

Turkish economic growth is decelerated to 4.5% YoY

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Turkish economy, after having recovered in 2019 and having posted strong growth performance in January and February in 2020, has been losing momentum since mid-March due to the economic lockdowns.

Despite the loss in growth momentum, GDP grew by 0.6% QoQ (seasonally adjusted) in 1Q20. Private consumption posted the highest rise since the last quarter of 2016, at 2.9%. Public consumption with 11.1% increase showed the strongest rise in last 12 years. Investments also put the strongest recovery in last 2.5 years. Meanwhile both exports and imports on a QoQ basis.

Annual GDP growth, which was as high as 6.0% in 4Q19, also slowed down to 4.5% in 1Q20. Private consumption grew by 5.1% and made the most significant contribution to growth by around 3.0 ppts. Public consumption increased by 6.2% with the impact of virus, contributed 0.9 points to growth. We expect public spending to support growth during remainder of the year. Investments fell by 1.4%. Investment spending may remain weak due to ongoing virus uncertainties. Exports decreased by 1% YoY, while imports increased by 22.1%, and net exports pulled down the overall GDP growth by 4.3 points. Like in 4Q19, stock formation continued to make a high contribution to growth.

Private consumption grew by 5.1% YoY in the first quarter. As such, annual growth was 14.5% in consumption of durable goods and 8.2% in consumption of semi-durable goods. Service consumption has lost momentum with 4.5% annual growth. An increase of 2.9% was recorded in non-durable goods consumption. Yet, consumption slowed down due to lockdowns since mids of March. When we look at the data for the second quarter; white goods sales, which increased by 11.2% in the first quarter, decreased by 11.4% in April. Automotive sales, which increased by 44.8% in the first quarter, decreased by 10.6% in April. Credit card spending which contracted sharply since mid-March but started to recover recently. Although there could be a recovery in the service sector from 2Q20 onwards, we consider that recovery will be gradual compared to other items.

In April, PMI level for the manufacturing industry fell to a record low level of 33.4. While imports fell by 25%, exports contracted by 41.4% and there was almost no foreign tourist visits. The outbreak causing a decline in global trade and tourism revenues may limit the contribution of exports to the growth. On the other hand, some restrictions and taxes imposed on imports may reduce the negative contribution of net exports to growth.

When we look at the first quarter GDP by production components; services sector growth slowed down to 3.4%. For the rest of the year, the services sector may pose the greatest risk for growth. Recovery in the manufacturing industry continued by a 6.2% growth in 1Q20. Meanwhile, production in agriculture increased by 3%. Weak performance of construction sector continued with a 1.5% contraction.

With current prices, national income has reached TRY4,429 billion. In dollar terms, GDP stands at US\$758bn.

CHART-1: GDP (Constant Prices, QoQ, %)

QoQ, %	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Growth	2,1	1,1	0,7	1,9	0,6
-Private Consumption	0,4	2,7	1,5	2,3	2,9
-Public Consumption	0,5	1,4	0,2	0,4	11,1
-Investment (Total)	-2,9	-5,2	1,0	1,8	2,8
-Export	-2,4	2,5	3,2	0,4	-2,3
-Import	0,9	6,6	10,4	8,5	-8,0

CHART-2: GDP (Constant Prices YoY, %)

YoY, %	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Growth	-2,3	-1,6	1,0	6,0	4,5
-Private Consumption	-5,1	-1,0	1,9	6,8	5,1
-Public Consumption	6,6	3,4	5,7	2,7	6,2
-Investment (Total)	-12,4	-22,8	-12,8	-0,6	-1,4
-Export	8,7	8,3	5,1	4,4	-1,0
-Import	-29,3	-17,0	7,9	29,3	22,1

CHART-3: GDP Growth Contribution (%)

Growth contribution	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Growth	-2,3	-1,6	1,0	6,0	4,5
-Private Consumption	-3,1	-0,6	1,1	3,9	3,0
-Public Consumption	0,9	0,5	0,7	0,4	0,9
-Investment (Total)	-3,7	-7,1	-3,5	-0,2	-0,4
-Net Export	9,4	5,7	-0,2	-4,7	-4,3
Export	1,9	1,8	1,2	1,0	-0,2
Import	-7,5	-3,9	1,5	5,8	4,1
-Others*	-5,8	-0,1	2,9	6,5	5,3

*Stocks+Statistical discrepancy+Residual

CHART-4: GDP by Production Approach (YoY, %)

YoY, %	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Agriculture	2,6	3,6	3,6	2,5	3,0
Industry	-3,9	-2,8	1,6	5,9	6,2
Construction	-9,3	-12,7	-8,3	-3,8	-1,5
Services	-3,4	0,2	0,9	7,8	3,4

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