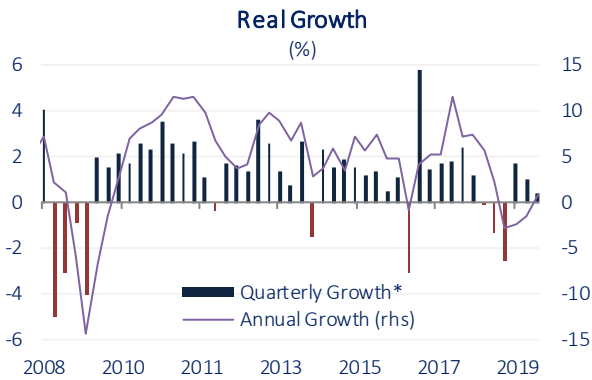


Turkish economy grew in line with expectations in Q3.

Turkish economy grew by 0.9% yoy in the third quarter of the year, according to the chain-linked volume index (2009=100). Market growth expectation was 1% in this period. Having contracted for three consecutive quarters yoy since 2018Q4, Turkish economy restarted to grow again on an annual basis. According to seasonally and calendar adjusted figures, the quarterly growth rate, which was 1% in the Q2, decreased to 0.4% in this period.



Annualized GDP came in at 734 billion USD as of Q3.

Annualized GDP of Turkey at current prices became 4.1 trillion TRY and 734 billion USD in USD terms as of end of September 2019.

Private consumption expenditures made a positive contribution to growth.

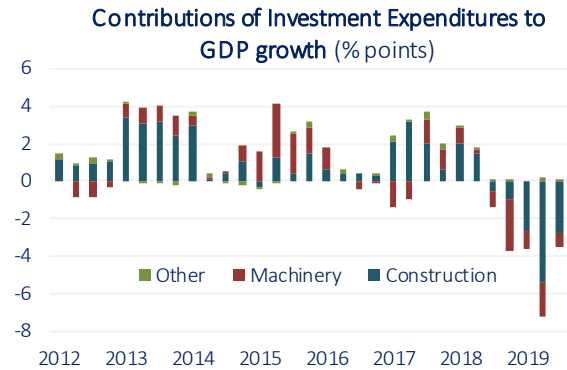
Private consumption expenditures, which dragged the annual growth down since the last quarter of 2018, made a positive contribution to growth by 0.9 pps. In this period, public consumption expenditures have continued to support the economic growth. Thus, total consumption expenditures made the highest impact of the last one year

by 1.8 pps. In this period, the contribution of change in stock (2.8 pps) was also remarkable.

Net exports, which provided a strong support to growth since the second half of 2018, made a negative contribution in Q3. In this period, export volume supported annual GDP growth by 1.2 pps, while the increase in import volume limited growth by 1.4 pps due to base effect and recovery in economic activity. Thus, net exports reduced the growth rate by 0.2 pps.

Investment expenditures kept declining.

In Q3, investment expenditures limited the growth by 3.4 pps, the highest among the expenditure figures. Ongoing decline in construction investments albeit at a slower rate, played an important role in this development. Decline in construction investments limited the economic growth by 2.8 pps. Meanwhile, machinery and equipment investments, which expanded by 9.3% yoy in current prices, fell by 7.5% compared to the chained volume index.



Industrial sector supported the growth.

GDP figures by production approach revealed that, in Q3, all subgroups except the construction sector affected the annual GDP growth upwards. In this period, the industrial

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

	2018					2019			
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	9M
Consumption	4.4	2.9	1.2	-3.9	0.9	-2.1	-0.1	1.8	-0.1
Private	3.7	1.6	0.4	-4.7	0.0	-3.0	-0.6	0.9	-0.8
Public	0.7	1.3	0.8	0.8	0.9	0.9	0.5	0.9	0.7
Investment	3.0	1.9	-1.3	-3.5	-0.2	-3.6	-7.0	-3.4	-4.7
Change in Stock	3.4	-0.1	-4.4	-3.9	-1.5	-6.0	-0.1	2.8	-0.9
Net Export	-3.4	1.0	6.8	8.4	3.6	9.5	5.7	-0.2	4.7
Exports	0.2	1.0	3.1	2.2	1.7	2.0	1.8	1.2	1.7
Imports	-3.6	0.0	3.7	6.2	1.9	7.5	3.9	-1.4	3.1
GDP	7.4	5.6	2.3	-2.8	2.8	-2.3	-1.6	0.9	-0.9

Numbers may not add to total due to rounding.

(*) Seasonally and calendar adjusted figures.

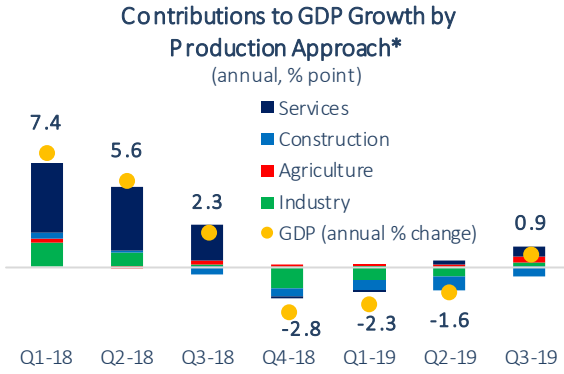
Source: Datastream, Turkstat

sector, which had contracted for three consecutive quarters, contributed to growth positively by 0.3 pps. Besides, contribution of the agricultural sector by 0.5 pps drew attention.

According to seasonally and calendar adjusted figures, construction sector, which had contracted for five consecutive quarters qoq, grew slightly in the third quarter of 2019 compared to the previous quarter.

We expect economic activity to accelerate in the last quarter.

We think that Turkish economy, which had contracted annually since the last quarter of 2018 and posted a gradual recovery in the third quarter, would accelerate in the last quarter due to low base effect. Leading indicators in general for the last quarter also support our expectation. We believe that interest rate cuts made by the CBRT would also be effective in acceleration of the growth. Thus, we foresee that Turkish economy, which shrank by 0.9% on an annual basis in the first three quarters, would record a positive growth in 2019.



(*) Exc. taxes and subsidies

Source: Datastream, Turkstat

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