

GDP Growth Q2-2023

Turkish economy grew by 3.8% yoy in the second quarter of 2023.

GDP with chain linked volume index increased by 3.8% yoy in the second quarter of 2023, slightly above market expectations. TURKSTAT revised the annual growth data for 2022 from 5.6% to 5.5%, and the first quarter growth data of 2023 from 4% to 3.9%. Thus, Turkish economy grew by 3.9% yoy in the first half of the year. As the number of working days was lower in the second quarter compared to the same period of the previous year, calendar adjusted annual growth realized as 5%.

According to seasonally and calendar adjusted figures, GDP recorded a strong quarterly growth of 3.5% offsetting the contraction in the first quarter due to the earthquake disasters.

Turkish economy expanded by 60.7% yoy at current prices in the second quarter of 2023, and the annualized GDP exceeded 1 trillion USD.

Consumption expenditures continue to be the engine of economic growth.

Private consumption expenditures continued to be the largest contributor to growth in the second quarter, albeit with a slight deceleration. Investment expenditures grew by 5.1% yoy in the second quarter and recorded the fastest growth in the last eight quarters, due to the growing need after the earthquake disaster. Construction and machinery-equipment investments gained momentum in this period. Thus, consumption and investment expenditures contributed a total of 12.7 percentage points to growth in the second quarter. On the other hand, net exports reduced growth by 6.3 percentage points in this period. This development was mainly driven by the rapid rise in imports as well as the sharpest decline in exports recorded since the pandemic.

Contributions to Growth

| | 2021 | 2022 | 2023 | | |
|---------------------|-------------|-------------|-------------|-------------|-------------|
| | Annual | Annual | Q1 | Q2 | H1 |
| Consumption | 9.6 | 12.2 | 12.4 | 11.4 | 11.9 |
| Private | 9.2 | 11.7 | 11.6 | 10.7 | 11.2 |
| Public | 0.4 | 0.6 | 0.8 | 0.7 | 0.7 |
| Investment | 1.9 | 0.3 | 0.9 | 1.3 | 1.1 |
| Stock Change | -5.1 | -7.7 | -6.1 | -2.6 | -4.2 |
| Net Exports | 5.0 | 0.7 | -3.4 | -6.3 | -4.9 |
| Exports | 5.4 | 2.4 | -0.7 | -2.4 | -1.5 |
| Imports | -0.4 | -1.7 | -2.7 | -3.9 | -3.3 |
| GDP (yoy, %) | 11.4 | 5.5 | 3.9 | 3.8 | 3.9 |

Numbers may not add to total due to rounding.

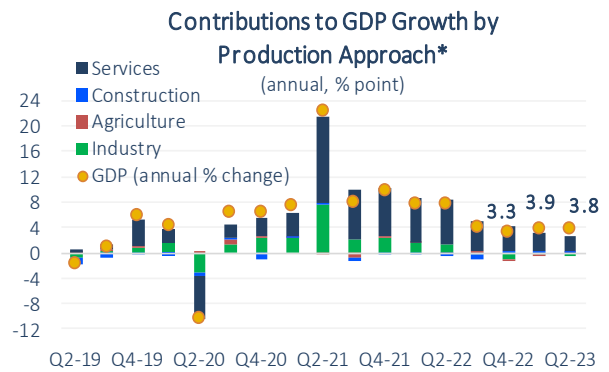
(*) Taxes and subsidies excluded.

Change in stocks, which has been dragging down growth since the last quarter of 2020, also lowered growth rate by 2.6 percentage points in the second quarter of the year.

The decline in industrial production limited the growth by 0.5 points.

The contraction trend in industrial production, which started in the third quarter of 2022, continued in the second quarter of this year. Industrial production, which declined by 2.6% yoy in this period, limited the growth by 0.5 points. Construction sector, supported by the accelerated construction activities following the earthquake disaster, recorded the fastest increase of the last 21 quarters with 6.2% yoy contributing 0.3 points to economic growth on an annual basis. Agricultural sector also recorded a limited growth of 1.2% yoy in the second quarter of the year.

In the second quarter of the year economic activity slowed down broadly in the services sector. In this period, the contribution of the services sector to the growth was realized as 2.2 points, the lowest level since the pandemic.



Expectations...

In the second quarter of the year, consumption expenditures continued to be the main driver of the growth despite losing momentum, while the recovery in investment expenditures supported the growth. In this period, net exports limited growth to a large extent, especially due to the sharp decline in exports, while the contraction in the industrial sector and the loss of momentum in services were the notable developments. In the second half of the year, with the implementation of economic policies that prioritize the fight against inflation, we expect that the contribution of consumption expenditures to growth may decline slightly and the contribution of net exports may remain under pressure in line with the slowdown in our main export markets.

Source: Datastream, Turkstat

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