

POSITIVE NET EXPORT AND NEGATIVE INVESTMENTS CONTRIBUTIONS TO GDP GROWTH

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Executive Summary

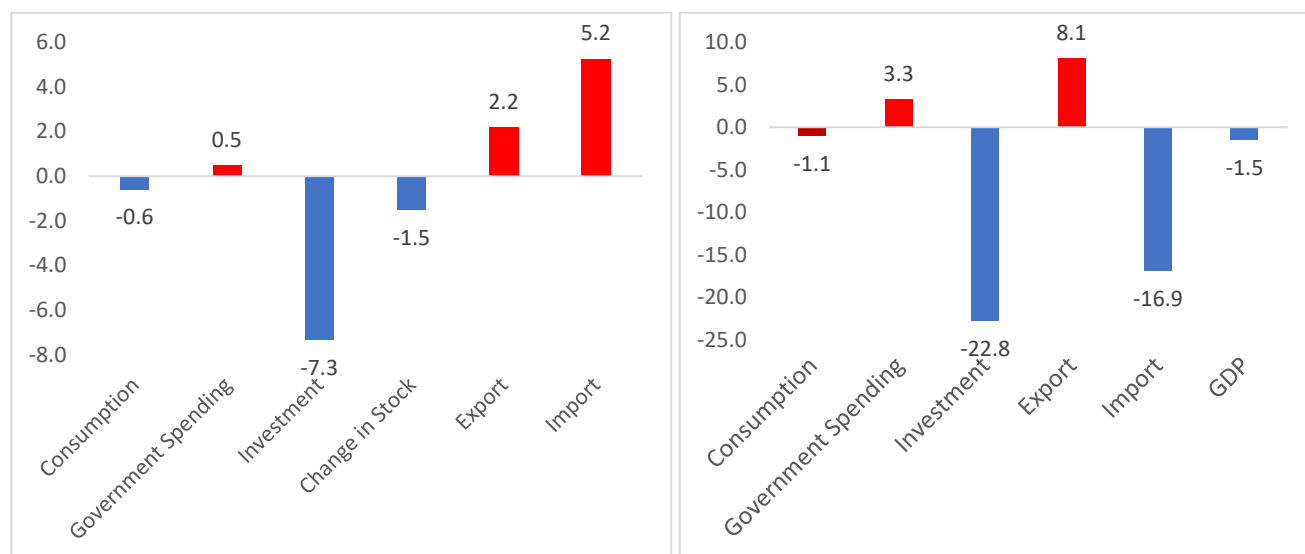
In the second quarter of 2019, according to seasonally and calendar day adjusted data, Gross Domestic Product (GDP) increased by 1.2 percent compared to the previous quarter, yet decreased by 1.5 percent compared to the same quarter of last year. The greatest negative impact on the annually economic growth comes from investments, for which the contribution to GDP growth was minus 7,3 percentage points. The contribution of net exports to growth continues: while the contribution of exports was 2,2 percentage point, imports contribution was 5,2 as imports continue to decline.

When we look at the seasonally and calendar day adjusted data, we see that the economic picture is relatively better. On quarterly basis, we observe that private consumption, government expenditure, exports and stock change contribute positively to growth rate. The fact that stock change contributes positively to growth since two quarters can be interpreted that despite low demand, production is still in progress, therefore, producer expectations of future is optimistic. On the other hand, ongoing contraction in investments raise concerns for the next period of the GDP growth.

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Figure 1: Contributions to growth (left) and year-on-year growth rates (right) of GDP components in 2019 Q1



Source: TurkStat, Betam.

Recovery in private consumption

Private consumption, which decreased by nearly 5 percent in the first quarter of 2019 compared to the same quarter of the previous year, decreased by 1,1 percent in the second quarter of 2019. With slight improvements, its contribution to GDP growth decreased from minus 2.8 to minus 0.6 percentage points (Table 1). When we look at the seasonally and calendar day adjusted data, we see that private consumption continues to increase and as well as its contribution to growth. While its contribution to growth rate was 0,8 in the first quarter, it reached 1,7 percent point in the second quarter (Table 2).

