GDP Growth - 2nd Quarter of 2013

Economic Research Division

TÜRKİYE İŞ BANKASI

Turkish economy grew more than expected in the second quarter of the year.

The recovery in Turkish economy has continued in the second quarter of 2013. During this period, GDP grew by 4.4% compared to the same period of previous year, higher than the market expectation of 3.5%. Thus, GDP recorded the fastest growth on annual basis since the last quarter of 2011. Regarding the first half of the year, Turkish economy grew by 3.7% compared to the first half of 2012.

Calendar adjusted GDP increased by 4.1% in the second quarter compared to the same period of the previous year. Seasonally and calendar adjusted GDP also rose by 2.1% compared to the previous quarter and confirmed that economic activity has shown a significant improvement compared to the previous quarter.

GDP (1998 Prices)

Period	Calendar Adjusted GDP* (%)	Seasonally and Calendar Adjusted GDP** (%)
2011 Q1	12.5	2.2
2011 Q2	9.0	0.8
2011 Q3	8.4	1.3
2011 Q4	4.9	0.7
2012 Q1	2.4	-0.4
2012 Q2	3.1	1.4
2012 Q3	1.8	0.2
2012 Q4	1.4	0.2
2013 Q1	3.6	1.5
2013 Q2	4.1	2.1

*Change compared to the same period of previous year
**Quarter over quarter change

On the other hand, Turkstat revised the GDP figures starting from the first quarter of 2012. In this context, quarterly GDP growth rates have been recalculated and GDP growth in the first quarter of 2013 was revised down to 2.9% from 3%.

GDP* Growth Rate Revisions (%)

	Old	New	Difference
2012	**2.24**	**2.17**	**-0.07**
I	3.31	3.13	-0.18
II	2.89	2.78	-0.11
III	1.57	1.54	-0.04
IV	1.36	1.40	0.04
2013			
I	3.00	2.87	-0.13

* Constant prices

Domestic consumption accelerated in the second quarter .

Due to the recovery in domestic demand conditions, Turkish economy displayed a domestic consumption led growth performance in the first half of 2013. In this context, domestic private consumption expenditures increased by 5.3% in the second quarter while the public consumption expenditures continued to support GDP growth expanding by 7.4%. Thus, the total contribution of public and private sector to GDP growth was realized as 4.2 points.

Despite loosing some momentum, public investment spending kept its high level.

Private investment expenditures decreased in the second quarter of 2013 while public investment spending continued to increase. During this period, private investment expenditures fell by 2% compared to the same period of previous year while public investment expenditures increased by 36.7%. Thus, public investment expenditures contributed 1.4 points to GDP growth while private investment expenditures limited this impact.

Expenditure Approach - Contribution to GDP (1998 Prices) (% points)

	2010	2011	2012					2013		
	Annual	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	6 months
Consumption	**4.9**	**5.8**	**0.3**	**-0.3**	**0.3**	**0.8**	**0.3**	**2.9**	**4.2**	**3.6**
Private	4.7	5.3	-0.3	-0.8	-0.2	-0.3	-0.4	2.1	3.4	2.8
Public	0.2	0.5	0.5	0.4	0.5	1.0	0.6	0.7	0.8	0.8
Investment	**6.1**	**4.3**	**-0.4**	**-1.2**	**-0.8**	**-0.4**	**-0.7**	**0.6**	**1.0**	**0.8**
Private	5.4	4.4	-0.3	-1.4	-1.0	-1.4	-1.1	-1.7	-0.5	-1.0
Public	0.7	-0.1	0.0	0.2	0.3	1.0	0.3	2.3	1.4	1.8
Change in Stock	**2.5**	**-0.2**	**-2.3**	**-1.6**	**-0.6**	**-1.3**	**-1.4**	**0.0**	**2.3**	**1.2**
Net Exports	**-4.4**	**-1.1**	**5.6**	**6.0**	**2.7**	**2.4**	**4.1**	**-0.6**	**-3.0**	**-1.8**
Exports	0.9	1.9	2.9	5.5	3.4	4.1	4.0	1.4	0.3	0.9
Imports	-5.2	-3.0	2.7	0.5	-0.8	-1.7	0.1	-2.0	-3.4	-2.7
GDP	**9.2**	**8.8**	**3.1**	**2.8**	**1.5**	**1.4**	**2.2**	**2.9**	**4.4**	**3.7**

Numbers may not add to total due to rounding

Source: Turkstat

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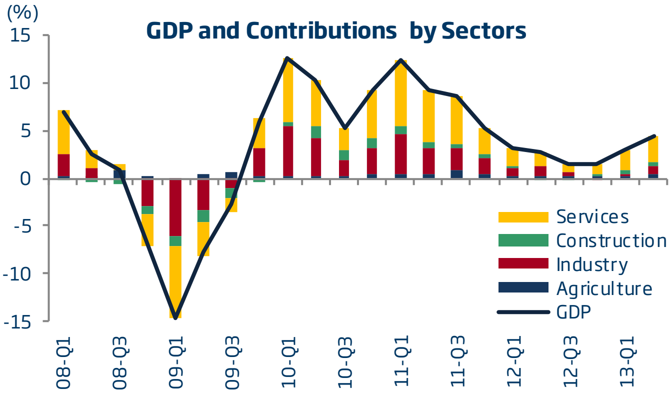
The negative impact of net exports on GDP has become evident.

Downward impact of net exports to GDP growth has become evident in the second quarter of the year due to the recovery in domestic demand conditions and imports of gold, which have accelerated since April. In this context, negative impact of net exports, which was 0.6 points in the first quarter, increased to 3 points in the second quarter. On the other hand, in line with the recovery in demand conditions, production activity also accelerated and in this context stock changes made an upward impact of 2.3 points to GDP growth.

The construction sector grew by 7.6% on annual basis.

According to production approach, services sector, which has the highest share in GDP, increased annually by 4.6% in real terms in the second quarter of the year and contributed 2.7 points to growth. Activity in the construction sector continued to gain momentum and recorded a real increase of 7.6% in this period, contributing 0.4 points to GDP. Industrial production made 0.9 points contribution to GDP growth, increasing by 3.1% in real terms in second quarter of 2013.



We expect 3.5-4% GDP growth in 2013.

GDP figures in the second quarter of 2013 pointed out that the recovery in Turkish economy continued in this period. Credit growth and domestic demand conditions made positive impacts on growth performance. However, elevated global risk perception, increasing geopolitical risks and the latest tightening measures implemented by CBRT are the main factors which may put pressure on domestic economic activity. In fact, downward trend in some of the leading indicators also confirms this anticipation. In this context, we expect that Turkish economy would grow by around 3.5-4% percent in 2013.

Source: Turkstat

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