



GDP Growth - 1st Quarter of 2013

Economic Research Division

TÜRKİYE \$ BANKASI

Higher than expected growth in the first quarter...

In the first quarter of 2013, Turkey grew by 3.0% compared to the same period of previous year, higher than the market expectation of 2.3%. Thus, the annual GDP growth (with constant prices), which was losing steam since the first quarter of 2011, gained momentum in the first quarter of 2013.

Calendar adjusted GDP at constant prices recorded an increase of 3.7% compared to the same period of previous year. The 1.6% quarterly rise in the seasonally and calendar adjusted GDP also confirmed the recovery in economic activity.

GDP (1998 Prices)

Period	Calendar Adjusted GDP* (%)	Seasonally and Calendar Adjusted GDP** (%)
2011 Q1	12.5	2.1
2011 Q2	9.0	1.0
2011 Q3	8.4	1.2
2011 Q4	4.9	0.7
2012 Q1	2.6	-0.4
2012 Q2	3.2	1.7
2012 Q3	1.9	0.1
2012 Q4	1.4	0.1
2013 Q1	3.7	1.6

*Change compared to the same period of previous year

**Quarter over quarter change

In the first quarter, growth was mainly driven by domestic consumption.

After the net export driven growth period in 2012, it was seen that the recovery in domestic demand conditions

supported the growth in the first quarter of 2013. In fact, after following a downward trend in the all four quarters of 2012, private consumption increased by 3% on an annual basis in the first quarter of 2013. This development pointed out that the lagged effects of CBRT's accommodative policy stance implemented since August 2012 were started to be observed. Besides, public consumption expenditures continued to support economic activity. Thus, private and public expenditures in total made 2.8 points contribution to growth.

Record increase in the public investment expenditures.

Analyzing the investment expenditures, it was seen that the divergence between public and private expenditures continued in the first quarter of 2013. In this period, private investment expenditures decreased by 9.1% on an annual basis while public investment expenditures surged by a record level of 81.9%. The decline in the private investment expenditures had a 2.1 points contractionary impact on growth in the first quarter of 2013 while the rise in the public investment expenditures compensated this impact; bringing the aggregate contribution of investment expenditures to growth by 0.1 point.

On the other hand, the rise in net exports, which made the highest contribution to the growth in 2012, disappeared in the first quarter of 2013 parallel to the acceleration in imports.

Expenditure Approach - Contribution to GDP

(% points)

	2011					2012					2013
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1
Consumption	9,7	6,5	6,0	1,8	5,8	0,2	-0,4	0,2	0,3	0,1	2,8
Private	9,0	5,6	5,0	2,3	5,3	-0,3	-0,9	-0,3	-0,6	-0,5	2,1
Public	0,7	0,9	0,9	-0,5	0,5	0,5	0,4	0,5	0,9	0,6	0,7
Investment	8,3	6,7	3,3	-0,2	4,3	0,2	-0,7	-1,0	-1,0	-0,7	0,1
Private	8,3	6,7	3,2	0,2	4,4	0,3	-0,9	-1,2	-1,9	-1,0	-2,1
Public	0,0	0,0	0,1	-0,4	-0,1	-0,1	0,1	0,2	1,0	0,3	2,2
Change in Stock	0,4	0,7	-1,6	-0,2	-0,2	-2,2	-1,5	-0,8	-0,9	-1,3	0,2
Net Exports	-6,0	-4,6	1,1	3,9	-1,1	5,1	5,5	3,1	2,9	4,1	0,0
Exports	2,7	0,6	2,8	1,5	1,9	3,5	5,7	3,6	3,7	4,1	0,9
Imports	-8,7	-5,2	-1,7	2,5	-3,0	1,6	-0,1	-0,5	-0,8	0,0	-0,9
GDP	12,4	9,3	8,7	5,3	8,8	3,3	2,9	1,6	1,4	2,2	3,0

Numbers may not add to total due to rounding

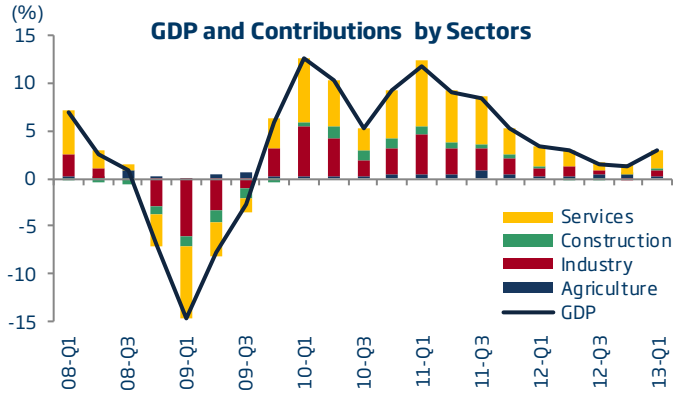
Source: Turkstat

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Construction sector grew by 5.9% on an annual basis.

According to the GDP figures, industrial sector recorded a slight increase of 2.2% contributing to growth by 0.6 points. Services sector, which has the highest share in GDP, increased by 3.1% and added the growth rate by 1.9 points. Moreover, the construction sector grew by 5.9% in the first quarter of 2013 on an annual basis, the fastest growth since the last quarter 2011.



We expect that the domestic demand would continue to support the growth in 2013.

After having grown by 2.2% in 2012, Turkish economy recorded a growth rate of 3.0% in the first quarter of 2013 thanks to the lagged effects of CBRT's accommodative policies implemented since August 2012. In the first quarter of 2013, net exports' supportive effect on growth throughout 2012 faded out, in a conjuncture where foreign demand followed a weak course while domestic demand strengthened thanks to the steps taken by policy makers. In the remaining part of the year, consumption expenditures are expected to continue to support the economic activity. The acceleration in credit volume, relatively strong leading indicators in the second quarter and higher than expected industrial production figure in April pointed out that the gradual recovery in economic activity has continued in the second quarter of 2013. In this context, we anticipate that Turkish economy would grow by 4-4.5% in 2013. On the other hand, on June 11th, CBRT announced that it would tighten monetary policy temporarily, in order to mitigate risks on price and financial stability stemming from the volatility in Turkish Lira because of the recent developments both in external and domestic markets. The duration of this "temporary" tightening and its secondary effects on domestic demand might pose a risk factor in terms of growth.

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