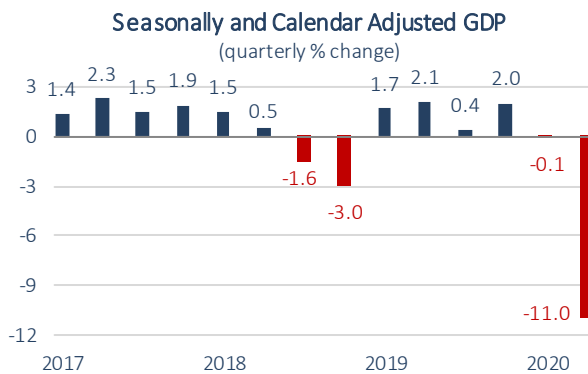


Turkish economy contracted by 9.9% yoy in the 2nd quarter of 2020.

In the 2nd quarter of 2020, Turkish economy contracted by 9.9% yoy, the lowest level since the first quarter of 2009, due to the sharp loss in economic activity led by taken restrictive measures against Covid-19 pandemic. Markets were expecting Turkish economy to shrink by double digits during this period. According to the statement made by TURKSTAT, the growth figures for the previous periods were revised parallel to the updates made in the statistics regarding foreign trade, international service trade and balance of payments. In line with that, the growth figures in 2019 Q4 and 2020 Q1 were revised from 6% to 6.4% and from 4.5% to 4.4%, respectively. Turkish economy contracted by 3.1% in the first half of 2020 compared to the same period of last year.

Turkish economy, which had contracted by 0.1% qoq in the first quarter of 2020 according to the seasonal and calendar adjusted data, shrank by 11% qoq in the 2nd quarter and entered technical recession.



Turkey's GDP came in at 742.9 billion USD.

Turkey's annual GDP as of the 2nd quarter of 2020 was realized as 742.9 billion USD. The said amount was 760.8

billion USD at the end of 2019. In addition to the contraction in the economy, the depreciation of the TRY was also effective in the decline in annual GDP in USD terms.

Decline in main expenditure groups...

According to the expenditures approach, all groups except stock changes, which include statistical errors as well, contracted annually on real terms in the 2nd quarter of the year. The widespread measures taken against the virus pandemic during this period, especially in April and in the first half of May, led a rapid decline in private consumption expenditures. While the said item lowered the GDP by 5.1 points, the decrease in public consumption expenditures limited the growth by 0.1 points.

The strong pressure on the export volume due to the global contraction in economic activity led exports to limit GDP by 9 points in the 2nd quarter of the year. On the other hand, with the effect of the decrease in import volume, net exports limited the growth by 7.8 points in total.

Investment expenditures continued to decline.

Investment expenditures, which gave signs of recovery in the last quarter of 2019, resumed to decline again this year with the effect of the pandemic. Thus, according to the chain-linked volume index, investment expenditures limited GDP by 1.5 points in the 2nd quarter. Analyzing sub-categories of investment expenditures reveals that construction investments, which have been decreasing continuously since the 3rd quarter of 2018, contracted by 16.4% in this period. On the other hand, machinery and equipment investments continued to increase on an annual basis (4.7%), albeit losing momentum.

Rapid decline in the services sector...

Due to the measures taken against the virus pandemic, the services sector dragged the growth down by 6.7 points

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

(% points)

	2018					2019					2020		
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	6M
Consumption	4.5	3.2	1.6	-3.6	1.2	-1.4	0.2	2.0	4.9	1.5	3.2	-5.2	-1.2
Private	3.8	1.9	0.8	-4.4	0.3	-2.4	-0.3	1.2	4.7	0.9	2.7	-5.1	-1.4
Public	0.7	1.3	0.8	0.8	0.9	1.0	0.5	0.8	0.3	0.6	0.5	-0.1	0.2
Investment	3.2	2.3	-1.2	-3.8	-0.1	-4.2	-6.5	-3.8	0.2	-3.5	-0.1	-1.5	-0.8
Change in Stock	3.6	-0.5	-4.9	-4.2	-1.8	-6.7	-1.2	2.4	6.8	0.6	5.3	4.6	4.9
Net Export	-3.8	0.8	6.9	8.8	3.6	9.8	5.8	0.5	-5.5	2.4	-4.0	-7.8	-6.0
Exports	-0.2	1.4	3.9	2.7	2.1	2.1	1.5	1.2	0.2	1.2	0.1	-9.0	-4.7
Imports	-3.6	-0.6	3.0	6.1	1.6	7.7	4.4	-0.7	-5.7	1.2	-4.1	1.2	-1.3
GDP	7.5	5.8	2.5	-2.7	3.0	-2.6	-1.7	1.0	6.4	0.9	4.4	-9.9	-3.1

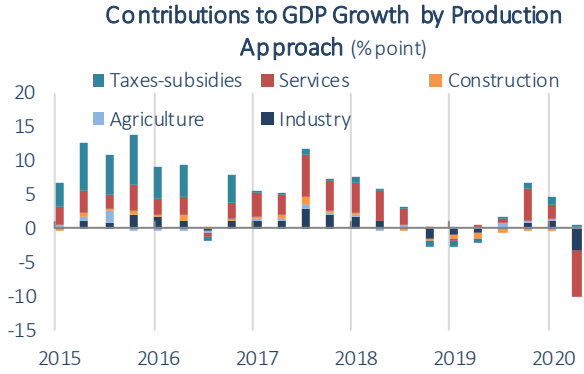
Numbers may not add to total due to rounding.

Source: Datastream, Turkstat

in the 2nd quarter of the year. During this period, disruptions in production caused the industrial sector to push down growth by 3.3 points. The agricultural sector, on the other hand, contributed 0.2 points to growth in the 2nd quarter of 2020. In addition, the 27.8% annual increase in financial and insurance activities confirmed that the economy was supported by the credit channel against the pandemic in the 2nd quarter of the year.

Expectations...

The limiting effect of the coronavirus pandemic on economic activity was clearly felt in the 2nd quarter of the year. Despite the accelerated normalization steps in June, economic activity recorded the fastest decline since the global crisis, especially with losses recorded in April and May. During this period measures such as curfews, travel restrictions and social distance put pressure on the services sector, especially on tourism. Along with the normalization steps, the leading indicators for the 3rd quarter point to a recovery trend in economic activity, but the continuing increase in the number of cases worldwide creates uncertainty for the upcoming period.



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

Dilek Sarsın Kaya
Asst.Manager
dilek.kaya@isbank.com.tr

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

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