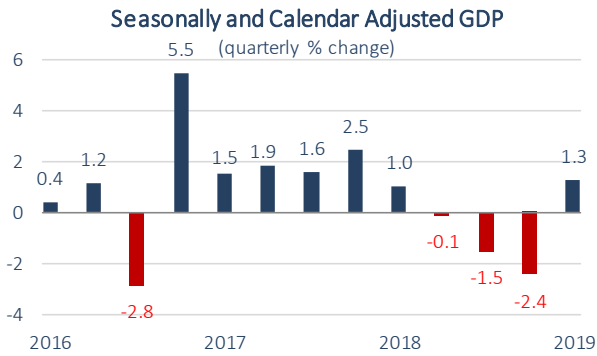


### Turkish economy contracted by 2.6% in the first quarter.

In the first quarter of 2019, Turkish economy contracted by 2.6% compared to the same period of the previous year, according to the chain-linked volume index (2009=100). Market had expected GDP to shrink by 2.5% in this period.

According to seasonally and calendar adjusted figures, Turkish economy grew by 1.3% qoq in the January-March period. Thus, Turkish economy, which had contracted on quarterly basis since the second quarter of 2018, emerged from technical recession, posting a positive growth number. During this period, private and public consumption expenditures increased compared to the previous quarter, while the contraction in investment expenditures continued. Exports and imports also declined compared to the previous quarter.



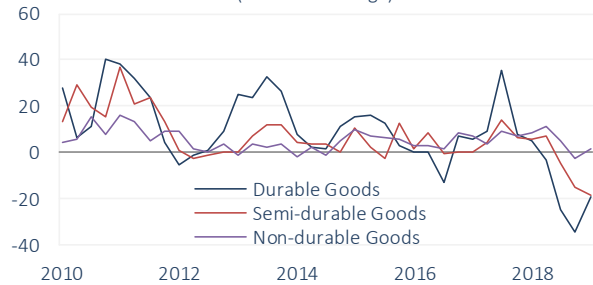
### Turkey's GDP came in at 748 billion USD.

Turkey's annual GDP as of the first quarter was realized as 3.8 trillion TRY at current prices while the annual GDP in USD terms fell to 748 billion USD, decreasing by 15.3% compared to a year ago. Thus, we estimate that per capita GDP declined to around 9,150 USD in the first quarter.

### Rapid rise in public consumption expenditures...

In the first quarter of 2019, the fall in private consumption expenditures limited the annual growth by 3 pp. Having decreased by 8.9% yoy in the last quarter of 2018, private consumption expenditures declined by 4.7% in the first quarter of 2019. On the other hand, public consumption expenditures contributed 1 pp to the growth, increasing by 7.2% yoy in the first quarter. Thus, consumption expenditures dragged the growth down by 2 pp. While household demand for durable goods lost momentum during this period, non-durable goods consumption grew by 1.6% yoy.

Household Consumption Expenditures  
(annual % change)



### Net exports continued to support growth.

Having supported the growth since the second quarter of 2018, net export was the only main expenditure component that contributed positively to the GDP growth by 9.4 pp in the first quarter of the year. While exports added 2.1 pp to the growth, the contraction in imports parallel to rebalancing of economic activity made a contribution of 7.3 pp.

