



## GDP Growth - 4<sup>th</sup> Quarter of 2013

### Economic Research Division



#### Turkish economy grew above expectations in the last quarter of the year.

Turkish economy continued to grow in the last quarter of the year and registered a real growth rate of 4.4% yoy, above the market expectation of 4%. Regarding the whole year, GDP grew by 4% and reached 820 billion USD. Per capita income increased to 10,782 USD from 10,459 USD in 2012. Turkstat also made revisions regarding the growth figures dating back to the first quarter of 2012. In this context, 2012 GDP growth figure was revised downwards from 2.2% to 2.1%.

Analyzing the calendar adjusted figures, it was seen that GDP increased by 4.7% yoy in the last quarter of the year. Seasonal and calendar adjusted GDP growth continued to decelerate since the third quarter and increased by 0.5% qoq.

#### 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	0.8
2012 Q1	2.4	-0.5
2012 Q2	3.1	1.4
2012 Q3	1.8	0.3
2012 Q4	1.3	0.3
2013 Q1	3.6	1.4
2013 Q2	4.2	2.0
2013 Q3	4.3	0.8
2013 Q4	4.7	0.5

\*Change compared to the same period of previous year

\*\*Quarter over quarter change

#### Domestic demand re-accelerated in the last quarter.

Domestic consumption, which lost momentum in the third quarter of the year, re-accelerated in the last quarter. Private domestic consumption expenditures contributed to growth by 3.5 points while public consumption expenditures' contribution increased and was realized as 0.9 point. With the acceleration of consumption expenditures in the last quarter, consumption expenditures contributed 3.7 points to 2013 growth which is 4%.

#### The upward trend in private investment expenditures continued.

The private investment expenditures, limiting the growth figures since the first quarter of 2012, supported the economic activity in the last quarter of 2013. In this period, private investment expenditures increased by 4.9% yoy. Although the public sector investment expenditures lost momentum in the last quarter of 2013, they contributed to growth by 0.6 point. Throughout the whole year, the contribution of investment expenditures to growth was realized as 1.1 points.

#### Net exports continued to drag down the growth figures.

In last quarter of the year, the normalization of gold exports compared to 2012 and the rise in imports thanks to the buoyant domestic demand, the negative effect of the net exports on the growth figures became evident.

Regarding the whole year, on the other hand, it was seen that the private consumption and investment expenditures made the highest contribution to the growth rate, while the net exports account put downward pressure on the economic activity similar to rapid growth years. This development confirms that the growth composition changed in 2013 compared to the 2012.

#### Expenditure Approach - Contribution to GDP (1998 Prices)

(% points)

	2010		2011		2012			2013				
	Annual	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q3	Annual
<b>Consumption</b>	<b>4.9</b>	<b>5.8</b>	<b>0.2</b>	<b>-0.4</b>	<b>0.4</b>	<b>0.9</b>	<b>0.3</b>	<b>3.1</b>	<b>4.1</b>	<b>3.2</b>	<b>4.4</b>	<b>3.7</b>
Private	4.7	5.3	-0.3	-0.8	-0.1	-0.1	-0.3	2.4	3.3	3.1	3.5	3.1
Public	0.2	0.5	0.5	0.4	0.5	1.0	0.6	0.7	0.8	0.2	0.9	0.6
<b>Investment</b>	<b>6.1</b>	<b>4.3</b>	<b>-0.4</b>	<b>-1.2</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-0.7</b>	<b>0.4</b>	<b>0.9</b>	<b>1.3</b>	<b>1.6</b>	<b>1.1</b>
Private	5.4	4.4	-0.4	-1.4	-1.1	-1.5	-1.1	-1.0	-0.2	0.7	0.9	0.1
Public	0.7	-0.1	0.0	0.2	0.3	1.1	0.4	1.4	1.1	0.7	0.6	0.9
<b>Change in Stock</b>	<b>2.5</b>	<b>-0.2</b>	<b>-2.3</b>	<b>-1.6</b>	<b>-0.8</b>	<b>-1.4</b>	<b>-1.5</b>	<b>0.1</b>	<b>2.9</b>	<b>1.9</b>	<b>1.4</b>	<b>1.6</b>
<b>Net Exports</b>	<b>-4.4</b>	<b>-1.1</b>	<b>5.5</b>	<b>5.9</b>	<b>2.6</b>	<b>2.3</b>	<b>4.0</b>	<b>-0.7</b>	<b>-3.4</b>	<b>-2.2</b>	<b>-3.0</b>	<b>-2.3</b>
Exports	0.9	1.9	2.8	5.4	3.4	4.0	3.9	1.3	0.0	-0.6	-0.4	0.0
Imports	-5.2	-3.0	2.7	0.5	-0.8	-1.7	-0.1	-2.0	-3.4	-1.5	-2.6	-2.4
<b>GDP</b>	<b>9.2</b>	<b>8.8</b>	<b>3.1</b>	<b>2.7</b>	<b>1.5</b>	<b>1.3</b>	<b>2.1</b>	<b>2.9</b>	<b>4.5</b>	<b>4.3</b>	<b>4.4</b>	<b>4.0</b>

Numbers may not add to total due to rounding

Source: Turkstat

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### Services sector grew by 4.7% yoy.

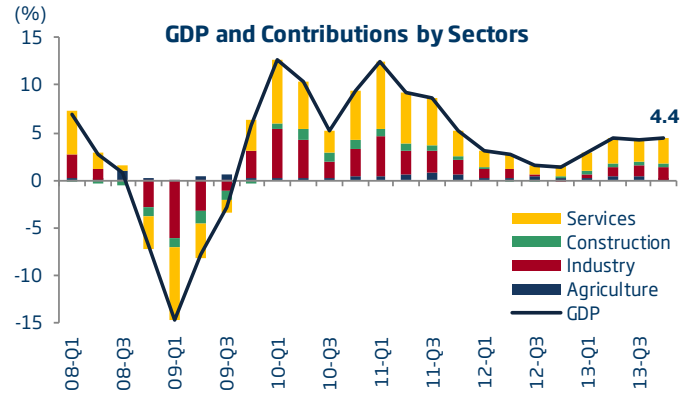
GDP figures by production approach revealed that services sector, which had the highest share in domestic production, grew by 4.7% yoy in the last quarter. The contribution of this sector to the overall GDP growth was realized as 2.7 points. Production in industrial and construction sectors, on the other hand, rose by 4.6% and 6.2% yoy and contributed to the GDP growth by 1.2 and 0.4 points, respectively.

Throughout 2013, construction sector became the fastest growing sector recording a 7.1% yoy growth in production. During the same period, services sector and industrial sector expanded by 4.2% and 3.4% yoy, respectively.

### We expect 2.5% GDP growth in 2014.

Despite the fluctuations in capital flows stemming from the uncertainties over Fed's monetary policy throughout 2013, the weak growth outlook in Turkey's main trading partner, the EU, escalated political uncertainties and the resulting volatility in domestic financial markets, Turkish economy reached 4% GDP growth in 2013. The growth rate is above the Medium Term Program forecast but in line with our expectations.

The leading indicators for the first quarter of 2014 show that despite the slowdown in the domestic demand, due to the increasing export performance the moderate recovery



in economic activity has been kept. However, during the rest of 2014, CBRT's monetary tightening and BRSA's measures to slow down the growth in consumer loans and credit cards will limit the domestic demand further. On the other hand, the anticipated recovery in Turkey's main trading partners is expected to support the growth via net exports. In this context, we expect 2.5% GDP growth in 2014.

**GDP Growth - 3<sup>rd</sup> Quarter of 2013**

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