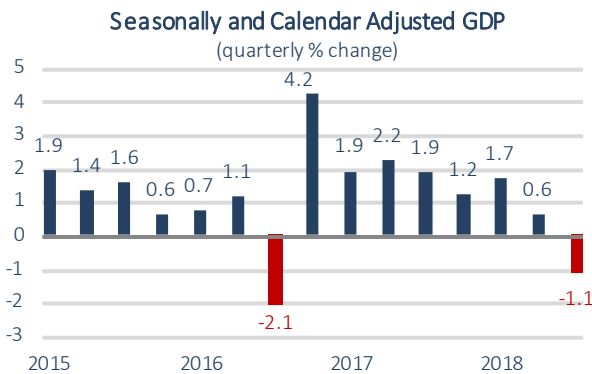


### Growth came in at 1.6%, below expectations in the Q3.

Slowdown in economic activity became more apparent in the third quarter. According to the chained volume index, GDP grew below the market expectations by 1.6% compared to the same period of the previous year. In this period, net exports and changes in inventories were influential on growth with opposite effects. In the first nine months of the year, growth was 4.5% yoy.

Calendar adjusted annual growth became 2.1% in the third quarter. According to seasonally and calendar adjusted figures, on the other hand, Turkish economy contracted by 1.1% mom, the first contraction since the third quarter of 2016, when the failed coup attempt took place.



### Strong contribution from net exports...

According to the expenditure approach, net exports made the highest contribution to growth in the third quarter of the year with 6.7 pp, the strongest since the first quarter of 2009. The expansion in exports due to the depreciation of Turkish lira supported the growth by 2.9 pp and the contraction in imports as a result of deceleration in domestic economic activity and the decline in gold imports contributed to the growth rate by 3.8 pp. During this period, public and private consumption expenditures

supported the growth by 0.9 pp and 0.7 pp, respectively. While non-durable consumption goods and service expenditures became more prominent in household expenditures, the decrease in demand for durable and semi-durable consumer goods limited the growth.

Decline in investment expenditures lowered the growth by 1.1 pps in the third quarter. In this period, construction and machinery-equipment investments dragged down the growth by 0.3 and 0.9 pp, respectively. On the other hand, change in the stocks made a negative contribution of 5.6 pp to growth.

### Construction sector contracted on an annual basis.

Analyzing the GDP figures by production approach, the construction sector contracted for the first time since 2015. The sector pulled down the GDP growth 0.4 pp in this period. On the other hand, services sector, which has the highest share in GDP, contributed to growth by 1.8 pp due to the momentum loss in almost all sub-sectors. In this period, industrial sector contributed slightly to growth by 0.1 pp. The contribution of the agricultural sector, which limited the growth in the previous quarter, has turned into positive territory with 0.1 pp.

### Expectations...

In the third quarter of the year, while the domestic demand conditions put pressure on economic activity, foreign demand contributed significantly to growth thanks to the FX developments. In the coming period, we think that the effect of the tightening in domestic financial conditions on private consumption and investment expenditures will become evident in the last quarter and will bring growth down. It is expected that net exports will continue to play an important role in growth, in the last quarter of the year. In this context, taking a possible contraction in the last quarter into account, we anticipate that Turkish economy, which grew by 4.5% in the first three quarter, will grow by 2.9% in the whole year.

### Contributions to GDP Growth by Expenditure Approach (chain linked volume index 2009=100)

	2016					2017					2018			
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	9M
<b>Consumption</b>	3.2	5.2	1.0	4.7	3.5	4.1	1.7	7.1	4.7	4.4	6.1	4.9	1.6	4.0
Private	1.6	3.2	0.3	3.8	2.2	2.8	1.9	6.1	3.8	3.7	5.6	3.8	0.7	3.2
Public	1.6	2.0	0.7	0.9	1.2	1.2	-0.3	0.9	0.9	0.7	0.5	1.0	0.9	0.8
<b>Investment</b>	1.8	0.6	0.1	0.4	0.7	1.1	2.3	3.7	2.0	2.3	2.3	1.3	-1.1	0.7
<b>Change in Stock</b>	0.1	1.3	0.7	-0.7	0.3	-2.0	-0.5	0.4	3.8	0.6	2.3	-1.8	-5.6	-2.0
<b>Net Export</b>	-0.3	-2.1	-2.5	-0.1	-1.3	2.1	1.8	0.3	-3.2	0.1	-3.5	0.9	6.7	1.7
Exports	0.4	-0.4	-2.1	0.5	-0.4	2.3	2.4	3.6	1.9	2.5	0.2	0.9	2.9	1.4
Imports	-0.7	-1.7	-0.4	-0.7	-0.9	-0.2	-0.5	-3.3	-5.1	-2.4	-3.6	0.0	3.8	0.3
<b>GDP</b>	<b>4.8</b>	<b>4.9</b>	<b>-0.8</b>	<b>4.2</b>	<b>3.2</b>	<b>5.3</b>	<b>5.3</b>	<b>11.5</b>	<b>7.3</b>	<b>7.4</b>	<b>7.2</b>	<b>5.3</b>	<b>1.6</b>	<b>4.5</b>

Numbers may not add to total due to rounding.

Source: Datastream, Turkstat

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