

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.

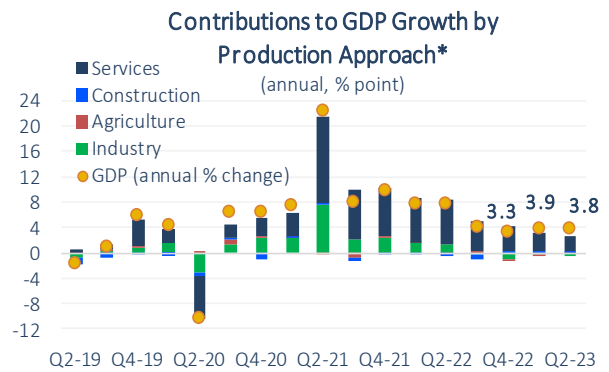
(*) Taxes and subsidies excluded.

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

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Berkay Arık
Asst. Economist
berkay.arik@isbank.com.tr

H. Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Utkan İnam
Asst. Economist
utkan.inam@isbank.com.tr

Ph. D. Mustafa Kemal Gndođdu
Asst. Manager
kemal.gundogdu@isbank.com.tr

Caner Uygar Gndođdu
Asst. Economist
uygar.gundogdu@isbank.com.tr

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

LEGAL NOTICE

This report has been prepared by Trkiye İř Bankası A.ř. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İř Bankası A.ř. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İř Bankası A.ř., accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.