



GDP Growth - 1st Quarter of 2014

Economic Research Division



Turkish economy grew in line with the expectations in the first quarter of the year.

Turkish economy registered a real growth rate of 4.3% yoy, parallel to the expectations. Turkstat did not make updates to the previous growth figures.

Analyzing the calendar adjusted figures, it was seen that GDP increased by 4.4% yoy in the first quarter of 2014. Seasonal and calendar adjusted GDP growth, on the other hand, was realized as 1.7% qoq.

GDP (1998 Prices)

Period	Calendar Adjusted GDP* (%)	Seasonally and Calendar Adjusted GDP** (%)
2011 Q1	12.6	2.6
2011 Q2	9.3	0.4
2011 Q3	8.7	1.2
2011 Q4	5.2	0.9
2012 Q1	2.5	-0.1
2012 Q2	3.1	0.9
2012 Q3	1.7	0.2
2012 Q4	1.3	0.4
2013 Q1	3.5	1.9
2013 Q2	4.1	1.4
2013 Q3	4.1	0.4
2013 Q4	4.5	0.9
2014 Q1	4.4	1.7

*Change compared to the same period of previous year

**Quarter over quarter change

Domestic demand decelerated in the first quarter.

Domestic consumption, which exhibited a moderate course in 2013, decelerated in the first quarter of 2014 due to the measures taken by BRSA and CBRT. Private domestic consumption expenditures grew by 2.9% yoy and

contributed to growth by 2.1 points. On the other hand, public consumption expenditures which rose by 8.6%, the highest increase of the last 10 quarters thanks to the base effect, made a limited contribution to growth by 0.2 point. Thus, with losing momentum in the first quarter of the year compared to 2013, the contribution of total consumption expenditures to growth was realized as 2.9 points.

Analyzing the seasonally and calendar adjusted figures, it was noteworthy that the final consumption expenditure of resident households declined by 0.5% qoq. On the other hand, public consumption expenditures increased by 4.4% qoq before local elections. Thus, total consumption expenditures registered a limited increase of 0.8% and pointed out the downward pressure on domestic demand.

Private investment expenditures declined.

Private investment expenditures which positively contributed to the growth in the last two quarters of 2013, contracted by 1.3% yoy in the first quarter of 2014 owing to the heightened political uncertainty. Thus, private investment expenditures limited growth by 0.3 point. On the other hand, public investment expenditure grew by 4.1% in the same period, while annual growth rate was realized as 22.9% in 2013. Hence, together with the decline in private investment expenditures total investment expenditures limited growth by 0.1 point in the first quarter of the year.

Net exports had a positive impact on growth.

Exports which displayed a downward trend in the second half of 2013, had a positive impact on growth with increasing by 11.4% yoy in the first quarter of the year. Thus, net exports contributed to growth by 2.7 points also thanks to the limited increase in imports in the same period.

It was seen that the composition of growth changed in the first quarter of 2014 compared to the 2013. In fact,

Expenditure Approach - Contribution to GDP (1998 Prices)

	2012					2013					2014
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q3	Annual	Q1
Consumption	0.2	-0.4	0.4	0.9	0.3	3.1	4.1	3.2	4.4	3.7	2.9
Private	-0.3	-0.8	-0.1	-0.1	-0.3	2.4	3.3	3.1	3.5	3.1	2.1
Public	0.5	0.4	0.5	1.0	0.6	0.7	0.8	0.2	0.9	0.6	0.9
Investment	-0.4	-1.2	-0.8	-0.4	-0.7	0.4	0.9	1.3	1.6	1.1	-0.1
Private	-0.4	-1.4	-1.1	-1.5	-1.1	-1.0	-0.2	0.7	0.9	0.1	-0.3
Public	0.0	0.2	0.3	1.1	0.4	1.4	1.1	0.7	0.6	0.9	0.2
Change in Stock	-2.3	-1.6	-0.8	-1.4	-1.5	0.1	2.9	1.9	1.4	1.6	-1.2
Net Exports	5.5	5.9	2.6	2.3	4.0	-0.7	-3.4	-2.2	-3.0	-2.3	2.7
Exports	2.8	5.4	3.4	4.0	3.9	1.3	0.0	-0.6	-0.4	0.0	2.9
Imports	2.7	0.5	-0.8	-1.7	0.1	-2.0	-3.4	-1.5	-2.6	-2.4	-0.2
GDP	3.1	2.7	1.5	1.3	2.1	2.9	4.5	4.3	4.4	4.0	4.3

Numbers may not add to total due to rounding

Source: Calculated from Turkstat figures.

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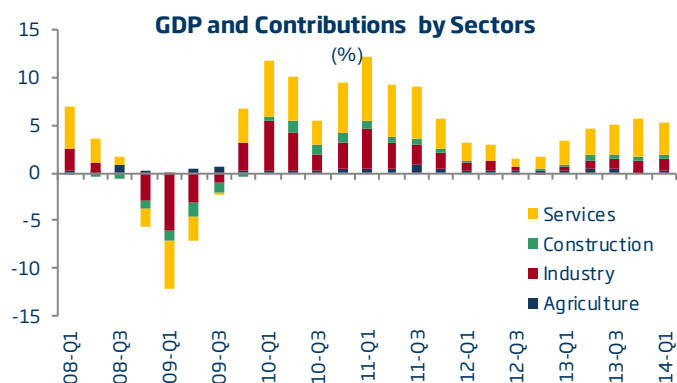
investment expenditures had an adverse impact growth, the contribution of consumption expenditures decreased and the positive impact of net exports on growth became evident. Thus, Turkey's economy exhibited a more balanced growth composition.

Services sector grew by 5.7% yoy in the first quarter of the year.

GDP figures by production approach revealed that services sector, which have the highest share, grew by 5.7% yoy in the first quarter of the year. The highest contribution to the GDP growth was originated from the services sector, while contributions of both agriculture and construction sectors were limited in the first quarter of the year. Construction sector lost momentum and grew by 5.6% yoy, while industrial sector displayed the strongest growth performance for the last 9 quarters, rising by 4.9% yoy.

We expect around 4% GDP growth in 2014.

CBRT's monetary tightening and BRSA's measures to slow down the growth in consumer loans and credit cards were influential on the domestic demand in the first quarter of 2014, albeit at a slower pace. The leading indicators for the second quarter of 2014 also show that moderate course in the domestic demand has been kept in parallel to these measures. On the other hand, in addition to the downward trend in imports stemming from slowdown domestic demand, the anticipated recovery in Turkey's main trading



partners, especially in the EU is also expected to support the growth via net exports in the second half of 2014.

Monetary policy easing actions taken by the European Central Bank (ECB) in June is anticipated to be influential on domestic demand by easing financial conditions in the second half of the year. Moreover, in line with the improvement in the domestic financial markets, probable interest rate cuts by CBRT's will be decisive on the course of domestic demand. In addition, the contribution of net exports to growth may increase in the forthcoming period in parallel to the recovery in domestic demand in the Euro Area countries thanks to the ECB's actions. In this context, we anticipate that the Turkish economy will grow by around 4% in 2014.

Source: Turkstat

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