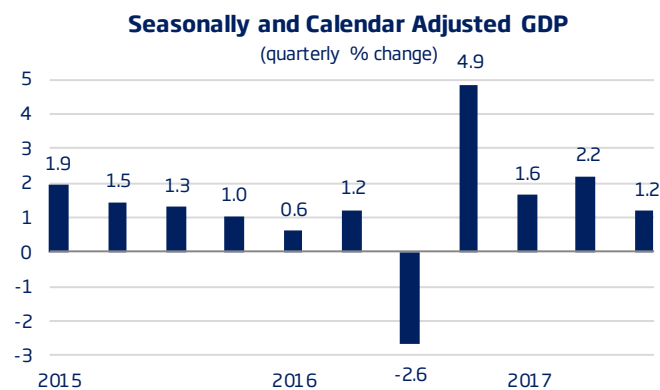


Turkish economy grew by 11.1% in the third quarter.

Turkish economy expanded by 11.1% yoy in the third quarter of the year, according to the chain volume index. This higher-than-expected figure marked the strongest growth seen in the last 6 years. The upturn in domestic consumption and investments, having been supported by the measures taken by the public authorities, was behind this performance as well as low base effect. In the same period of 2016, Turkish economy had shrunk by 0.8%.

Turkstat revised up the annual growth rates for the first and second quarters to 5.3% and 5.4% from previously announced 5.2% and 5.1%, respectively. Hence, the annual growth rate for the first nine months of the year stood at 7.4%.

According to the calendar adjusted figures, Turkish economy grew by 9.6% yoy in the third quarter. Quarterly changes in seasonally and calendar adjusted data revealed that economic activity lost some momentum during this period compared to the first two quarters of the year.



Strong boost from private consumption expenditures...

According to GDP data by expenditure approach, private consumption expenditures contributed to the growth by 7 points in the third quarter. The 31% increase in consumption expenditures for durable goods stood out during this period. This rise was largely due to the low base effect and demand being brought forward before the withdrawal of tax incentives which was to be effective from the end of the Q3. On the other hand, public consumption expenditures made a limited contribution to growth during this period.

Rapid growth in machinery and equipment investments...

Investment expenditures made the second highest contribution to growth after private consumption expenditures by 3.6 points in the Q3. Machinery and equipment investments, which declined in the last 4 quarters on an annual basis, recorded an increase in the third quarter. Machinery and equipment investments contributed to the rise in investments considerably, expanding by 15.3% yoy, based on the chain linked volume index. This is consistent with the recent rise in capacity utilization rates. Construction investments also continued to support the growth during this period.

Limited contribution from net exports...

In the third quarter of 2017, net exports made a limited contribution to growth with 0.3 point. Imports pulled growth down by 3.2 points during this period. In the first nine months of the year, on the other hand, the contribution of net exports became 1.4 points.

Expenditure Approach - Contributions to GDP Growth (chain linked volume index 2009=100) (% point)

	2015					2016					2017			
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	9M
Consumption	3.1	5.1	2.3	5.0	3.9	3.2	5.2	1.0	4.7	3.5	3.4	1.6	7.4	4.2
Private	3.9	4.2	2.1	3.3	3.3	1.6	3.2	0.3	3.8	2.2	2.1	1.9	7.0	3.8
Public	-0.7	0.9	0.1	1.6	0.5	1.6	2.0	0.7	0.9	1.2	1.3	-0.3	0.3	0.4
Investment	1.0	3.9	2.5	3.2	2.7	1.8	0.6	0.1	0.4	0.7	0.8	2.4	3.6	2.3
Change in Stock	-0.2	-2.2	0.0	-1.7	-1.0	0.1	1.3	0.7	-0.7	0.3	-1.1	-0.4	-0.2	-0.6
Net Export	-0.4	0.4	1.0	1.1	0.6	-0.3	-2.1	-2.5	-0.1	-1.3	2.3	1.8	0.3	1.4
Exports	0.6	1.0	1.1	1.1	1.0	0.4	-0.4	-2.1	0.5	-0.4	2.5	2.3	3.5	2.8
Imports	-1.0	-0.6	-0.1	-0.1	-0.4	-0.7	-1.7	-0.4	-0.7	-0.9	-0.2	-0.5	-3.2	-1.3
GDP	3.6	7.2	5.8	7.5	6.1	4.8	4.9	-0.8	4.2	3.2	5.3	5.4	11.1	7.4

Numbers may not add to total due to rounding.

Source: Datastream, Turkstat

All main sub-sectors drove growth upwards.

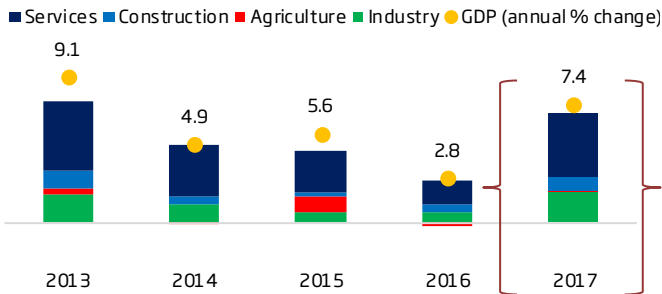
GDP data by production approach suggested that services and manufacturing sectors provided a significant boost to growth. Along with the sustained recovery in tourism sector, services sector added 5.7 points to growth in this period. Industrial sector made its highest contribution of the last 6 years by 2.6 points. According to 9-month cumulative figures, services and industrial sectors made a 5.9 points contribution to annual GDP growth of 7.4%. During this period, construction and agriculture sectors added 0.8 point and 0.2 point to growth, respectively.

GDP growth rate could exceed 6.5% in 2017.

Measures aiming at stimulating economy have continued to support growth performance albeit at a lower extent. Under this conjuncture, it is expected that economic activity will offer a favorable outlook in the last quarter of the year despite losing some steam compared to the Q3. Leading indicators have suggested that private consumption expenditures and investments continue to be a major driver of this performance. Against this backdrop, we believe that Turkish economy will expand more than 6.5% in 2017.

Production Approach - Contributions to GDP Growth

(January-September, % point)



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