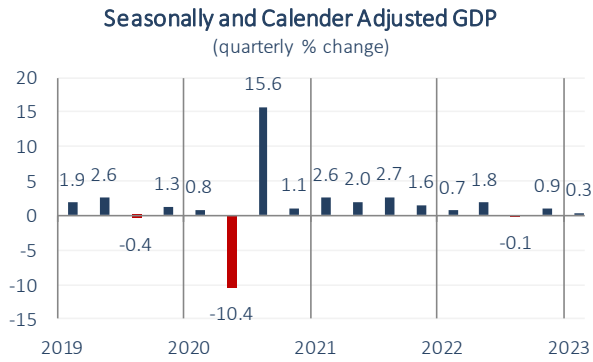


Turkish economy grew by 4% in the first quarter of 2023.

According to chain linked volume index, Turkish economy grew by 4% yoy in the first quarter of 2023 in line with market expectations. According to Reuters poll, GDP was expected to grow by 3.9% in this period. According to the seasonally and calendar adjusted figures, Turkish economy, which grew by 0.9% qoq in the last quarter of 2022, expanded by 0.3% qoq in the first quarter of 2023.



As of the first quarter of 2023, the size of the Turkish economy increased to 17.1 trillion TRY and the USD-denominated GDP to 970 billion USD at current prices on an annualized basis.

Consumption expenditures displayed a strong outlook.

According to chain linked volume index, private consumption expenditures contributed 10.9 points to growth in the first quarter of the year, while the contribution of public consumption expenditures was 0.7 points. Consumption expenditures for services lost momentum in this period, while demand for durable and semi-durable goods displayed a strong performance. The downward pressure on economic activity caused by the earthquake disaster in this period was largely offset by the additional consumption demand driven by the earthquake

Contributions to GDP Growth	2022					2023
	Q1	Q2	Q3	Q4	Annual	Q1
Consumption	13.1	13.8	12.9	11.6	12.8	11.6
Private	12.5	13.5	12.3	10.4	12.1	10.9
Public	0.6	0.2	0.6	1.2	0.7	0.7
Investment	1.2	1.4	-0.2	0.6	0.7	1.2
Change in Stock	-9.5	-10.1	-9.3	-5.6	-8.5	-6.0
Net Export	2.9	2.7	0.6	-3.1	0.6	-2.8
Exports	3.4	3.9	2.8	-0.8	2.2	-0.1
Imports	-0.4	-1.1	-2.2	-2.3	-1.6	-2.7
GDP	7.6	7.8	4.0	3.5	5.6	4.0

Numbers may not add to total due to rounding.

as well as the election. This was also influential in the rise in machinery and equipment investments and total investment added 1.2 points to growth in the first quarter of the year.

Despite the favourable outlook in consumption and investment expenditures, net exports pulled the growth down by 2.8 points in the first quarter. This was mainly driven both by the increase in imports and the weak performance of exports. Since the last quarter of 2020, the change in inventories, which dragged the growth down growth since the last quarter of 2020, lowered the growth by 6 points in the first quarter of the year.

Agriculture and industry sectors slightly limited the growth.

Analyzing contributions to growth figures by production approach reveals that agriculture and industry sectors weighed on GDP growth by 0.1 points each in the first quarter of the year. Construction sector, on the other hand, recorded the highest annual increase of the last 20 quarters with 5.1% yoy, contributing 0.2 points to growth. In this period, services sector also maintained its strong performance and contributed 3.1 points to growth.

In the first quarter of 2023, share of compensation of employees in the Gross Value Added (GVA) at current prices rose by 6.9 points yoy to 38%, while the share of net operating surplus/mixed income declined by 9.4 points to 38.2%. On the other hand, Turkstat announced that the increase in the share of compensation of employees was driven by the severance payments made due to the early retirement eligibility (EYT) regulation. Excluding the impact of the EYT, the share of compensation of employees in GVA is approximately estimated as 33.5%.

Expectations...

Despite losing some momentum due to the earthquake disaster in the first quarter of 2023, Turkish economy posted an economic growth performance approaching its long-term average with the support of consumption expenditures. Although leading indicators pointed that economic activity gained some momentum in the second quarter, we expect that recession concerns in main export markets may put some pressure on growth via net exports in the next period.

Source: Datastream, Turkstat

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