



GDP Growth - 1st Quarter of 2016

Economic Research Division



Turkish economy grew by 4.8% yoy in the first quarter.

Economic activity remained solid in the first quarter of 2016. Turkish economy expanded by 4.8% yoy in this period, slightly above the market expectations of 4.5%. Yet, the downward trend in GDP in USD terms prevailed due to the TRY depreciation. Seasonal and calendar adjusted GDP grew by 0.8% qoq posting a relatively milder increase.

Contributions by Expenditure Approach (1998 prices)

% point	2015					2016
	Q1	Q2	Q3	Q4	Annual	Q1
Consumption	3.3	4.3	3.1	4.3	3.7	5.9
Private	3.0	3.5	2.3	3.2	3.0	4.8
Public	0.3	0.8	0.8	1.1	0.7	1.2
Investment	0.1	2.4	0.0	0.9	0.9	0.0
Private	0.2	2.0	-0.4	0.3	0.5	-0.1
Public	0.0	0.4	0.4	0.5	0.3	0.0
Change in Stock	0.5	-1.8	0.9	-0.7	-0.3	0.4
Net Export	-1.4	-1.2	-0.1	1.3	-0.3	-1.5
Exports	-0.4	-0.7	-0.4	0.6	-0.2	0.6
Imports	-1.1	-0.4	0.3	0.8	-0.1	-2.2
GDP	2.5	3.7	3.9	5.7	4.0	4.8

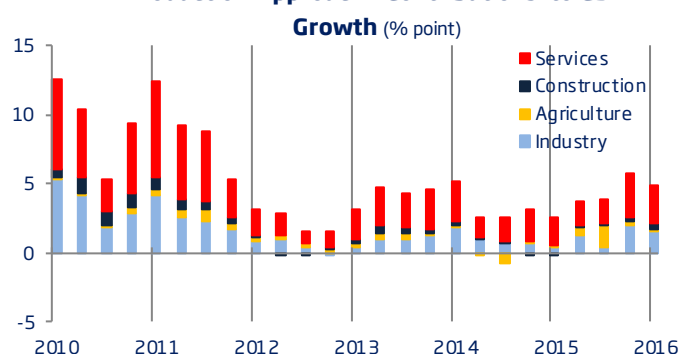
Domestic demand strengthened further.

Having a share of more than 80% in GDP, consumption expenditures increased at the fastest pace recorded in the last 18 months and made a 5.9 points contribution to the growth in the first quarter. This mainly stemmed from the surge in private consumption expenditures which have received support from the minimum wage hike. It was also worthy of attention that public consumption expenditures rose by 10.9% yoy, the strongest expansion in almost 5 years. This was mostly due to the pickup in purchases of goods and services which registered a rise of 17%, the highest annual increase since the last quarter of 2009. Therefore, public consumption expenditures added 1.2 points to the growth, a relatively strong contribution.

Investment expenditures stayed away from recovery.

Total investment expenditures had almost no impact on the first quarter growth figures. While private investment expenditures dragged down the growth by 0.1 point, public investment expenditures contributed only a negligible amount in the same period. The weak outlook in investment expenditures dims the medium term future prospects for growth.

Production Approach - Contributions to GDP



Net exports dragged down the growth.

Net exports could not sustain the improvement they had achieved in the last quarter of the previous year. They lowered the growth by 1.5 points in the first quarter of this year as imports recorded the sharpest increase in constant prices since the last quarter of 2013. Exports, on the other hand, expanded by 2.4% yoy in the same period against a background of problematic export markets and sluggish global demand. Alas, this was not enough to pull the contribution of net exports into positive territory.

The construction sector grew fast in the first quarter.

According to the production approach, services sector, which has the highest share in GDP with 62% in the first quarter of 2016, contributed 2.7 points to the growth albeit losing some momentum. However, negative developments in tourism sector would weigh on services sector and, in turn, its contribution to GDP might lessen in the forthcoming period. Industrial sector also pushed growth up by 1.6 points in the first quarter of the year. Despite its low share in GDP, construction sector marked the fastest annual increase of more than 2 years and added 0.4 point to GDP, while agriculture sector made the lowest contribution among the sub-groups placed under the production approach.

Expectations...

Having displayed a domestic demand driven growth performance in 2015 with also the aid of migrant influx, Turkish economy preserved the same tendency in the first quarter of 2016. Consumption expenditures are expected to be the fundamental dynamic of the growth in the second quarter of the year as well. Nevertheless, it is not within reach the opportunity to paint a favorable picture for net exports due to the ongoing problems in our major export destinations, the current trajectory of commodity prices and rising import demand. Against this backdrop, we think that the moderate trend in economic activity will prevail and the Turkish economy will grow by 3.5% in 2016.

Source: Datastream, Turkstat

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