

Turkish economy grew by 21.7% yoy in the second quarter.

In the second quarter of 2021, economic growth in Turkey came in at 21.7% yoy, in line with the market expectations. Low base effect was a significant factor in this performance. In the second quarter of 2020, when the impact of the pandemic on the economic activity was severe, Turkish economy had contracted by 10.4% yoy. With this data announcement, first quarter growth is revised to 7.2% from 7.0% and the growth in the last quarter of 2020, which was previously announced at 5.9%, is revised to 6.2%.

Contributions to Growth	(% point)							
	2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	6 M	
Consumption	3.4	-5.5	5.2	5.1	4.3	14.4	9.2	
Private	3.0	-5.4	5.0	4.5	4.2	13.8	8.9	
Public	0.4	0.0	0.3	0.6	0.1	0.7	0.4	
Investment	-0.1	-1.5	5.2	2.9	3.1	5.4	4.2	
Stock Change	5.4	4.2	4.8	-1.3	-1.3	-5.0	-3.1	
Net Exports	-4.3	-7.7	-8.9	-0.6	1.1	6.9	3.9	
Exports	-0.3	-9.2	-5.7	0.1	0.7	10.8	5.6	
Imports	-4.0	1.6	-3.3	-0.7	0.4	-3.8	0.2	
GDP (yoy, %)	4.4	-10.4	6.3	6.2	7.2	21.7	14.3	

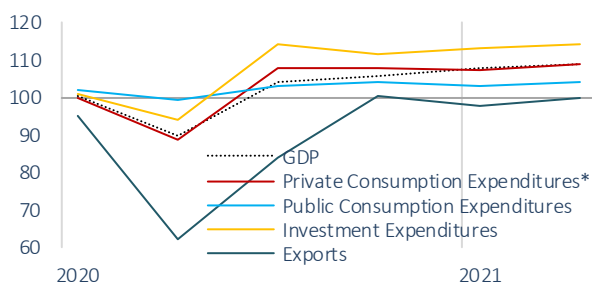
According to seasonally and calendar adjusted figures, the growth in economic activity lost some steam on a quarterly basis. After growing by 2.2% qoq in the first quarter, the economy expanded by 0.9% qoq in the second quarter.

Turkey's annual GDP as of the second quarter of 2021 became 5.9 trillion TRY and 765.1 billion USD in US dollar terms. The said amount was 716.9 billion USD at the end of 2020.

The contribution of private consumption and exports stood out.

According to chain linked volume index figures, the contribution of consumption expenditures to growth was 14.4 pp in the second quarter. 13.8 pp of the said contribution came from private consumption while public consumption expenditures added 0.7 pp to growth. In the

GDP by Expenditure Approach
(index, Q4-2019=100, seasonally and calendar adjusted)



(* Final consumption expenditures of non-profit institutions serving households are not included.

Numbers may not add to total due to rounding.

second quarter, investment expenditures added 5.4 pp to growth. Machinery and equipment investments pushed the growth up by 3.7 pp while construction investments made a contribution of 1.5 pp.

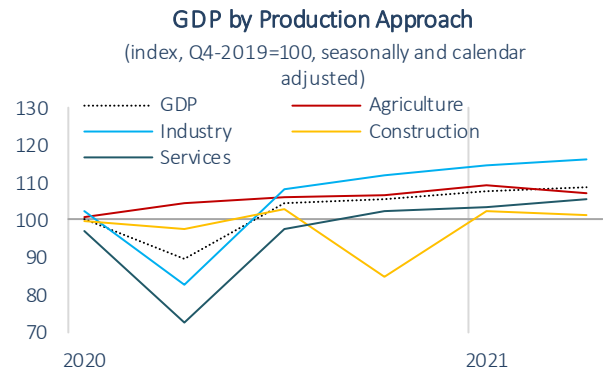
Exports, showing a strong performance in the second quarter, made a high contribution with 10.8 pp to the 21.7% GDP growth. Imports, on the other hand, dragged the growth down by 3.8 pp. As a result, net exports pushed the growth up by 6.9 pp.

In this period, change in stocks item, which also includes the statistical discrepancies, dragged the GDP down by 5 pp. The contribution of this item was negative also in the previous two quarters.

The share of industrial sector in GDP increased to 26.5%, the highest in 23 years.

All the main sub-sectors propped up annual GDP growth in the second quarter. Services sector made the highest contribution to growth with 12.9 pp while industrial sector added 7.5 pp. It was noteworthy that the share of industrial sector in GDP rose to the highest level in 23 years and became 26.5% during this period. Agricultural and construction sectors added 0.1 pp and 0.2 pp to growth, respectively.

The quarter-over-quarter performances of the sub-sectors revealed that manufacturing industry contracted by 0.8% while information technology recorded its largest quarterly expansion in history surging by 6.9%.



Expectations...

After having a solid growth of 14.3% yoy in the first half, Turkish economy is expected to register a modest expansion in the second half of the year due partly to the high base effect. CBRT's tight monetary policy stance and the adoption of macroprudential measures in the recent period could limit the growth performance. Also, monetary policy decisions of the major central banks and the course of the pandemic will continue to be the most significant global factors that would drive the pace of the economic activity in the coming period.

Source: Datastream, Turkstat

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