Table 1: Growth rates and contributions to growth of GDP components in 2019 Q1 and 2019 Q2 compared to same quarter of last year

	2019Q1		2019Q2	
	Change (%)	Contribution (%)	Change (%)	Contribution (%)
Consumption	-4.8	-2.8	-1.1	-0.6
Government Spending	6.6	1.0	3.3	0.5
Investment	-12.4	-3.8	-22.8	-7.3
Change in Stock		-8.8		-1.5
Export	9.2	2.5	8.1	2.2
Import	-28.9	9.7	-16.9	5.2
GDP	-2.4		-1.5	

Source: TurkStat, Betam

Table 2: Growth rates and contributions to growth of GDP components in 2019 Q1 and 2019 Q2 compared to previous quarter

	2019Q1		2019Q2	
	Change (%)	Contribution (%)	Change (%)	Contribution (%)
Consumption	1.4	0.8	3.0	1.7
Government Spending	3.1	0.5	1.9	0.3
Investment	-5.0	-1.4	-7.4	-2.0
Change in Stock		0.4		0.6
Export	-3.7	-0.9	4.5	1.3
Import	-6.8	2.3	2.7	-0.7
GDP	1.6		1.2	

Source: TurkStat, Betam

Slowdown in investments continues to increase

On yearly basis, investments, which decreased by 12.4 percent in the first quarter of 2019, shrank by 22,8 percent in the second quarter of 2019. Its contribution to growth rose from minus 3,8 percent point to minus 7,3 percent point (Table 1). When we look at seasonally and calendar day adjusted data, we see a similar situation. While the contribution of investments to quarterly growth was minus 1,4 percent point, it reached minus 2,0 percent point (Table 2).

Recovery in stocks³

On yearly basis, stock changes, which had contributed to growth by minus 8.8 percentage points in the first quarter of 2019, contributed minus 1,5 percentage points to growth in the second quarter of 2019 (Table 1). When we look quarterly growth, we see that seasonally and calendar day adjusted stock changes contributed to growth by 0,4, yet its contribution to growth was 0,6 percentage points in the second quarter (Table 2).

³ TurkStat uses the chained volume index method when calculating new national income series. The contribution to growth of the stock change cannot be easily calculated because there is an additivity problem in the chain method and a chain index cannot be derived for the "changes in stock". We discussed in detail in the research note that we recently published how to account for the contribution of stock change to growth in the chain-volume index approach (see Betam Research Note 17/217).

Positive contribution of net exports continues

Exports, which increased by 9,2 percent in the first quarter of 2019 compared to the same quarter of the previous year, rose by 8,1 percent in the second quarter. The contribution of this increments was over 2 percentage points. Imports continue to fall. While import reduction was nearly 29 percent in the first quarter, it remained slightly below 17 percent in the second quarter. The contribution of these imports reduction to growth was 9,7 percentage points and 5,2 percentage points, respectively (Table 1). On the other hand, we see that the 9.7 percent contribution of net exports to growth in the fourth quarter of 2018 rose 12.2 percent in the first quarter of 2019 on yearly basis (Table 1). On quarterly basis, when we look at seasonally and calendar day adjusted data, we see that both export and import decreased in the first quarter, yet increased in the second quarter. Nevertheless, net exports contribute positively to growth tanks to strong exports growth (Table 2).

