

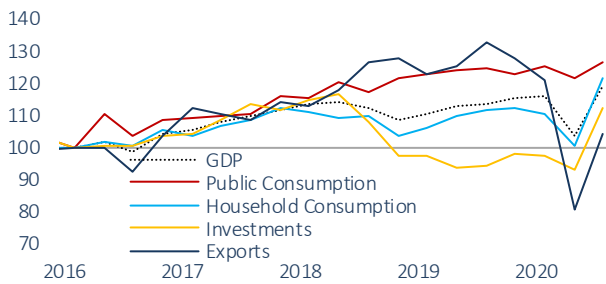
Turkish economy grew by 6.7% yoy in the third quarter.

In the third quarter of 2020, economic growth in Turkey was above expectations at 6.7% yoy, according to the chain linked volume index. Market expectation was around 5% for this period. Turkish economy had contracted by 9.9% yoy in the second quarter, when the sharpest economic impact of the pandemic was felt.

Contributions to Growth		(% point)				
	2019	2020				
	Q4	Q1	Q2	Q3	9-M	
Consumption	4.9	3.2	-5.5	5.5	1.1	
Private	4.7	2.7	-5.2	5.4	1.1	
Public	0.3	0.5	-0.3	0.1	0.1	
Investment	0.2	-0.1	-1.6	5.2	1.4	
Stock Change	6.8	5.3	5.0	5.1	5.1	
Net Exports	-5.5	-4.0	-7.7	-9.1	-7.1	
Exports	0.2	0.1	-9.2	-6.0	-5.2	
Imports	-5.7	-4.1	1.5	-3.1	-1.9	
GDP (yoy, %)	6.4	4.5	-9.9	6.7	0.5	

Calendar adjusted GDP grew by 6.5% yoy in the third quarter. According to seasonally and calendar adjusted figures, Turkish economy, after shrinking by 10.8% qoq in the second quarter, expanded by 15.6% qoq in the third quarter.

GDP by Expenditure Approach
(index, Q1-2016=100, seasonally and calendar adjusted)



Turkey's annual GDP at current prices became 4.7 trillion TRY as of the third quarter of 2020. In this period, annual GDP in USD terms was 736 billion USD.

Consumption and investment expenditures boosted growth while net exports dragged it down.

According to expenditure approach, the contribution of consumption expenditures to growth was 5.5 pp in the third quarter. 5.4 pp of the said contribution came from private consumption while public consumption expenditures added only 0.1 pp to growth. In this period, change in stocks item, which also includes the statistical discrepancies, played an important role in growth performance by contributing 5.1 pp to the GDP growth.

According to chain linked volume figures, investment expenditures recorded its fastest increase since 2011 surging

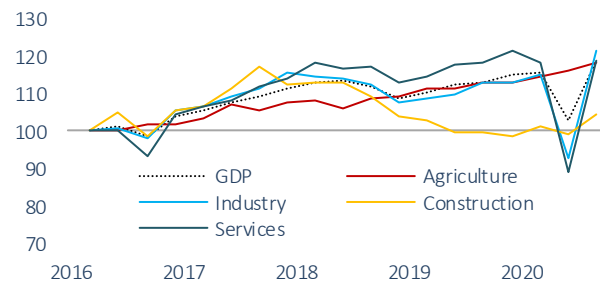
by 22.5% yoy and added 5.2 pp to the GDP growth. The annual rise in machinery and equipment investments was 23.5%, the highest rate in more than five years. During this period, the annual change in construction investments turned positive for the first time after eight consecutive quarters of decline.

The increase in import volume parallel to the recovery in domestic economic activity and the weak performance in exports due to lower foreign demand caused net exports to be a big drag on the third quarter GDP growth. Import and export volumes limited growth by 6 pp and 3.1 pp, respectively. Therefore, net exports lowered the growth by 9.1 pp in this period.

GDP by production approach...

According to the production approach, all the main sub-sectors supported GDP growth in the third quarter. Thanks to the normalization of lockdown restrictions, services sector made the highest contribution to growth with 2.5 pp. As a large loan growth was recorded in the banking sector in this period, the above 40% real rise in financial services sub-sector was particularly noteworthy. Industrial sector made its highest contribution since the first quarter of 2018 with 1.5 pp. Agricultural and construction sectors added 0.8 pp and 0.4 pp to growth, respectively. This contribution of the agricultural sector was the highest in the last five years.

GDP by Production Approach
(index, Q1-2016=100, seasonally and calendar adjusted)



Expectations...

Thanks to the supportive measures taken by the policy makers and the loosening of the restrictions against the pandemic, Turkish economy showed a quicker-than-expected recovery in the third quarter. On the other hand, as of the last quarter of the year, due to a tighter stance in economic policies and the reintroduction of restrictive measures in fight with the pandemic in Turkey and around the world, growth expectations remain under pressure. Against this backdrop, we estimate that Turkish economy will end the year with a similar annual growth rate to that recorded as 0.5% in the first nine months of 2020. As of the last month of the year, decisions regarding the restrictive measures and the potential success of Covid-19 vaccines and the distribution process will be of key importance for the course of the economic activity in the period ahead.

Numbers may not add to total due to rounding.

Source: Datastream, Turkstat

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