



GDP Growth - 1st Quarter of 2015

Economic Research Division

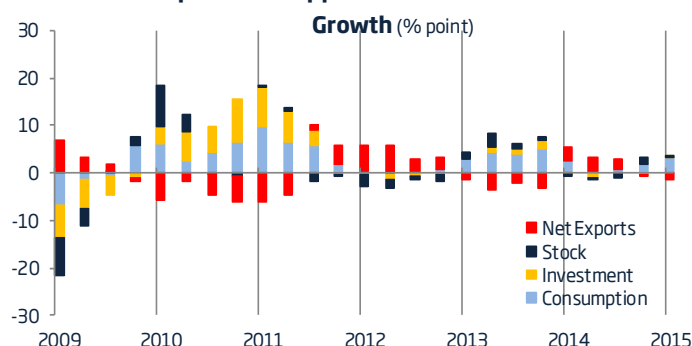
TÜRKİYE İŞ BANKASI

In the first quarter, Turkish economy performed well above the expectations.

In the first quarter of 2015, Turkish economy grew by 2.3% yoy well above the expectations. The markets expected 1.6% annual economic growth for this period. Thus, having followed a moderate course since the second quarter of 2014, economic activity kept this trend in the first quarter as well.

Analyzing the calendar adjusted figures, it was seen that GDP expanded by 2.4% yoy in the first quarter of 2015. Seasonal and calendar adjusted GDP growth, on the other hand, was realized as 1.3% qoq, reflecting a relative recovery in the economic activity.

Expenditure Approach - Contributions to GDP



Growth was driven by domestic demand.

After having supported the growth slightly throughout 2014, consumption expenditures made the highest contribution to growth in the first quarter by 3.3 points. Private consumption expenditures surged by 4.5% yoy and pushed the growth up by 3 points, the highest reading for the last 5 quarters. Public consumption expenditures, on the other hand, made only 0.3 point contribution to the GDP growth. In contrast to the consumption expenditures, investment expenditures had almost no impact on the first quarter growth figures. While private investment expenditures contributed to the growth by 0.4 point, public investment expenditures lowered the growth by the same amount.

Net exports dragged down the growth.

First quarter GDP data implied that net exports, which made the highest contribution to growth in 2014, lowered the growth. Exports declined in this period owing to the adverse

GDP Figures (1998 prices)

Period	Calendar Adjusted GDP (yoy % change)	Seasonal and Calendar Adjusted GDP (qoq % change)
2013 Q1	3.6	1.7
2013 Q2	4.3	2.0
2013 Q3	4.1	0.2
2013 Q4	4.7	0.7
2014 Q1	4.8	1.3
2014 Q2	2.5	0.0
2014 Q3	1.9	0.4
2014 Q4	2.5	0.8
2015 Q1	2.4	1.3

Expenditure Approach - Contributions to GDP Growth (1998 prices)

(% point)

	2012		2013				2014					2015
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1
Consumption	0.3	3.0	4.5	3.9	5.1	4.1	2.7	0.5	0.7	1.8	1.4	3.3
Private	-0.3	2.2	3.6	3.7	4.1	3.4	1.8	0.2	0.1	1.6	0.9	3.0
Public	0.6	0.8	0.8	0.2	1.0	0.7	0.9	0.3	0.6	0.2	0.5	0.3
Investment	-0.7	0.1	0.9	1.3	1.9	1.1	-0.1	-0.9	-0.1	-0.3	-0.3	0.0
Private	-1.1	-1.3	-0.2	0.6	1.1	0.1	0.1	-0.3	0.4	0.2	0.1	0.4
Public	0.4	1.4	1.1	0.7	0.7	1.0	-0.2	-0.6	-0.5	-0.4	-0.4	-0.4
Change in Stock	-1.5	1.5	2.9	1.1	0.8	1.6	-0.4	-0.1	-1.1	1.4	0.0	0.2
Net Export	4.0	-1.4	-3.6	-2.0	-3.2	-2.6	2.6	2.8	2.4	-0.4	1.8	-1.2
Exports	3.9	0.8	0.0	-0.6	-0.3	-0.1	2.8	1.5	2.0	0.9	1.8	-0.1
Imports	0.1	-2.2	-3.6	-1.4	-2.9	-2.5	-0.2	1.3	0.4	-1.3	0.1	-1.2
GDP	2.1	3.1	4.7	4.3	4.6	4.2	4.9	2.3	1.9	2.6	2.9	2.3

Numbers may not add to total due to rounding.

Source: Turkstat

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developments in some of our main export markets as well as the downward trend in the EUR/USD parity. Furthermore, the annual rise in imports continued in the first quarter of this year as was seen in the last quarter of 2014. So, the negative impact of this trend on growth figures became more evident. Thus, net exports had a 1.2 point decreasing impact on growth in the first quarter of the year, converging to its long term trend.

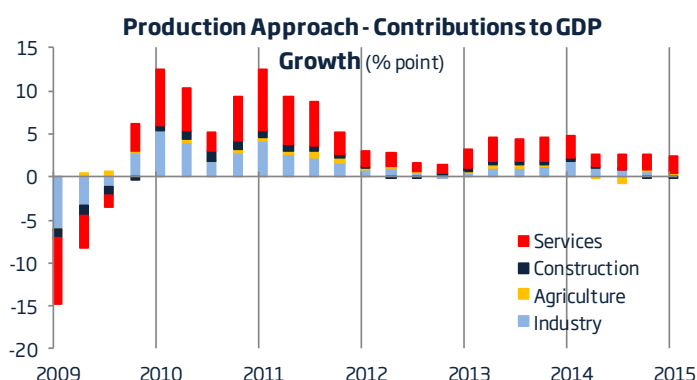
The ongoing weak outlook in construction sector...

Analysis by production approach revealed that services sector, which has the biggest share in GDP, contributed most to growth by 2.2 points. It was noteworthy that

contribution of the industrial sector to growth came in at the lowest level of nine quarters. Construction sector contracted in the first quarter of the year as was the case in the last quarter of 2014. Accordingly, it dragged down the growth by 0.2 point in this period. On the other hand, agriculture sector, which has the smallest share in GDP with 4.6%, contributed to growth by 0.1 point in the first quarter of this year.

Expectations

Having registered an export-led growth performance in 2014, Turkish economy grew on the back of domestic demand in the first quarter of 2015. In fact, the upturn in consumption expenditures observed since the last quarter of previous year became more evident in this period. Analysis of leading indicators pointed to a moderate recovery in economic activity in the second quarter of the year as well. Due to the ongoing problems in major export destinations, it is seen that net exports would be unable to support the growth positively this year unlike the previous year. Instead, domestic demand conditions would be the main driver behind the growth performance. Should the heightened political uncertainties following the general election diminish in the short term, the moderate recovery trend would prevail during the rest of the year. In this context, the economy is expected to grow by 3% in 2015.



Source: Turkstat

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**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Eren Demir - Asst. Economist

eren.demir@isbank.com.tr

Gamze Can - Asst. Economist

gamze.can@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

M. Kemal Gündoğdu - Asst. Economist

kemal.gundogdu@isbank.com.tr

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