



GDP Growth - 3rd Quarter of 2013

Economic Research Division

TÜRKİYE \$ BANKASI

Turkish economy grew more than expected in the third quarter of the year.

The recovery in Turkish economy continued in the third quarter of 2013 and GDP grew by 4.4% compared to the same period of previous year. The market expectation was %4.05. In the first nine months of the year Turkish economy grew by 4% compared to the same period of 2012.

Analyzing the calendar adjusted figures, it was seen that GDP increased by 4.3% in the third quarter compared to the same period of previous year and registered the highest increase since the last quarter of 2011. Seasonal and calendar adjusted GDP increased by 0.9% compared to the previous quarter and pointed out that the economic activity accelerated despite the volatility in global markets.

GDP (1998 Prices)

Period	Calendar Adjusted GDP* (%)	Seasonally and Calendar Adjusted GDP** (%)
2011 Q1	12.5	2.2
2011 Q2	9.0	0.8
2011 Q3	8.4	1.3
2011 Q4	4.9	0.7
2012 Q1	2.4	-0.4
2012 Q2	3.1	1.4
2012 Q3	1.8	0.3
2012 Q4	1.4	0.2
2013 Q1	3.7	1.5
2013 Q2	4.2	2.0
2013 Q3	4.3	0.9

*Change compared to the same period of previous year

**Quarter over quarter change

On the other hand, Turkstat revised the GDP figures for the first and second quarters of 2013. In this context, the first quarter growth was revised from 2.9% to 3% and the second quarter growth from 4.4% to 4.5%.

GDP* Growth Rate Revisions (%)

	Old	New	Difference
2013			
I. Quarter	2.87	2.97	0.10
II. Quarter	4.44	4.53	0.09

* Constant prices

Domestic consumption lost momentum in the third quarter.

Recovery in domestic demand conditions in the first nine months of 2013 had a positive impact on consumption expenditures. In the third quarter, although private consumption expenditures lost momentum compared to the previous quarter, they kept their relatively high level. Private consumption expenditures, which increased by 5.1% in real terms compared to the same period of previous year, contributed to GDP growth by 3.3 points. In this period, public consumption expenditures contributed to GDP growth by only 0.1 point.

Private investment spending increased while public investment spending lost momentum.

Private sector investment expenditures, which had a downward impact on GDP growth since the first quarter of 2012, increased by 5.3% in the third quarter compared to same period of previous year and contributed to GDP growth by 1 point. Public investment spending, on the other hand, lost momentum and its contribution to GDP growth declined to the lowest level of 2013.

Net exports continued to have a downward impact on growth.

The negative impact of net exports on GDP growth weakened in the third quarter thanks to the normalization in gold imports starting from August.

Expenditure Approach - Contribution to GDP (1998 Prices) (% points)

	2010		2011		2012				2013			
	Annual	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	9 months	
Consumption	4.9	5.8	0.3	-0.3	0.3	0.8	0.3	3.1	4.4	3.4	3.6	
Private	4.7	5.3	-0.3	-0.8	-0.2	-0.3	-0.4	2.4	3.6	3.3	3.1	
Public	0.2	0.5	0.5	0.4	0.5	1.0	0.6	0.7	0.8	0.1	0.5	
Investment	6.1	4.3	-0.4	-1.2	-0.8	-0.4	-0.7	0.6	1.0	1.3	1.0	
Private	5.4	4.4	-0.3	-1.4	-1.0	-1.4	-1.1	-1.6	-0.4	1.0	-0.3	
Public	0.7	-0.1	0.0	0.2	0.3	1.0	0.3	2.3	1.5	0.4	1.3	
Change in Stock	2.5	-0.2	-2.3	-1.6	-0.6	-1.3	-1.4	0.0	2.5	1.9	1.5	
Net Exports	-4.4	-1.1	5.6	6.0	2.7	2.4	4.1	-0.8	-3.4	-2.2	-2.2	
Exports	0.9	1.9	2.9	5.5	3.4	4.1	4.0	1.3	0.0	-0.6	0.2	
Imports	-5.2	-3.0	2.7	0.5	-0.8	-1.7	0.1	-2.1	-3.5	-1.6	-2.4	
GDP	9.2	8.8	3.1	2.8	1.5	1.4	2.2	3.0	4.5	4.4	4.0	

Numbers may not add to total due to rounding

Source: Turkstat

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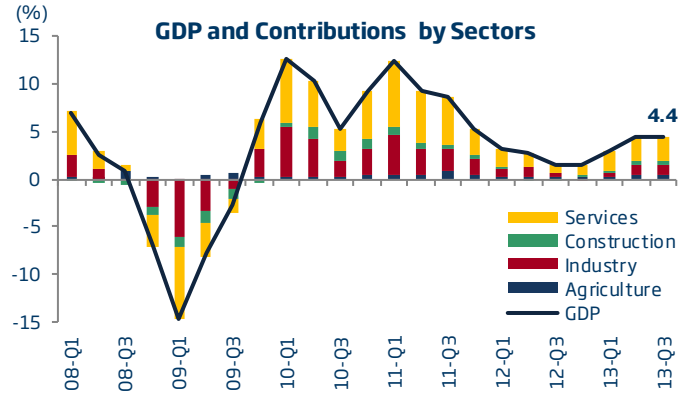


The construction sector grew by 8.7% on annual basis.

According to production approach, services sector, which has the highest share in GDP, grew by 4.3% in real terms in the third quarter of the year and made a contribution of 2.4 points to growth. Activity in the construction sector continued to gain momentum and recorded a real increase of 8.7% in this period, contributing 0.5 point to GDP. Industrial production made 1.1 points contribution to GDP growth, increasing by 4.3% in real terms in third quarter of 2013.

We expect GDP growth to be around 4% in 2013.

Third quarter GDP figures indicated that recovery in Turkish economy continued. During this period, consumption expenditures lost some momentum, however, increase in private investment spending compensated the negative impacts of this momentum loss on GDP growth. Thus, Turkish economy displayed a better than expected growth performance in the third quarter. Despite the moderate



trend of economic activity in the last quarter of the year, it is thought that tight monetary policy implemented by CBRT and measures taken by BRSA regarding the consumer loans have restrained growth to some extent. In this context, we expect that Turkish economy would grow by around 4% in 2013.

Source: Turkstat

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