

Turkish economy grew by 7.3% in the first quarter of 2022

In accordance with the market expectations, Turkish economy grew 7.3% in the first quarter of 2022. On a quarterly basis, seasonally and calendar adjusted economic growth was 1.2%, down from the 1.5% realized in 4Q21.

1Q22 private consumption and net exports helped the Turkish economy to print a robust growth whereas the contribution from the investment expenditures stayed muted due to the draw-down effect of the construction sector. Looking at details; machinery and equipment items rose by 10.5% yoy which was balanced with -9.8% decline in construction. Machinery & eq. items extended their increasing trend to 10 quarters. On the other hand, we saw a negative contribution coming from inventories, of 7.3% and 1.0% QoQ consecutively. Private consumption expenditures, with an annual increase of 19.5%, contributed 11.6 points to total growth. Exports continued to grow with a strong pace, by 16.8% and imports rose by 2.3%. As a result, net exports made a positive contribution to growth for the fifth consecutive quarter by 3.5 points in 1Q22. Furthermore, the downward trend in inventory build-up, which was extended to 6 quarters, posted a negative contribution of 8.2 points in 1Q22.

On a quarterly basis (seasonally and calendar adjusted), recovery lost some steam in 1Q22. The economy grew by 1.2% in the first quarter, following a 1.5% increase in 4Q21. The good performance of public consumption and investment expenditure helped the Turkish economy to continue its quarterly growth trend. On the other hand, private consumption and other private consumption items printed decreases of 2.8% and 2.2% QoQ consecutively.

Contributions to the yoy growth are:

- Private consumption expenditures, with an annual increase of 19.5%, contributed 11.6 points to total growth. Durable and semi-goods consumption gained momentum again in 1Q. The consumption of services and non-durable goods continued its strong positive trend while losing some steam in 1Q22.
- Public consumption expenditures contributed a positive 0.9 points to growth with a limited increase of 0.1%.
- The negative trend in investments turned back to positive in 1Q22. Investment expenditures contributed 0.3 points to growth with a yearly increase of 1.1%. Machinery and equipment investments continued to support the investments whereas construction investments extended its negative trend streak to 3 quarters as of 1Q22.

With current prices, GDP increased by 79.5% in 1Q22 and national income reached TRY8.315bn. In US\$ terms, GDP, after having rose to US\$802.7bn at the end of 2021, advanced to US\$818.0bn in 1Q22.

Leading indicators for 2Q22 point to a mild growth in economic activity. Despite high base of 21.9% growth in 2Q21, the leading data are somewhat positive. Monthly data for March manufacturing PMI index (s.a.), was below its benchmark and continued to stay below that level in April. Real sector confidence index fell below its first quarter average of 110 by hitting 107.4. Capacity utilization rate was, on the other hand, higher than its historic average. In April, exports increased by 24.6% yoy and imports posted a rise of 34.9% yoy on the back of strong energy demand. Despite the recent recovery, the geopolitical developments causing energy and commodity prices to stay at elevated levels should be followed very carefully.

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

QoQ, %	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Growth	0.4	-10.8	16.4	1.2	2.2	1.7	2.8	1.5	1.2
-Private Consumption	0.1	-11.5	21.7	0.3	-0.7	2.6	8.3	9.4	-2.8
-Other Private Cons.*	11.9	-10.1	14.8	1.5	8.9	-0.7	1.7	3.9	-2.2
-Public Consumption	2.1	-2.8	4.1	0.7	-1.7	0.7	6.9	-7.3	0.0
-Investment (Total)	1.0	-7.1	21.6	-2.1	1.1	0.3	-1.8	-1.0	2.0
-Export	-4.9	-34.8	35.3	19.8	-1.2	2.7	4.5	11.4	-3.2
-Import	-7.1	-20.0	37.1	-0.7	-9.0	-2.4	4.2	9.2	-5.6

*Final consumption expenditure of NPISH

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

YoY, %	2021	Q1'21	Q2'21	Q3'21	Q4'21	2022	Q1'22
Growth	11.0	7.3	21.9	7.5	9.1	0.0	7.3
-Private Consumption	15.1	6.9	23.3	9.1	21.4	0.0	19.5
-Other Private Cons.*	16.2	15.9	23.3	10.9	15.2	0.0	3.7
-Public Consumption	2.1	-0.1	3.2	7.9	-1.9	0.0	0.9
-Investment (Total)	6.4	12.4	20.8	-1.9	-0.8	0.0	1.1
-Export	24.9	3.9	60.9	25.5	20.7	0.0	16.8
-Import	2.0	-1.0	19.9	-8.9	2.6	0.0	2.3

*Final consumption expenditure of NPISH

CHART-3: GDP Growth Contribution (%)

Growth contribution	2021	Q1'21	Q2'21	Q3'21	Q4'21	2022	Q1'22
Growth	11.0	7.3	21.9	7.5	9.1	0.0	7.3
-Private Consumption	8.9	4.1	13.9	5.4	12.5	0.0	11.6
-Other Private Cons.*	0.1	0.1	0.1	0.0	0.0	0.0	0.0
-Public Consumption	0.3	0.0	0.5	1.0	-0.3	0.0	0.1
-Investment (Total)	1.7	3.1	5.5	-0.5	-0.2	0.0	0.3
-Net Export	4.9	1.2	7.0	6.9	4.2	0.0	3.5
Export	5.3	0.9	11.0	5.0	4.8	0.0	3.9
Import	0.4	-0.2	4.0	-1.9	0.6	0.0	0.5
-Others**	-4.8	-1.2	-5.1	-5.4	-7.0	0.0	-8.2

*Final consumption expenditure of NPISH **Stocks+Statistical discrepancy+Residual

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

YoY, %	2021	Q1'21	Q2'21	Q3'21	Q4'21	2022	Q1'22
Agriculture	-2.2	6.3	-0.6	-6.6	3.3		0.9
Industry	16.6	11.4	40.4	9.8	10.7		7.4
Construction	-0.9	3.2	3.8	-5.9	-3.9		-7.2
Services	21.1	6.1	46.1	21.4	16.7		14.9
Contribution, ppt	2021	Q1'21	Q2'21	Q3'21	Q4'21	2022	Q1'22
Agriculture	-0.1	0.2	0.0	-0.8	0.2		0.0
Industry	3.3	2.4	7.4	1.8	2.2		1.8
Construction	-0.1	0.2	0.3	-0.4	-0.2		-0.4
Services	4.6	1.4	9.0	4.6	3.9		3.6

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