

## GDP Growth - 4<sup>th</sup> Quarter of 2015

### Economic Research Division



**The economy grew by 5.7% yoy in the 4<sup>th</sup> quarter.** Turkish economy expanded by 5.7% yoy in the last quarter of 2015 marking the fastest pace of growth in the last 17 quarters. The rise in domestic demand and the positive contribution of net exports played a big part in this performance. Seasonality and calendar shifts also had a favorable impact on growth. Indeed, calendar adjusted GDP growth was 4.1% yoy during this period. Seasonally and calendar adjusted GDP, registering an increase of 0.7% qoq, exhibited the weakest quarterly performance of 2015.

In 2015 as a whole, the economy grew by 4.0% yoy, close to its potential growth rate. Market expectations regarding the annual growth for 2015 had been hovering around 3% during the first few months of the last year.

### National income in USD terms stands at the lowest level in 6 years...

GDP declined to 720 billion USD in 2015. GDP per capita dropped to 9,261 USD falling again below 10,000 USD after five consecutive years. This outlook mostly stemmed from the depreciation of TRY during this period.

### Domestic demand gained momentum.

The revival in domestic demand pushed up the growth numbers throughout 2015. Private and public consumption expenditures contributed to growth by 3.0 and 0.7 pp, respectively. During the last quarter of the year, public expenditures' contribution of 1.1 pp to growth, the highest in six years, was noteworthy.

### Investment expenditures supported the growth.

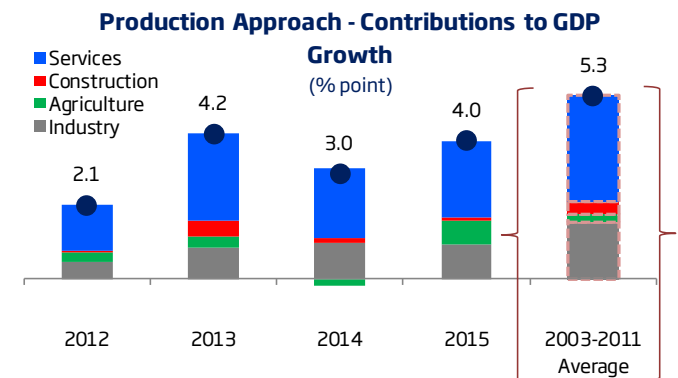
Having had an unfavorable impact on growth in 2014 mostly due to the fall in public investments, investment expenditures added 0.9 pp to growth in 2015. The increase in investments despite the heightened political uncertainties was worthy of attention. Public investments, supporting the growth in almost all 2015, made a contribution of 0.5 pp in the last quarter of the year.

### Positive contribution of net exports in the 4Q ...

Net exports contributed 1.3 pp to the GDP growth in the last quarter partly thanks to the favorable base-effect. In 2015 as a whole, on the other hand, both imports and exports dragged down the economic growth. Thus, net exports limited the growth in 2015 by 0.3 pp.

### The sectoral composition of growth ...

Production approach revealed that services sector, which has the highest share in GDP with 59.6% as of 2015, pushed up the growth by 2.2 pp. Services sector was followed by industrial sector with a contribution of 1 pp. Displaying the strongest performance of the last 10 years, agricultural sector made 0.7 pp contribution to growth. The construction sector, however, made a marginal contribution to growth in 2015 despite its solid performance in the last quarter of the year.



### The positive outlook in the leading indicators...

Despite all the political and geopolitical vulnerabilities prevailed in 2015, Turkish economy recorded an annual growth performance of 4%, especially with the boost of the last quarter's growth data. Leading indicators suggested that the relatively strong performance in economic activity persisted also in the first quarter of 2016. Besides, the favorable base-effect for both net exports and industrial sector is considered to have supported the economic growth in this period. We expect that economic activity will sustain its moderate performance throughout the year.

### 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
<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>2.1</b>	<b>1.5</b>	<b>3.3</b>	<b>4.3</b>	<b>3.1</b>	<b>4.3</b>	<b>3.7</b>
Private	-0.3	2.2	3.6	3.7	4.1	3.4	1.8	0.3	0.1	1.8	1.0	3.0	3.5	2.3	3.2	3.0
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	1.1	0.7
<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>0.0</b>	<b>0.9</b>	<b>0.9</b>
Private	-1.1	-1.3	-0.2	0.6	1.1	0.1	0.1	-0.3	0.4	0.1	0.1	0.2	2.0	-0.4	0.3	0.5
Public	0.4	1.4	1.1	0.7	0.7	1.0	-0.2	-0.6	-0.5	-0.3	-0.4	0.0	0.4	0.4	0.5	0.3
<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>-0.3</b>	<b>-0.3</b>	<b>-1.5</b>	<b>1.5</b>	<b>-0.2</b>	<b>0.5</b>	<b>-1.8</b>	<b>0.9</b>	<b>-0.7</b>	<b>-0.3</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>2.8</b>	<b>3.0</b>	<b>2.6</b>	<b>-0.3</b>	<b>2.0</b>	<b>-1.4</b>	<b>-1.2</b>	<b>-0.1</b>	<b>1.3</b>	<b>-0.3</b>
Exports	3.9	0.8	0.0	-0.6	-0.3	-0.1	3.0	1.7	2.2	1.0	1.9	-0.4	-0.7	-0.4	0.6	-0.2
Imports	0.1	-2.2	-3.6	-1.4	-2.9	-2.5	-0.2	1.4	0.5	-1.3	0.1	-1.1	-0.4	0.3	0.8	-0.1
<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>5.2</b>	<b>2.4</b>	<b>1.8</b>	<b>3.0</b>	<b>3.0</b>	<b>2.5</b>	<b>3.7</b>	<b>3.9</b>	<b>5.7</b>	<b>4.0</b>

Numbers may not add to total due to rounding.

Source: Datastream, Turkstat

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