

### First quarter GDP growth came in below expectations.

Following the recovery trend in the second half of last year, Turkish economy continued to expand in the first quarter of 2020 albeit losing some speed. The sharply lower performance in economic activity during the last two weeks of March, when restrictive measures were started to be introduced due to coronavirus pandemic, was behind a lower-than-expected growth figure. According to the chain volume index, in the first quarter of 2020, Turkish economy expanded by 4.5% yoy. Market expectations were around 5.5% for this period. Seasonally and calendar adjusted figures also showed that Turkish economy decelerated in the first quarter and grew by 0.6% qoq.

#### GDP (chain linked volume index, 2009=100)

	Calendar adj. (yoy, %)	Seasonally and calendar adj. (qoq, %)
2018 Q1	7.3	1.3
2018 Q2	5.9	0.0
2018 Q3	2.7	-1.3
2018 Q4	-3.0	-2.9
2019 Q1	-2.0	2.1
2019 Q2	-1.5	1.1
2019 Q3	0.6	0.7
2019 Q4	6.0	1.9
2020 Q1	4.2	0.6

As of the first quarter, annualized GDP in Turkey rose to 4.4 trillion TRY at current prices. In this period, annualized GDP in USD terms became 758 billion USD.

### Consumption expenditures boosted growth.

Consumption expenditures added 4 pps to the annual GDP growth in 2020-Q1. 3 pps of this contribution came from

private consumption expenditures while 0.9 pps came from public spending. The breakdown of household consumption expenditures showed that services expenditures made the largest contribution to growth in this period while this was followed by durable goods consumption expenditures. In the first quarter, change in stocks also played an important role in growth performance by contributing 5.3 pps to annual growth figure.

### Net export dragged down the growth.

In line with the rise in imports due to the recovery in economic activity since the second half of 2019, net exports continued to lower the growth in the first quarter. Import volume, which limited the growth by 5.8 pps in the last quarter of 2019, dragged down the growth by 4.1 pps in the first quarter of 2020. In this period, export volume too made a negative contribution to growth for the first time since the third quarter of 2016. In this period, the fall in exports in real terms was limited with 1% reducing growth by 0.2 pp.

### Downward trend in investment expenditures continued.

Investment expenditures fell for the seventh quarter in a row in the first quarter of 2020. Having fallen by 0.6% yoy in the previous quarter, investment expenditures contracted by 1.4% yoy in the first quarter of this year. In this period, investment expenditures dragged down the growth by 0.4 pp. Construction investments continued to be the main factor pushing down overall investment expenditures. Construction investments, which have a share of 50% in total investment expenditures at current prices, fell by 10.2% yoy in real terms. On the other hand, machinery and equipment investments, which have a share of 40% in total investment expenditures at current prices, rose by 8.4% yoy in real terms. Machinery and equipment investments had also recorded a strong increase in 2019 Q4.

	Expenditure Approach - Contributions to GDP Growth (chain linked volume index 2009=100)											(% points)		
	2017		2018					2019					2020	
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1		
<b>Consumption</b>	<b>4.5</b>	<b>4.4</b>	<b>2.9</b>	<b>1.2</b>	<b>-3.9</b>	<b>0.9</b>	<b>-2.2</b>	<b>-0.1</b>	<b>1.8</b>	<b>4.3</b>	<b>1.1</b>	<b>4.0</b>		
Private	3.8	3.7	1.6	0.4	-4.7	0.0	-3.1	-0.6	1.1	3.9	0.4	3.0		
Public	0.7	0.7	1.3	0.8	0.8	0.9	0.9	0.5	0.7	0.4	0.6	0.9		
<b>Investment</b>	<b>2.4</b>	<b>3.0</b>	<b>1.9</b>	<b>-1.3</b>	<b>-3.5</b>	<b>-0.2</b>	<b>-3.7</b>	<b>-7.1</b>	<b>-3.5</b>	<b>-0.2</b>	<b>-3.6</b>	<b>-0.4</b>		
<b>Change in Stock</b>	<b>0.4</b>	<b>3.4</b>	<b>-0.1</b>	<b>-4.4</b>	<b>-3.9</b>	<b>-1.5</b>	<b>-5.8</b>	<b>-0.1</b>	<b>2.9</b>	<b>6.5</b>	<b>1.1</b>	<b>5.3</b>		
<b>Net Export</b>	<b>0.1</b>	<b>-3.4</b>	<b>1.0</b>	<b>6.8</b>	<b>8.4</b>	<b>3.6</b>	<b>9.4</b>	<b>5.7</b>	<b>-0.2</b>	<b>-4.7</b>	<b>2.3</b>	<b>-4.3</b>		
Exports	2.5	0.2	1.0	3.1	2.2	1.7	1.9	1.8	1.2	1.0	1.5	-0.2		
Imports	-2.4	-3.6	0.0	3.7	6.2	1.9	7.5	3.9	-1.5	-5.8	0.8	-4.1		
<b>GDP</b>	<b>7.5</b>	<b>7.4</b>	<b>5.6</b>	<b>2.3</b>	<b>-2.8</b>	<b>2.8</b>	<b>-2.3</b>	<b>-1.6</b>	<b>1.0</b>	<b>6.0</b>	<b>0.9</b>	<b>4.5</b>		

Numbers may not add to total due to rounding.

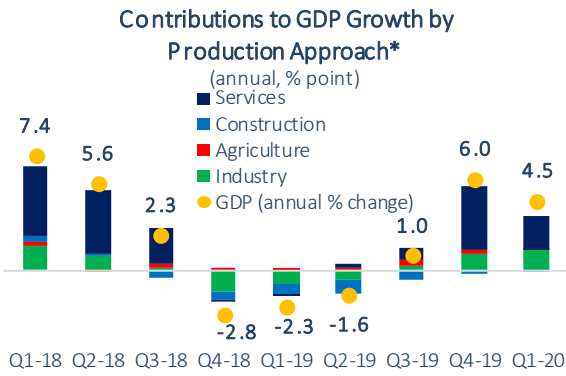
Source: Datastream, Turkstat

### GDP figures by production approach...

As data by production approach revealed, all the main sub-sectors except construction provided a boost to the GDP growth in the first quarter of 2020. In this period, services sector accounted for the largest contribution to growth by 2.2 pps. Industrial sector made its highest contribution since the first quarter of 2018 with 1.3 pps. The construction sector, however, pushed the growth down for the seventh consecutive quarter by limiting it by 0.1 pp.

### Expectations...

A lower-than-expected growth in the first quarter supported pessimistic expectations about the impact of Covid-19 for the second quarter. Against this backdrop, the annual drop in GDP in the second quarter is expected to reach double digit rates. In the second half of the year, on the other hand, we anticipate that economic activity will recover along with the measures taken to support the economy and the recent normalization steps. Despite adverse external demand conditions, the decline in commodity prices, particularly oil, signals that the risks on net export performance may be relatively balanced. Gradual easing of restrictive measures around the world and the uncertainty regarding the course of the pandemic will continue to be important factors that may affect economic activity in Turkey in the period ahead.



(\*) Taxes and subsidies are not included.

Source: Datastream, Turkstat

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