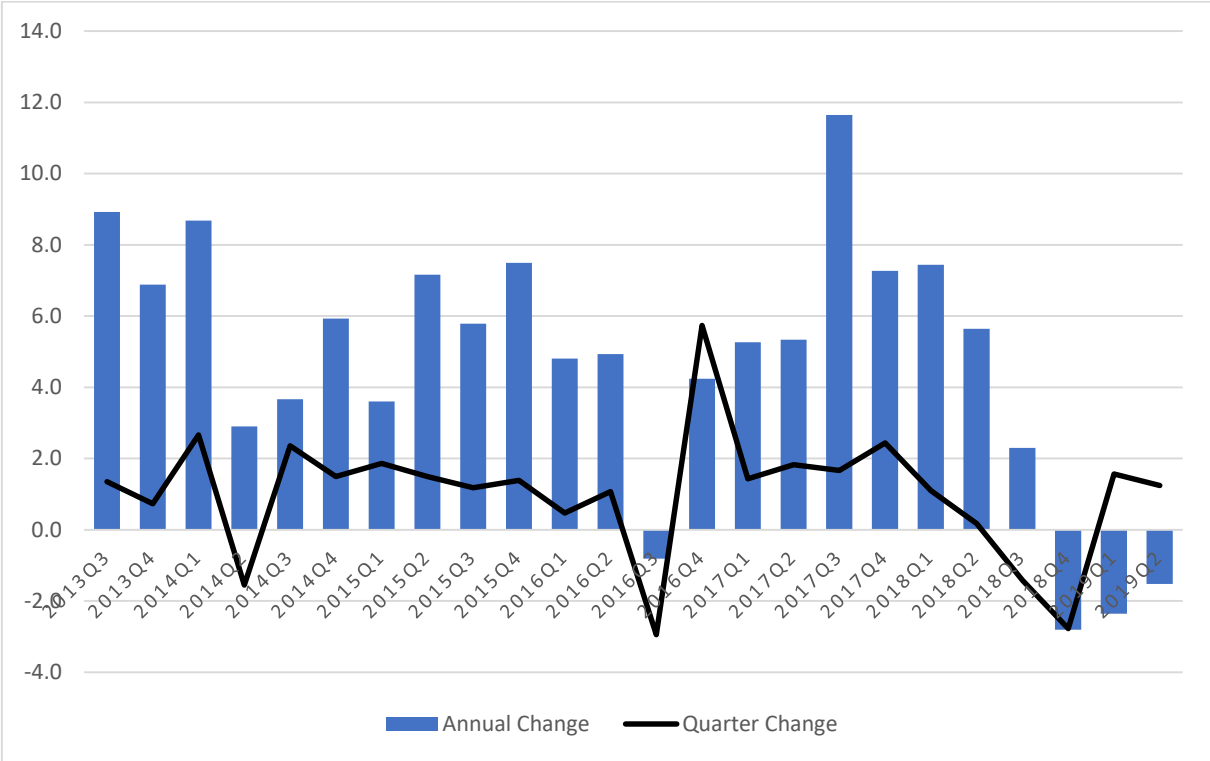
Limited expansion in public consumption expenditures

Public investments, which had contracted by nearly 6.6 percent in the first quarter of 2019 compared to the same quarter of the previous year, grew only by 3,3 percent. The contribution of this increments to growth was 1 percentage points and half percentage points, respectively (Table 1). On quarterly basis, when we look at seasonally and calendar day adjusted data, we observed that public investments had increased by 3,1 in the first quarter of 2019 and made contribution of 0,5 percentage points to growth. On quarterly basis, public investments increased by 1,9 percentage points and made a contribution of 0,3 percentage points to growth (Table 2).

The Future of Growth

It should be noted that there are conflicting signals on the future growth rate. On the one hand, investments continue to fall on both a yearly and a quarterly basis, which means a bad indicator for the future period of growth. On the other hand, private consumption signals recovery and quarterly stock change makes a positive contribution to growth. In the light of these, it is possible to interpret that producers think positively regarding the future periods, and thus, they did not cut production. It is also crucial for the future periods that how mortgage interest rate below 1 percent initiated by three state banks will affect housing sales and the construction sector that has been declining for a long time.

Figure 2: GDP growth rates compared to the previous quarter and same quarter of last year



Source: TurkStat, Betam.