that clothing and footwear prices will have a slight increase due to the seasonal factors and measures taken by the government that will continue to be effective on food prices. On the other hand, we maintain our expectations that the momentum loss in annual CPI inflation will become more apparent in the second half of the year due to base effect and CBRT's monetary policy decisions will be dependent on the course of the inflation.

Source: Turkstat, Datastream

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
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	0.99	2.77	10.23	11.14	1.54	5.29	14.28	15.35
	April	1.87	4.69	10.85	11.06	2.60	8.03	16.37	15.36
	May	1.62	6.39	12.15	11.10	3.79	12.12	20.16	15.80
	June	2.61	9.17	15.39	11.49	3.03	15.52	23.71	16.57
	July	0.55	9.77	15.85	12.00	1.77	17.56	25.00	17.41
	August	2.30	12.29	17.90	12.61	6.60	25.32	32.13	18.78
	September	6.30	19.37	24.52	13.75	10.88	38.96	46.15	21.36
	October	2.67	22.56	25.24	14.90	0.91	40.22	45.01	23.73
	November	-1.44	20.79	21.62	15.63	-2.53	36.68	38.54	25.52
	December	-0.40	20.30	20.30	16.33	-2.22	33.64	33.64	27.01
2019	January	1.06	1.06	20.35	17.16	0.45	0.45	32.93	28.70
	February	0.16	1.23	19.67	17.93	0.09	0.55	29.59	29.97
	March <sup>(E)</sup>	<b>0.50</b>	<b>1.73</b>	<b>19.09</b>	<b>18.64</b>	<b>0.50</b>	<b>1.04</b>	<b>28.25</b>	<b>31.04</b>

(E) Estimate

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