



### Monthly CPI came in at 0.35% in February.

In February, CPI increased by 0.35% mom, below the expectations. The market's CPI expectation for this period was 0.65%. Domestic PPI (D-PPI) posted an increase of 0.48% in February.

### Annual CPI inflation increased to 12.37%.

The upward trend in annual consumer inflation since November 2019 continued also in February. In this period, annual CPI increase reached its highest level since August 2019 and became 12.37%. Likewise, D-PPI inflation rose to 9.26%, the highest level in the last 6 months.

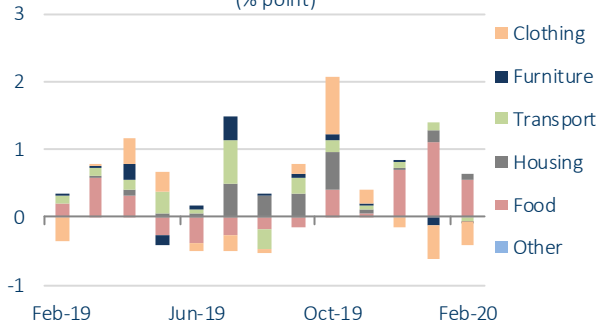
February (change %)	CPI		D-PPI	
	2019	2020	2019	2020
Monthly	0.16	0.35	0.09	0.48
Annual	19.67	12.37	29.59	9.26
Annual Average	17.93	13.94	29.97	14.18

### Food prices are influential in the course of CPI.

In February, prices in 6 out of 12 main expenditure groups increased compared to the previous month, while prices decreased in the other 6 groups. In this period, the food and non-alcoholic beverages group, where prices increased by 2.33% mom, made the highest contribution to monthly CPI inflation with 54 bps. Increases in unprocessed food prices, especially in fresh fruits and vegetables, were influential in this development. Out of the top 10 selected items, which posted the highest increases on a monthly basis, 9 products were from food group.

Clothing and footwear group prices fell by 4.83% in February due to seasonal factors and limited the monthly CPI increase by 31 bps. Downward trend in oil prices due to coronavirus concerns, put pressure on prices of transportation group in Turkey. The transportation group pulled monthly inflation down by 6 bps, due to decline in gasoline and diesel prices, albeit at a limited level.

Contribution to Monthly CPI Inflation  
(% point)



### Core inflation indicators...

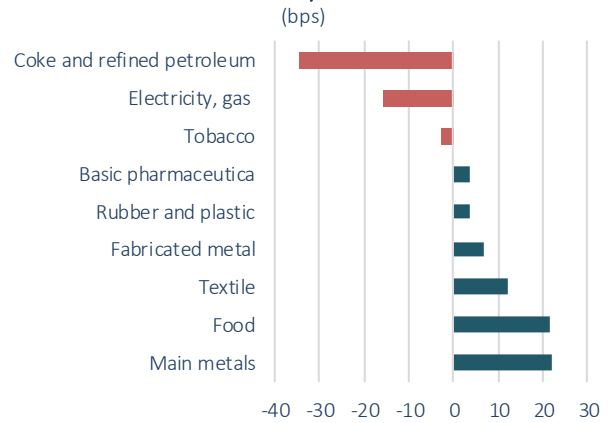
The gradual rise in core inflation indicators B and C, which are closely monitored by the CBRT, continued in February. The annual increases in the B and C indices were realized as 11.1% and 9.97%, respectively.

### Decline in energy prices...

In February, the main metals and food sub-sectors continued to play important roles in the increase of D-PPI. The said two groups contributed to the monthly D-PPI inflation by 22 and 21 bps, respectively.

Despite the rise in foreign exchange rates, around 13% drop in oil prices in global markets was the main factor limiting the increase in D-PPI in February. The coke and refined petroleum products sub-sector, where prices decreased by 8.96% mom, limited the monthly increase in the D-PPI by 35 bps, while the 2.4% decline in electricity and gas prices lowered monthly D-PPI by 15 bps.

Contributions of Featured Sub-Sectors to Monthly D-PPI



### Expectations...

Although the weak course in oil prices is a positive factor for domestic inflation indicators; the increasing volatility in financial markets due to geopolitical developments, and possible supply shortage in raw materials and consumer goods imported from China stand out as risk factors that may put upward pressure on inflation. In this context, we maintain our forecast that the annual CPI increase will be at two digit levels in the first half of the year.

		Inflation (%)							
		CPI (2003=100)				D-PPI (2003=100)			
		Monthly	Year to		Annual	Average	Monthly	Year to	
Date	Annual		Date	Annual					
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	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

Source: Turkstat, Datastream

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## Economic Research Division

izlem Erdem  
Chief Economist  
izlem.erdem@isbank.com.tr

ilker Şahin  
Economist  
ilker.sahin@isbank.com.tr

Alper Gürler  
Unit Manager  
alper.gurler@isbank.com.tr

Gamze Can  
Economist  
gamze.can@isbank.com.tr

Dilek Sarsın Kaya  
Asst.Manager  
dilek.kaya@isbank.com.tr

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