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

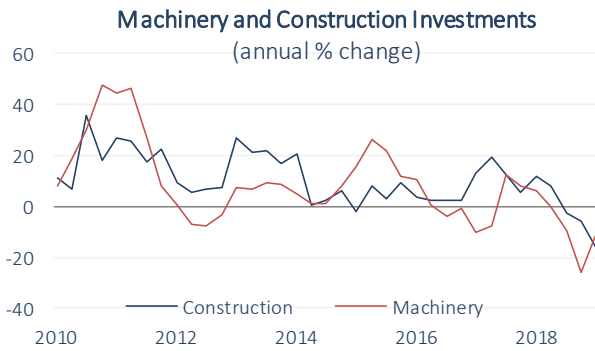
	2017					2018					2019
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1
<b>Consumption</b>	4.1	1.7	7.1	4.7	4.4	6.0	4.6	0.9	-5.3	1.2	-2.0
Private	2.8	1.9	6.1	3.8	3.7	5.5	3.5	0.5	-5.4	0.7	-3.0
Public	1.2	-0.3	0.9	0.9	0.7	0.5	1.0	0.4	0.1	0.5	1.0
<b>Investment</b>	1.1	2.3	3.7	2.0	2.3	2.5	1.5	-1.4	-3.8	-0.5	-3.8
<b>Change in Stock</b>	-2.0	-0.5	0.4	3.8	0.6	2.3	-1.6	-4.4	-2.2	-1.7	-6.3
<b>Net Export</b>	2.1	1.8	0.3	-3.2	0.1	-3.5	0.9	6.7	8.4	3.6	9.4
Exports	2.3	2.4	3.6	1.9	2.5	0.2	0.9	2.9	2.2	1.7	2.1
Imports	-0.2	-0.5	-3.3	-5.1	-2.4	-3.6	0.0	3.8	6.2	1.9	7.3
<b>GDP</b>	5.3	5.3	11.5	7.3	7.4	7.4	5.3	1.8	-3.0	2.6	-2.6

Numbers may not add to total due to rounding.

Source: Datastream, Turkstat

### Construction investments recorded a rapid decline.

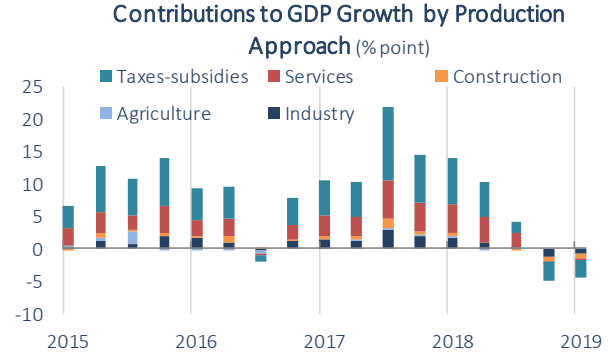
Investment expenditures dragged the growth down by 3.8 pp in the first quarter of 2019. In this period, construction investments dropped by 16% yoy and recorded the fastest annual decline in the 2009-based series, while machinery and equipment investments declined by 11.3% yoy. In addition, change in stocks negatively contributing to growth by 6.3 pp was a prominent development.



### The decline in the industrial sector slowed down.

Analyzing the GDP figures by production approach, all the main sub-sectors except agriculture had a negative effect on GDP in the first quarter of the year. In this period, industrial sector and taxes-subsidies pulled down the GDP growth by 0.9 pp and 0.8 pp, respectively. After falling by 6.4% yoy in the last quarter of the previous year, industrial sector posted an annual decline of 4.3% in the first three months of this year. The contractionary effect of the

construction sector on growth was also observed to accelerate in this period. Construction sector pulled GDP down by 0.7 pp in this period.



### Expectations...

Turkish economy, which contracted in the last quarter of 2018, showed a weak performance also in the first quarter of 2019. According to the seasonally and calendar adjusted data, on the other hand, economy emerged from a technical recession, registering positive GDP growth in the first quarter. Leading indicators and developments in financial markets in the second quarter are also signaling that the economy will continue to contract on annual basis. We expect a gradual recovery in economic activity in the second half of the year, as geopolitical and political uncertainties diminish.

---

## Economic Research Division

izlem Erdem  
Chief Economist  
izlem.erdem@isbank.com.tr

ilker Şahin  
Economist  
ilker.sahin@isbank.com.tr

Alper Gürler  
Unit Manager  
alper.gurler@isbank.com.tr

Gamze Can  
Economist  
gamze.can@isbank.com.tr

H. Erhan Gül  
Asst. Manager  
erhan.gul@isbank.com.tr

Ayşim Kalkan  
Asst. Economist  
aysim.kalkan@isbank.com.tr

---

Our reports are available on our website <https://research.isbank.com.tr>

### **LEGAL NOTICE**

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş., accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.