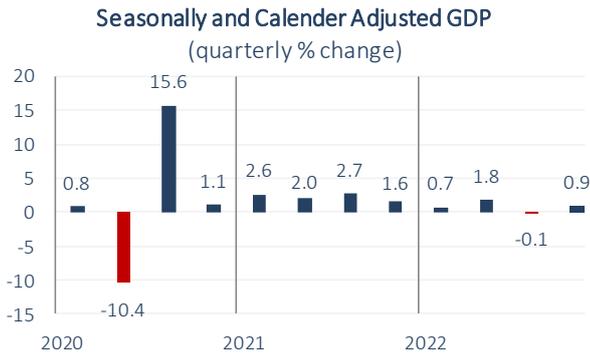


Turkish economy grew by 5.6% in 2022.

According to chain linked volume index, Turkish economy grew by 3.5% in the last quarter of 2022 compared to the same period of the previous year. According to seasonally and calendar adjusted figures, GDP, which contracted by 0.1% in the third quarter compared to the previous quarter, expanded by 0.9% qoq in the last quarter. Thus, after the 11.4% growth in 2021, Turkish economy outperformed the expectations with 5.6% in 2022.



In 2022, Turkish economy expanded by 107% yoy at current prices, exceeding 15 trillion TRY. Thus, GDP in USD terms reached 905.5 billion, while GDP per capita rose to 10,655 USD. According to the released data, the budget deficit/GDP ratio for this year became 0.9%, the current account deficit/GDP ratio was realized as 5.4%, and the central government debt stock/GDP ratio was 27.8%.

The pressure of the stock change on growth continued.

According to chain linked volume index, the contribution of private consumption expenditures to growth remained high with 10.4 points in the last quarter. In this period, public expenditures made the highest contribution to GDP growth in the last 18 quarters with 1.2 points. In the last quarter of the year, due to the rapid expansion in imports as well as the weak course of exports, net exports limited

| Contributions to GDP Growth | (% points) | | | | | |
|-----------------------------|-------------|------------|------------|------------|------------|-------------|
| | 2021 Annual | 2021 Q1 | 2021 Q2 | 2021 Q3 | 2021 Q4 | 2022 Annual |
| Consumption | 9.5 | 13.1 | 13.8 | 12.9 | 11.6 | 12.8 |
| Private | 9.1 | 12.5 | 13.5 | 12.3 | 10.4 | 12.1 |
| Public | 0.4 | 0.6 | 0.2 | 0.6 | 1.2 | 0.7 |
| Investment | 1.9 | 1.2 | 1.4 | -0.2 | 0.6 | 0.7 |
| Change in Stock | -4.9 | -9.5 | -10.1 | -9.3 | -5.6 | -8.5 |
| Net Export | 4.8 | 2.9 | 2.7 | 0.6 | -3.1 | 0.6 |
| Exports | 5.3 | 3.4 | 3.9 | 2.8 | -0.8 | 2.2 |
| Imports | -0.5 | -0.4 | -1.1 | -2.2 | -2.3 | 1.6 |
| GDP | 11.4 | 7.6 | 7.8 | 4.0 | 3.5 | 5.6 |

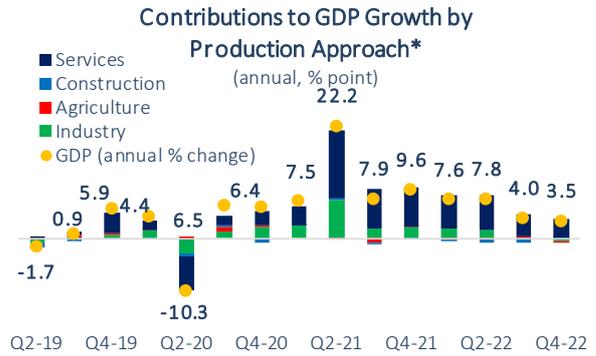
Numbers may not add to total due to rounding.

(*) Taxes and subsidies excluded.

growth for the first time in nearly two years with -3.1 points. On the other hand, investment expenditures contributed 0.6 points to growth in this period. In addition, increase in construction investments, which had contracted for the last 1.5 years, drew attention. In this period, the weakest increase of the last ten quarters was recorded in machinery-equipment investments.

The industrial sector contracted by 3% yoy in the last quarter.

Analyzing contributions to growth figures by production approach reveals that agriculture and industry sectors suppressed growth in the last quarter of the year. The industrial sector, which has been growing since the second half of 2020, contracted by 3% on an annual basis in the last quarter of 2022, limiting the growth by 0.6 points. In this period, the services sector maintained its strong performance by contributing 3.9 points to growth. According to chain linked volume index, the construction sector, which grew (by 2% yoy) for the first time following the contraction in the last 5 quarters, contributed to the growth by 0.1 points.



Expectations...

In 2022, pulled-forward demand in the high inflationary environment supported the growth. We estimate that consumption expenditures will continue to contribute to GDP growth in 2023, albeit losing some momentum. On the other hand, we anticipate that the expected slowdown in our export markets, especially in the Euro Area, may put pressure on growth through net exports. We consider that the impact of public expenditures on growth may increase in this period when the effects of the earthquake on economic growth will be closely monitored.

Source: Datastream, Turkstat

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