

## GDP Growth

### Q4-2024

#### The Turkish economy expanded by 3.2% in 2024.

According to the chain-linked volume index, the Turkish economy grew by 3.0% yoy in the fourth quarter of 2024, and by 3.2% overall in 2024, exceeding market expectations. GDP will reach 1.3 trillion USD in 2024, with a historic high of \$15,463 USD per capita.

Seasonally and calendar-adjusted quarterly growth in the fourth quarter of 2024 was 1.7%, the highest level of the last six quarters, ended the technical recession. Furthermore, the previously reported 0.2% contraction in the third quarter was revised down to 0.1%. We estimate that the carry-over growth effect of last quarter's better-than-expected data will be approximately 1 percentage point in 2025.

Contributions to Growth (% points)						
	2023			2024		
	Annual	Q1	Q2	Q3	Q4	Annual
<b>Consumption</b>	<b>9.8</b>	<b>5.9</b>	<b>0.9</b>	<b>1.9</b>	<b>3.2</b>	<b>2.9</b>
Private	9.5	5.5	0.9	1.9	3.0	2.8
Public	0.3	0.4	0.0	0.0	0.2	0.2
<b>Investment</b>	<b>2.0</b>	<b>2.3</b>	<b>0.2</b>	<b>0.0</b>	<b>1.5</b>	<b>1.0</b>
<b>Stock Change</b>	<b>-3.6</b>	<b>-4.6</b>	<b>-0.2</b>	<b>-1.9</b>	<b>-0.9</b>	<b>-1.8</b>
<b>Net Exports</b>	<b>-3.1</b>	<b>1.9</b>	<b>1.5</b>	<b>2.2</b>	<b>-0.8</b>	<b>1.1</b>
Exports	-0.7	1.2	0.2	0.2	-0.5	0.2
Imports	-2.4	0.7	1.3	2.0	-0.4	0.9
<b>GDP (yoy, %)</b>	<b>5.1</b>	<b>5.4</b>	<b>2.4</b>	<b>2.2</b>	<b>3.0</b>	<b>3.2</b>

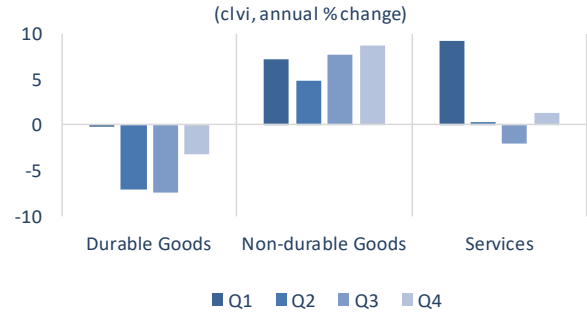
Note: Numbers may not add to total due to rounding.

#### In the fourth quarter of 2024, consumption expenditures increased while net exports limited growth.

According to the GDP in the chain-linked volume index, private consumption expenditures increased in the fourth quarter of the year and contributed 3.0 percentage points to growth. While durable goods consumption fell further in the fourth quarter, non-durable goods consumption increased significantly. Services consumption, which slowed growth by 0.7 percentage points in the third quarter, contributed 0.5 percentage points to growth in the fourth quarter, confirming the sector's acceleration. Government expenditure, which was relatively flat in the second and third quarters of the year, added 0.2 percentage points to growth in the fourth quarter. During this time period, investment expenditures increased by 6.1% year on year, accounting for 1.5 percentage points of GDP growth. The acceleration in investments was driven by construction activities, which remained positive, as well as an increase in machinery and equipment investments. Net exports, which had a positive outlook in the first three quarters of the year, reduced growth by 0.8 percentage points in the fourth quarter. This development was primarily driven by a 2.0% year-on-year decrease in exports and a 1.6% year-on-year increase in imports in the fourth quarter, while annual changes in export (30.3%) and import (24.0%) deflators diverged in favor of imports.

In 2024, consumption expenditures' contribution to annual growth fell to 2.9 points from 9.8 points in 2023. During this time, investment expenditures also lost momentum and contributed 1.0 point to growth. Net exports, which limited growth by 3.1 points in 2023, contributed 1.1 points to GDP growth in 2024, despite the fact that the TRY appreciated in real terms during the same time period. On the other hand, the negative contribution of stock change to growth (1.8 points) fell to its lowest level in four years as domestic demand rebalanced.

#### Household Consumption Expenditures

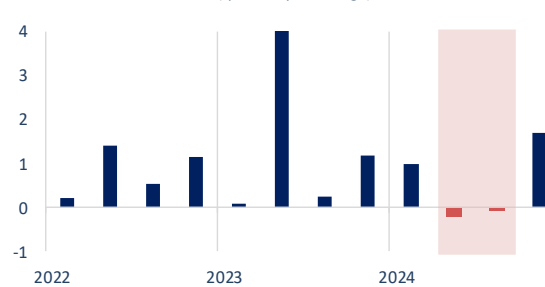


#### The industry sector made a positive contribution to growth in the last quarter of the year.

The industry sector had limited growth in the second and third quarters due to the tight monetary policy stance. In the last quarter of the year, the sector expanded by 2.6% qoq and 1.4% yoy thanks to the recovery in domestic demand, making a positive contribution of 0.3 percentage points to annual growth. Among the sub-items of GDP by the production approach, taxes and subsidies made the highest contribution to growth in the last quarter of the year with 1.2 percentage points. In this period, services recorded the weakest annual growth since the pandemic period. Thus, the contribution of services to growth declined to 0.9 points in line with the momentum loss in the sector.

Despite losing momentum throughout 2024, the services sector contributed the most to growth, accounting for 1.6 percentage points. Services were followed by taxes and subsidies, which contributed 0.9 percentage points. The industry sector contributed 0.1 percentage points to growth this year, reflecting strong growth in the first quarter and a recovery in the fourth quarter.

#### Seasonally and Calendar Adjusted GDP



#### Expectations...

The Turkish economy emerged from a technical recession as consumption and investment expenditures increased in the fourth quarter of the year. In 2025, we anticipate that domestic demand will continue to accelerate, albeit to a limited extent, as rate cuts continue. Under the assumption that fiscal policy will increase its support to the fight against inflation in the upcoming period, we think that the contribution of public spending to growth will remain limited. Although forecasting foreign trade in the midst of trade wars is difficult, we believe net exports will contribute to growth in a balanced manner by 2025. In addition to trade wars, we believe that the direction of EUR/USD parity and the economic outlook in our main export markets will have an impact on growth in 2025 via net exports. As a result, we expect the Turkish economy to grow in 2025 at a rate similar to that of 2024 and lower than its long-term average.

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