



## GDP Growth - 3<sup>rd</sup> Quarter of 2015

### Economic Research Division

#### Turkish economy grew by 4% in third quarter.

Turkish economy grew well above the market expectations (2.8%) in the third quarter of 2015. In this period, GDP growth reached 4%, the highest level since the first quarter of 2014. Therefore, in the first nine months of 2015 Turkish economy grew by 3.4% compared to the same period of the previous year.

Seasonal and calendar adjusted GDP also posted a quarterly expansion of 1.3%, indicating a positive economic outlook. On the other hand, estimated GDP per capita was below 10,000 USD as of September according to annualized figures.

#### Domestic consumption was still the engine of growth.

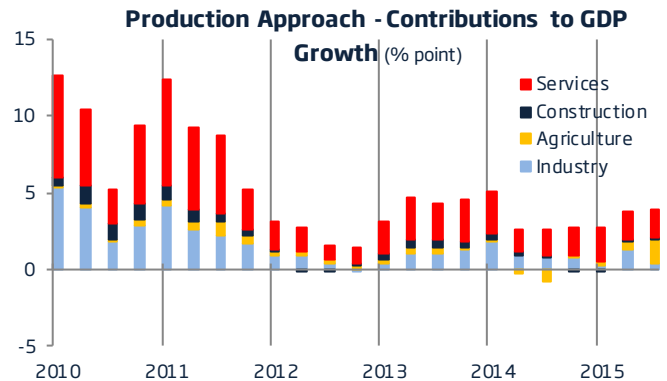
According to expenditure approach, domestic consumption lost momentum in the third quarter compared to the previous one. Nevertheless, consumption expenditures made the highest contribution to the GDP growth by 3 percentage points. In this period, both private and public consumption expenditures exert an upward impact on GDP growth by 2.2 and 0.8 percentage points, respectively.

Investment expenditures, which have bolstered the GDP growth in the second quarter of 2015, pulled it down in the third quarter. This development stemmed from the slide in private sector's investment expenditures and there has not been a significant change in public consumption expenditures.

#### Net exports contributed to the GDP growth for the first time after three quarters.

There has been a significant drop in import volume in the third quarter thanks to the low energy prices. Therefore, imports made 0.3 percentage point contribution to the GDP growth in this period. Although exports continued to draw down GDP growth, its effect has tempered compared to the previous quarter. As a result, net exports, which had a downward impact on GDP growth for the last three quarters, contributed to growth as of third quarter of 2015.

It was noteworthy that the change in inventories, which are estimated as residual and also include statistical discrepancy, pushed the GDP growth up by 1 percentage points in the third quarter.



#### Significant contribution to GDP by agriculture sector...

According to production approach, services sector made the highest contribution to the GDP growth by 1.9 percentage points in the third quarter. Agriculture sector generally makes a high contribution to the GDP growth in third quarters due to the harvest season. However, agriculture sector exhibited a poor performance due to the adverse climatic conditions in 2014. Since, as the agricultural production was higher in this year, sector's contribution to GDP growth rose to the highest level of the last 10 years by 1.6 percentage points, also thanks to the base effect. On the other hand, both industry and construction sectors made a limited contribution to GDP growth by 0.4 and 0.1 percentage points, respectively.

#### Expectations...

Uncertainty related to the general elections and risks resulted by the depreciation in TRY were expected to leave GDP growth under pressure in the third quarter. Nevertheless, GDP growth gained momentum and was better than market expectations thanks to the strong performance of the agriculture sector, support of the domestic consumption and removal of the negative impact of net exports. Leading indicators showed that the economic recovery also continued in the last quarter of the year. In this context, we expect that Turkish economy would complete 2015 with 3.5% GDP growth.

#### Expenditure Approach - Contributions to GDP Growth (1998 prices)

(% point)

