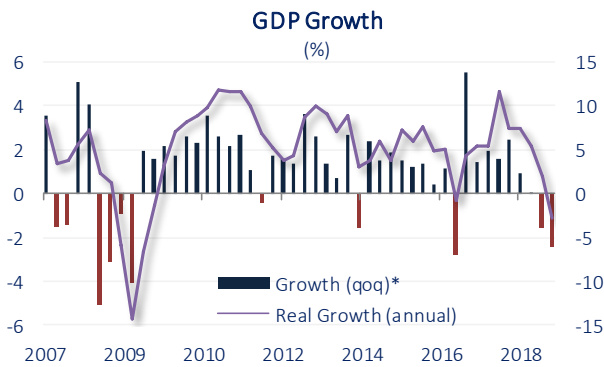


Turkish economy grew by 2.6% in 2018.

In the last quarter of 2018, Turkish economy contracted more than expected by 3% compared to the same period of the previous year, according to the chain volume index. According to Reuters' survey Turkish economy was expected to shrink by 2.7%. The growth rate for the first quarter was revised up to 7.4% from 7.2% and up to 1.8% from 1.6% for the third quarter.

According to seasonally and calendar adjusted figures, Turkish economy contracted by 2.4% qoq, the worst performance since the third quarter of 2016. Having contracted by two consecutive quarters Turkish economy entered a technical recession.

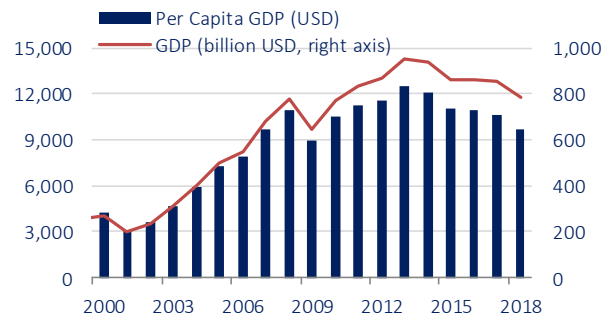
In 2018, Turkish economy had grown by 2.6%, lower than its long-run average. Annual real growth recorded its lowest level since 2009 and remained below the NEP target of 3.8%.



Turkey's GDP came in at 784 billion USD.

GDP in Turkey was realized as 3.7 trillion TRY in 2018 at current prices while GDP in USD terms decreased by 7.9% on an annual basis and fell to 784 billion USD. Per capita GDP also declined by 9.2% to 9,632 USD.

GDP Indicators in USD Terms



Strong contribution from net exports...

According to the expenditure approach, net exports continued to make the largest contribution to growth in the last quarter of the year. During this period, the said item supported the growth by 8.4 pp, the highest since the beginning of the series. As the weak course in TL continued, exports supported the growth by 2.2 pp, while the contraction in imports due to the deceleration in domestic demand contributed to the growth rate by 6.2 pp. In 2018 as a whole, net exports contributed to growth by 3.6 pp.

Consumption expenditures...

Private consumption expenditures pushed down the growth by 5.4 pp in the last quarter. During this period, 34.6% decline of durable goods expenditures stood out. Public consumption expenditures contributed to the growth at a limited rate by 0.1 pp. Although consumption expenditures had a weak performance in the last quarter of 2018, it provided the second highest contribution with 1.2 pp to growth after net exports in 2018 thanks to the strong performance in the first half of the year.

Investment expenditures contracted in 2018.

In the last quarter of 2018, investment expenditures dragged the growth down by 3.8 pp. In this period, machinery-equipment investments and construction

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

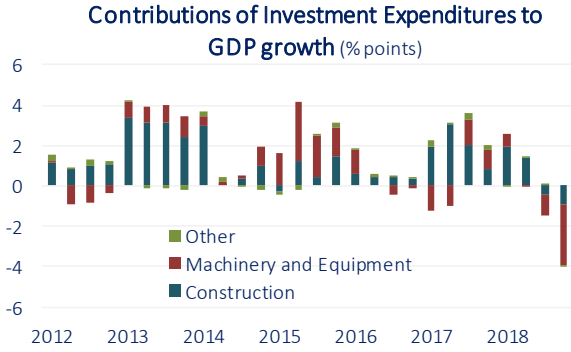
	2015		2016		2017			2018				
	Annual	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Consumption	3.9	3.5	4.1	1.7	7.1	4.7	4.4	6.0	4.6	0.9	-5.3	1.2
Private	3.3	2.2	2.8	1.9	6.1	3.8	3.7	5.5	3.5	0.5	-5.4	0.7
Public	0.5	1.2	1.2	-0.3	0.9	0.9	0.7	0.5	1.0	0.4	0.1	0.5
Investment	2.7	0.7	1.1	2.3	3.7	2.0	2.3	2.5	1.5	-1.4	-3.8	-0.5
Change in Stock	-1.0	0.3	-2.0	-0.5	0.4	3.8	0.6	2.3	-1.6	-4.4	-2.2	-1.7
Net Export	0.6	-1.3	2.1	1.8	0.3	-3.2	0.1	-3.5	0.9	6.7	8.4	3.6
Exports	1.0	-0.4	2.3	2.4	3.6	1.9	2.5	0.2	0.9	2.9	2.2	1.7
Imports	-0.4	-0.9	-0.2	-0.5	-3.3	-5.1	-2.4	-3.6	0.0	3.8	6.2	1.9
GDP	6.1	3.2	5.3	5.3	11.5	7.3	7.4	7.4	5.3	1.8	-3.0	2.6

(*) Seasonally and calendar adjusted expenditure

Numbers may not add to total due to rounding.

Source: Datastream, Turkstat

investments declined by 25.8% and 5.8%, respectively. In 2018, investment expenditures decreased the growth by 0.5 pp.



Construction sector weighed on growth.

Analysis of the GDP figures by production approach revealed that all main sub-sectors dragged down growth in the last quarter of 2018. During this period, it is noteworthy that industrial sector pulled down the growth by 1.3 pp.

In the whole year, all main sub-sectors except construction supported growth. The highest contribution to last year's growth came from the services sectors with 2.4 pp, while the industrial and agricultural sector made a limited contribution of 0.2 pp and 0.1 pp, respectively. On the other hand, construction sector, which marked a strong performance in recent years, contracted in 2018.

Expectations...

Having displayed a strong performance in the first half of 2018 thanks to government's incentives in 2017, Turkish economy grew below its long-run average in the whole year. We anticipated that the weak performance recorded in the last quarter of 2018 will continue in the first half of 2019 in general. We expect that economic activity will recover with the low base effect in the second half. Thus, we estimate that Turkey's economy will grow around 1% throughout 2019.

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