



Monthly CPI came in at 0.91% in February.

Inflation came in above the market expectations in February. The monthly rise in CPI was realized as 0.91%, well above the average of last 5 years February figures. The market's monthly CPI expectation for this period was 0.70%. In this period, domestic PPI (D-PPI) increased by 1.22%, which was the lowest rise in the last 7 months.

February (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	0.35	0.91	0.48	1.22
Year-to-Date	1.71	2.60	2.33	3.92
Annual	12.37	15.61	9.26	27.09
Annual Average	13.94	12.81	14.18	15.14

Annual CPI rose to 15.61%.

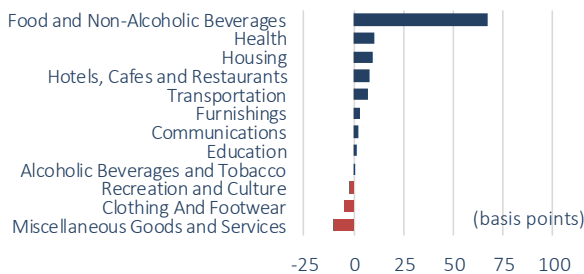
Annual CPI inflation gained momentum in February and was realized as 15.61%, reaching the highest level since July 2019. Annual D-PPI inflation, which displays an increasing trend since June, reached the highest level of the last 21 months with 27.09%.

In February, increases in health and food prices stood out.

In February, prices rose in 9 out of the 12 main expenditure groups on a monthly basis. In this period, the health prices increased by 3% due to the rise in medicine prices. Thus, health prices increased the monthly CPI inflation by 10 bps. The rise in fresh fruit and vegetable prices were noteworthy in the food group, which made the highest contribution to CPI inflation by 67 bps. The miscellaneous goods and services group had the sharpest monthly decline in prices with 2.3% mom. In February, prices of recreation and culture, clothing and footwear groups also declined.

On an annual basis, the fastest rises were seen in furnishing and in transportation groups with 23.7% yoy and 22.5% yoy, respectively. The lowest annual price increase was in the alcoholic beverages and tobacco with 2.9%.

Contributions to the Monthly CPI Inflation

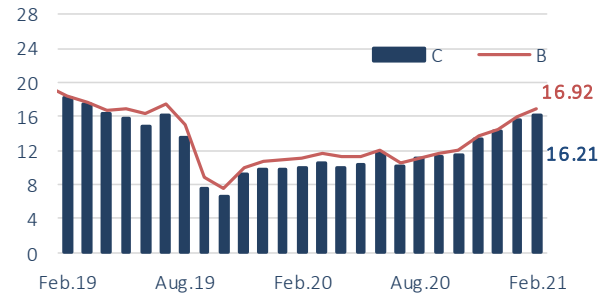


Core inflation indicators...

Monthly increases in core inflation indicators B (CPI excluding unprocessed food products, energy, alcoholic beverages and tobacco and gold) and C (CPI excluding energy, food and non-

alcoholic beverages, alcoholic beverages and tobacco, and gold), which are closely monitored by the CBRT, came in below the headline inflation and were realized as 0.79% and 0.44%, respectively. The upward trend in annual core inflation figures since August continued also in February. B and C indices increased by 16.92% yoy and 16.21% yoy, respectively.

Special CPI Aggregates (annual % change)

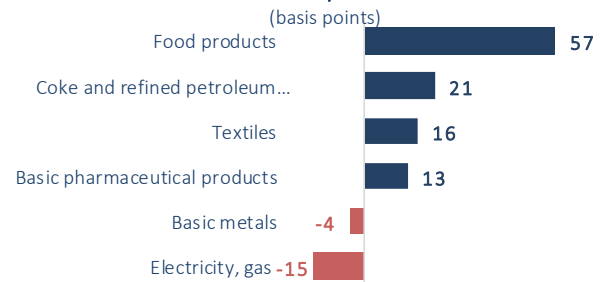


Food and pharmaceutical products came to the fore in D-PPI inflation.

In February, among the sub-sectors of D-PPI, prices in basic pharmaceutical products recorded the highest increase with 9.4% mom and contributed the monthly inflation by 13 bps. Food group, where prices rose by 2.8%, made the highest contribution to monthly D-PPI inflation with 57 bps in this period. The prices of metal ores fell rapidly by 2.7% in February and limited the D-PPI by 3 bps.

Food products, basic metals and textiles were the sub-sectors that made the highest contribution to the annual D-PPI increase. During this period, crude petroleum and natural gas, tobacco products and electricity, gas generation and distribution sub-sectors made the lowest contribution to the annual increase in D-PPI.

Contributions of Featured Sub-Sectors to Monthly D-PPI



Expectations

February inflation came in above market expectations due to the high increase in medicine and food prices along with the rise in commodity prices and the lagging effect of exchange rate changes. Recent volatility in exchange rates and high inflation expectations suggest that inflationary pressures will continue in the coming period. In addition, with the easing of the restrictive measures taken against the pandemic at the beginning of March, the expected rise in demand in the service sectors poses a risk factor that could lead to deferred price increases in these sectors.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to Date	Annual	Annual Average	Monthly	Year to Date	Annual	Annual Average	
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	1.03	2.27	19.71	18.70	1.58	2.14	29.64	31.17
	April	1.69	4.00	19.50	19.39	2.98	5.18	30.12	32.24
	May	0.95	4.99	18.71	19.91	2.67	7.99	28.71	32.85
	June	0.03	5.01	15.72	19.88	0.09	8.09	25.04	32.81
	July	1.36	6.44	16.65	19.91	-0.99	7.02	21.66	32.34
	August	0.86	7.35	15.01	19.62	-0.59	6.39	13.45	30.51
	September	0.99	8.42	9.26	18.27	0.13	6.53	2.45	26.44
	October	2.00	10.59	8.55	16.81	0.17	6.71	1.70	22.58
	November	0.38	11.01	10.56	15.87	-0.08	6.63	4.26	19.68
	December	0.74	11.84	11.84	15.18	0.69	7.36	7.36	17.56
2020	January	1.35	1.35	12.15	14.52	1.84	1.84	8.84	15.71
	February	0.35	1.71	12.37	13.94	0.48	2.33	9.26	14.18
	March	0.57	2.29	11.86	13.33	0.87	3.22	8.50	12.61
	April	0.85	3.16	10.94	12.66	1.28	4.54	6.71	10.87
	May	1.36	4.57	11.39	12.10	1.54	6.15	5.53	9.14
	June	1.13	5.75	12.62	11.88	0.69	6.89	6.17	7.74
	July	0.58	6.37	11.76	11.51	1.02	7.98	8.33	6.81
	August	0.86	7.29	11.77	11.27	2.35	10.52	11.53	6.71
	September	0.97	8.33	11.75	11.47	2.65	13.44	14.33	7.71
	October	2.13	10.64	11.89	11.74	3.55	17.48	18.20	9.11
	November	2.30	13.19	14.03	12.04	4.08	22.26	23.11	10.69
	December	1.25	14.60	14.60	12.28	2.36	25.15	25.15	12.18
2021	January	1.68	1.68	14.97	12.53	2.66	2.66	26.16	13.64
	February	0.91	2.60	15.61	12.81	1.22	3.92	27.09	15.14

Source: Turkstat, Datastream

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