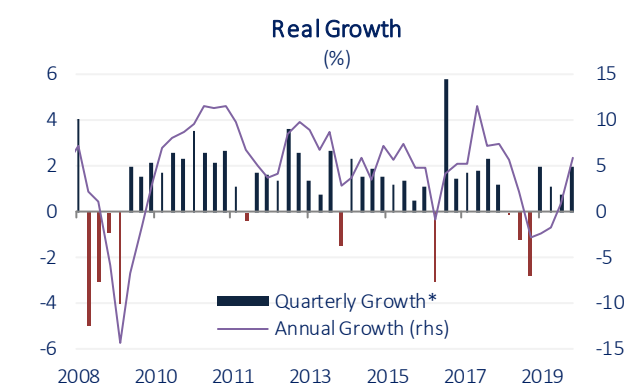


Turkish economy grew by 6.0% in the last quarter of 2019.

According to the chain volume index, in the last quarter of 2019, Turkish economy expanded by 6.0% yoy, beating expectations. Market growth expectation was around 5% for this period. The annual growth rate for the third quarter of 2019 was revised from 0.9% to 1%.

According to seasonally and calendar adjusted figures, Turkish economy accelerated in the last quarter and grew by 1.9% qoq.

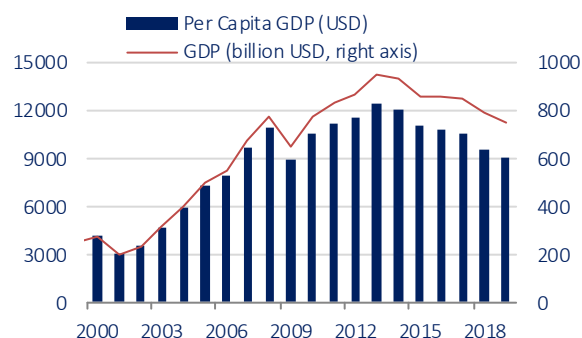
Having grown by 0.9% in the whole year of 2019, Turkish economy recorded the lowest annual growth since 2009, when the economy contracted by 4.7%. On the other hand, the growth rate of 2019 came above the 0.5% NEP estimate, which was announced in September.



GDP per capita became 9,127 USD.

GDP in Turkey was realized as 4.3 trillion TRY in 2019 at current prices. In this period, due to exchange rate developments, GDP in USD terms decreased by 4.5% yoy and fell to 754 billion USD. Per capita GDP also declined by around 6% and was realized as 9,127 USD.

GDP Indicators of USD Terms



Strong contribution of consumption expenditures...

According to expenditure approach, contribution of consumption expenditures to growth increased in the last quarter of the year. In this period, while consumption expenditures contributed to the growth 4.3 pts, 3.9 pts of the said contribution came from private consumption and 0.4 pts from public ones. In the last quarter of the year, change in stocks also played an important role in growth performance by contributing 6.5 pts to GDP growth.

Net export lowered the growth in the last quarter.

Increase in import volume, due to the recovery in economic activity, caused net exports to drag growth down in the last quarter. Import volume, which limited growth by 1.5 pts in the third quarter, lowered growth by 5.8 pts in the last quarter. In this period, the expansion in export volume contributed 1 point to GDP growth. Thus, net exports diminished the growth by 4.7 pts in the last quarter. In 2019, net exports contributed to the GDP growth by 2.3 pts thanks to their positive performances in the first two quarters.

Investment expenditures continued to decline.

Investment expenditures lowered GDP growth by 0.2 pts in the last quarter of 2019. After declining for 5

Expenditure Approach - Contributions to GDP Growth (chain linked volume index 2009=100) % points)

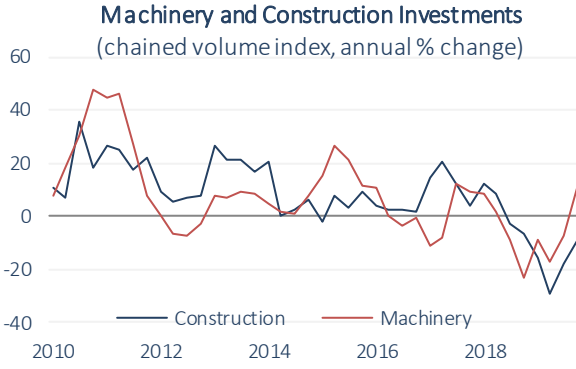
	2017		2018				2019				
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Consumption	4.5	4.4	2.9	1.2	-3.9	0.9	-2.2	-0.1	1.8	4.3	1.1
Private	3.8	3.7	1.6	0.4	-4.7	0.0	-3.1	-0.6	1.1	3.9	0.4
Public	0.7	0.7	1.3	0.8	0.8	0.9	0.9	0.5	0.7	0.4	0.6
Investment	2.4	3.0	1.9	-1.3	-3.5	-0.2	-3.7	-7.1	-3.5	-0.2	-3.6
Change in Stock	0.4	3.4	-0.1	-4.4	-3.9	-1.5	-5.8	-0.1	2.9	6.5	1.1
Net Export	0.1	-3.4	1.0	6.8	8.4	3.6	9.4	5.7	-0.2	-4.7	2.3
Exports	2.5	0.2	1.0	3.1	2.2	1.7	1.9	1.8	1.2	1.0	1.5
Imports	-2.4	-3.6	0.0	3.7	6.2	1.9	7.5	3.9	-1.5	-5.8	0.8
GDP	7.5	7.4	5.6	2.3	-2.8	2.8	-2.3	-1.6	1.0	6.0	0.9

Numbers may not add to total due to rounding.

Source: Datastream, Turkstat

(*) Seasonally and calendar adjusted figures.

consecutive quarters, increase in machinery and equipment investments by 11.7% noted as a positive development. On the other hand, construction investments continued to contract on an annual basis with 8.9%. In 2019, investment expenditures were the only figure which limited growth.



Construction sector continued to limit growth.

According to the production approach, all the main sub-sectors except construction supported growth in the last quarter of 2019. In this period, while the highest contribution to growth came from the services sector with 4.2 pts, industrial sector made its highest contribution since the first quarter of 2018 with 1.2 pts. The construction sector, on the other hand, continued its negative contribution to growth for the 6th consecutive quarter and limited the growth by 0.3 pts.

In 2019, the services sector played a crucial role in GDP performance with a 1.3 pts contribution. While the industrial sector completed the year with no change, the construction sector lowered growth by 0.6 pts. In 2019, the contribution of the agricultural sector to GDP growth was 0.2 pts.

Expectations...

Turkish economy, which had contracted for 3 quarters since the last quarter of 2018, followed an upward trend in the second half of 2019 thanks to the low base effect and gradual recovery in economic activity and closed the year with 0.9% growth. In the first quarter of 2020 we think that the low base effect continues and growth gains pace with help of deferred consumption. We estimate that Turkish economy will grow around 4% throughout 2020. On the other hand, we evaluate that geopolitical developments may affect growth performance negatively. Moreover, the net effect of the coronavirus to Turkey's economic activity remains uncertain.

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