

**GDP Growth**  
Q4-2020

**Turkish economy grew by 5.9% yoy in the last quarter.**

In the last quarter of 2020, economic growth in Turkey was 5.9% yoy, according to the chain linked volume index. Third quarter growth is revised to 6.3% from 6.7% and the contraction in the second quarter, which was previously announced at 9.9%, is revised to 10.3%.

Contributions to Growth		(% point)				
	2019	2020				
	Annual	Q1	Q2	Q3	Q4	
<b>Consumption</b>	<b>1.5</b>	<b>3.3</b>	<b>-6.0</b>	<b>5.1</b>	<b>5.7</b>	<b>2.2</b>
Private	0.9	2.8	-5.6	5.0	4.7	1.9
Public	0.6	0.5	-0.3	0.1	1.0	0.3
<b>Investment</b>	<b>-3.5</b>	<b>-0.1</b>	<b>-1.7</b>	<b>5.0</b>	<b>2.6</b>	<b>1.6</b>
<b>Stock Change</b>	<b>0.6</b>	<b>5.7</b>	<b>5.2</b>	<b>5.3</b>	<b>-1.9</b>	<b>3.4</b>
<b>Net Exports</b>	<b>2.4</b>	<b>-4.5</b>	<b>-7.9</b>	<b>-9.1</b>	<b>-0.6</b>	<b>-5.5</b>
Exports	1.2	-0.5	-9.4	-5.9	0.0	-3.9
Imports	1.2	-4.0	1.5	-3.3	-0.6	-1.5
<b>GDP (yoy, %)</b>	<b>0.9</b>	<b>4.5</b>	<b>-10.3</b>	<b>6.3</b>	<b>5.9</b>	<b>1.8</b>

According to seasonally and calendar adjusted figures, in the fourth quarter, the growth in economic activity lost some steam on a quarterly basis. After growing by 15.9% qoq in the third quarter, the economy expanded by 1.7% qoq in the last quarter.

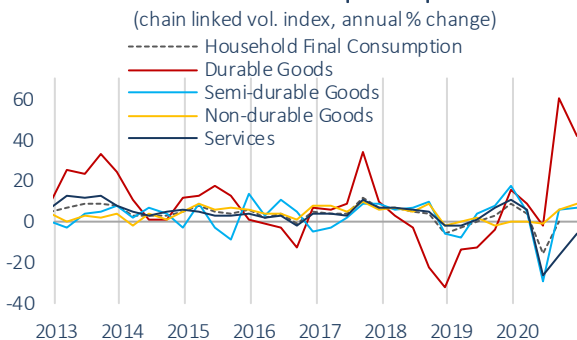
In 2020 as a whole, expanding by 1.8%, Turkish economy has been one of the few economies that have registered a positive growth rate. During this period, global economy, remaining under heavy pressure due to the pandemic, has recorded a contraction of 3.5%, according to IMF forecasts. In 2009, the year of global financial crisis, Turkish economy had shrunk by 4.8% while the global economy had contracted by 0.1%.

Turkey's annual GDP at current prices rose by 16.8% to 5.0 trillion TRY in 2020. Annual GDP in USD terms declined by 43.7 billion USD to 717 billion USD. GDP per capita fell to 8.599 USD.

**Consumption and investment expenditures boosted growth.**

The contribution of consumption expenditures to growth was 5.7 pp in the last quarter. 4.7 pp of the said contribution came from private consumption while public consumption expenditures added 1.0 pp to growth. During this period,

**Household Final Consumption Expenditures**

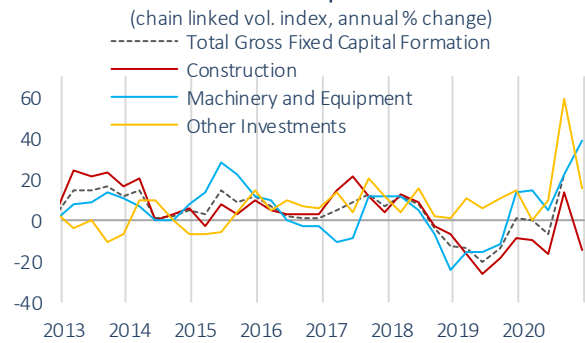


Numbers may not add to total due to rounding.

household's durable goods expenditures, which had a share of almost 13% in the total household final consumption expenditures, recorded a strong annual rise as it was also the case in the third quarter. Household consumption expenditures for services declined on an annual basis in real terms for the third quarter in a row. In this period, change in stocks item, which also includes the statistical discrepancies, made a negative contribution to GDP growth for the first time since the second quarter of 2019.

According to chain linked volume index figures, investment expenditures, despite losing some momentum, recorded a fast increase by 10.3% yoy in the last quarter and added 2.6 pp to the GDP growth. Machinery and equipment investments, rising at the highest pace in more than nine years with 38.7% yoy, pushed the growth up by 3.7 pp. During this period, construction investments fell by 14.7% yoy and dragged the GDP growth down by 1.8 pp.

**Investment Expenditures**



Along with the increase in import volume and the weak performance in exports, net exports continued to dampen growth, albeit to a lesser extent. In this period, net exports lowered the growth by 0.6 pp.

**GDP by production approach...**

All the main sub-sectors except construction propped up GDP growth in the last quarter. Services sector made the highest contribution to growth with 2.9 pp. Industrial sector made its highest contribution since the third quarter of 2017 with 2.0 pp. Agricultural sector added 0.2 pp to growth while construction sector pulled the GDP down by 0.8 pp.

**Expectations...**

After the strong recovery recorded in the third quarter, Turkish economy showed a solid performance also in the last quarter as domestic demand remained robust despite the tightening in monetary policy and restrictive measures taken against the spread of the pandemic. Expectations for the coming period paint a modestly optimistic picture. That being said, the pace of the economic activity will largely continue to depend on the course of the pandemic and the speed of vaccination. Also, the expectations that the decisive stance in the fight against inflation will be maintained and a prudent fiscal policy will be preserved pose downward risk to growth.

Source: Datastream, Turkstat

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