|                        | 2012        |             |             |             |             |             | 2013        |             |             |             |             | 2014        |             |             |             |            | 2015        |             |            |             |             |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|-------------|------------|-------------|-------------|
|                        | Annual      | Q1          | Q2          | Q3          | Q4          | Annual      | Q1          | Q2          | Q3          | Q4          | Annual      | Q1          | Q2          | Q3          | Q4          | Annual     | Q1          | Q2          | Q3         | 9-Month     |             |
| <b>Consumption</b>     | <b>0.3</b>  | <b>3.0</b>  | <b>4.5</b>  | <b>3.9</b>  | <b>5.1</b>  | <b>4.1</b>  | <b>2.7</b>  | <b>0.6</b>  | <b>0.7</b>  | <b>1.9</b>  | <b>1.5</b>  | <b>3.4</b>  | <b>4.3</b>  | <b>3.0</b>  | <b>3.5</b>  | <b>3.4</b> | <b>4.3</b>  | <b>3.0</b>  | <b>3.5</b> | <b>2.2</b>  | <b>2.9</b>  |
| Private                | -0.3        | 2.2         | 3.6         | 3.7         | 4.1         | 3.4         | 1.8         | 0.3         | 0.1         | 1.7         | 0.9         | 3.1         | 3.5         | 2.2         | 2.9         | 3.1        | 3.5         | 2.2         | 2.9        |             |             |
| Public                 | 0.6         | 0.8         | 0.8         | 0.2         | 1.0         | 0.7         | 0.9         | 0.3         | 0.6         | 0.3         | 0.5         | 0.3         | 0.8         | 0.8         | 0.6         | 0.3        | 0.8         | 0.8         | 0.8        | 0.6         |             |
| <b>Investment</b>      | <b>-0.7</b> | <b>0.1</b>  | <b>0.9</b>  | <b>1.3</b>  | <b>1.9</b>  | <b>1.1</b>  | <b>-0.1</b> | <b>-0.9</b> | <b>-0.1</b> | <b>-0.3</b> | <b>-0.3</b> | <b>0.1</b>  | <b>2.4</b>  | <b>-0.1</b> | <b>0.8</b>  | <b>0.1</b> | <b>2.4</b>  | <b>-0.1</b> | <b>0.8</b> | <b>-0.1</b> | <b>0.8</b>  |
| Private                | -1.1        | -1.3        | -0.2        | 0.6         | 1.1         | 0.1         | 0.1         | -0.3        | 0.4         | 0.1         | 0.1         | 0.4         | 2.3         | -0.1        | 0.8         | 0.4        | 2.3         | -0.1        | 0.8        |             |             |
| Public                 | 0.4         | 1.4         | 1.1         | 0.7         | 0.7         | 1.0         | -0.2        | -0.6        | -0.5        | -0.4        | -0.4        | -0.3        | 0.1         | 0.0         | -0.1        | -0.3       | 0.1         | 0.0         | 0.0        |             |             |
| <b>Change in Stock</b> | <b>-1.5</b> | <b>1.5</b>  | <b>2.9</b>  | <b>1.1</b>  | <b>0.8</b>  | <b>1.6</b>  | <b>-0.2</b> | <b>-0.1</b> | <b>-1.2</b> | <b>1.5</b>  | <b>0.0</b>  | <b>0.3</b>  | <b>-2.0</b> | <b>1.0</b>  | <b>-0.2</b> | <b>0.3</b> | <b>-2.0</b> | <b>1.0</b>  | <b>1.0</b> | <b>-0.2</b> | <b>-0.2</b> |
| <b>Net Export</b>      | <b>4.0</b>  | <b>-1.4</b> | <b>-3.6</b> | <b>-2.0</b> | <b>-3.2</b> | <b>-2.6</b> | <b>2.6</b>  | <b>2.8</b>  | <b>2.4</b>  | <b>-0.5</b> | <b>1.8</b>  | <b>-1.3</b> | <b>-0.9</b> | <b>0.1</b>  | <b>-0.7</b> | <b>2.6</b> | <b>-1.3</b> | <b>-0.9</b> | <b>0.1</b> | <b>-0.7</b> | <b>-0.7</b> |
| Exports                | 3.9         | 0.8         | 0.0         | -0.6        | -0.3        | -0.1        | 2.8         | 1.5         | 2.0         | 0.9         | 1.8         | -0.1        | -0.5        | -0.2        | -0.3        | 2.8        | -0.1        | -0.5        | -0.2       | -0.3        |             |
| Imports                | 0.1         | -2.2        | -3.6        | -1.4        | -2.9        | -2.5        | -0.2        | 1.3         | 0.4         | -1.4        | 0.0         | -1.1        | -0.4        | 0.3         | -0.4        | -0.2       | -1.1        | -0.4        | 0.3        | -0.4        |             |
| <b>GDP</b>             | <b>2.1</b>  | <b>3.1</b>  | <b>4.7</b>  | <b>4.3</b>  | <b>4.6</b>  | <b>4.2</b>  | <b>5.1</b>  | <b>2.4</b>  | <b>1.8</b>  | <b>2.7</b>  | <b>2.9</b>  | <b>2.5</b>  | <b>3.8</b>  | <b>4.0</b>  | <b>3.4</b>  | <b>2.5</b> | <b>3.8</b>  | <b>4.0</b>  | <b>3.4</b> | <b>3.4</b>  | <b>3.4</b>  |

Numbers may not add to total due to rounding.

Source: Turkstat

**GDP Growth - 3<sup>rd</sup> Quarter of 2015**

Economic Research Division




---

**Türkiye İş Bankası A.Ş. - Economic Research Division**


---

**İzlem Erdem - Division Head**

izlem.erdem@isbank.com.tr

**Alper Gürler - Unit Manager**

alper.gurler@isbank.com.tr

**Hatice Erkiletlioğlu - Asst. Manager**

hatice.erkiletlioglu@isbank.com.tr

**İlker Şahin - Economist**

ilker.sahin@isbank.com.tr

**Eren Demir - Asst.Economist**

eren.demir@isbank.com.tr

**M. Kemal Gündoğdu - Asst.Economist**

kemal.gundogdu@isbank.com.tr

**Gamze Can - Asst.Economist**

gamze.can@isbank.com.tr

---

**LEGAL NOTICE**


---

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.

---