

High Growth in the First Quarter

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Executive Summary

In the light of fully-released January, February, and March leading indicators, we expect GDP to expand by 6.3 percent on a year-on-year basis for the first quarter of 2022. According to seasonal and calendar adjusted data, we forecast quarter-on-quarter GDP growth to be 0.8 percent.

IMF has not changed Turkey's economic growth expectations for 2022 but has revised the global economic growth one from 4.9 percent to 4.4 percent. On the other hand, World Bank has reduced its forecast from 2 percent to 1.4 percent for the Turkish economy.

GDP growth forecasts	2022Q1
Quarter-on-quarter	0.8
Year-on-year	6.3

Table 1: Periodical and annual real GDP growth forecasts. Source: Betam. **NOTE:** "Quarter-on-quarter" growth rate refers to seasonally and calendar-day adjusted real GDP growth forecast; "Year-on-year" growth rate refers forecasted real GDP growth compared to the same quarter of the previous year.

Increase in industrial production

We expect imported consumption to increase and loans to decrease in the first quarter of 2022 compared to the previous quarter. We calculate that while imported consumption increases by 8.2 percent, mortgage and consumer loans fall over 15 percent on a quarterly basis (Table 2).

We see declines in imported consumption and loans, while the increase in the industrial production index according to year-on-year figures. The industrial production index of durable and non-durable goods increases by 7.4 and 14.9 percent, respectively (Table 3).

	2021Q4	2022Q1
Imports-cons. goods	-1.3	8.2
Mortgage loans	-6.2	-18.4
Consumer loans + CC	-3.8	-17.6
IPI-nondurable goods	7.1	2.3
IPI-durable goods	8.3	2.4
Special cons. tax	-7.3	3.3
Public cons.	2.2	-4.0

Table 2: Consumption expenditures compared to the previous quarter. **IPI:** Industrial production index; **Cons.:** Consumption tax; **CC:** Credit Cards.

	2021Q4	2022Q1
Imports-cons. goods	-20.3	-7.9
Mortgage loans	-16.7	-28.8
Consumer loans + CC	-6.6	-21.8
IPI-nondurable goods	11.6	14.9
IPI-durable goods	10.1	7.4
Special cons. tax	-32.8	-11.4
Public cons.	8.7	-0.6

Table 3: Consumption expenditures compared to the same quarter of the previous year.

Stock of retail trade sector increases

According to seasonally and calendar adjusted data, we anticipate a 5.6 percent of increase in imported investment goods and 8.2 percent in stocks of retail trade sector, but a 20 percent of decrease in commercial loans and 4 percent in public investment in the first quarter of 2022 (Table 4).

On an annual basis, while the 16 percent increase in stocks of the retail trade sector, we expect commercial credits to decrease by 20 percent. As in the production of final goods, there is an increase in the production of intermediate goods (Table 5).

Import increases

We calculate seasonally and calendar adjusted export to decrease by 2.4 percent and imports to increase by 3.3 percent in the first quarter of 2022. The declining import that has stopped in the previous quarter is likely to increase this quarter (Table 6).

When we compare the first quarter of 2022 with the same period of 2021, we expect export and import to increase by 10.8 and 3.5 percent, respectively (Table 7).

	2021Q4	2022Q1
IPI-inter. goods	3.7	0.9
CUR-invest. goods	1.2	-0.2
Imports-invest. goods	6.1	5.6
Commercial loans + CC	-0.5	-14.1
Prod.-last 3 months	4.0	-5.2
RT vol. of stock	11.0	8.2
Public invest.	5.2	-4.0

Table 4: Investment expenditures compared to the previous quarter. **CUR:** Capacity Utilization Rate. CUR is reported as percentage points changes unlike other indices; **RT vol. of stock:** Current volume of stock of retail trade sector; **Invest.:** Investment.

	2021Q4	2022Q1
IPI-inter. goods	13.4	9.4
CUR-invest. goods	1.0	-0.8
Imports-invest. goods	-4.0	3.2
Commercial loans + CC	-10.0	-20.7
Prod.-last 3 months	-0.3	-3.8
RT vol. of stock	1.8	14.3
Public invest.	23.4	4.7

Table 5: Investment expenditures compared to the same quarter of the previous year.

	2021Q4	2022Q1
Exports	4.4	-2.4
Imports	2.2	3.3
Exports excluding gold	7.6	-0.2
Imports excluding gold	1.9	2.1

Table 6: Foreign trade compared to the previous quarter.

	2021Q4	2022Q1
Exports	14.9	10.8
Imports	-5.4	3.5
Exports excluding gold	22.3	20.2
Imports excluding gold	5.8	7.6

Table 7: Foreign trade compared to the same quarter of the previous year.

General Evaluation

Considering the other seasonal and calendar day adjusted leading indicators that we use in GDP forecasting, we see the demand for services increase by 1.4 percent (Table 8). Compared with the same quarter of the previous year, demand for services is expected to increase by 18.8 percent (Table 9).

In the light of fully-released January, February, and March leading indicators, we expect GDP to expand by 6.3 percent on a year-on-year basis for the first quarter of 2022. According to seasonal and calendar-adjusted data, we forecast quarter-on-quarter GDP growth to be 0.8 percent.

	2021Q4	2022Q1
IPI-manufacturing	4.7	2.0
RT price exp.	0.7	2.1
CUR	0.8	-0.0
Ser. demand turnover	4.3	1.4
Expected invest.-12m	2.0	-0.1
Electricity cons.	0.1	3.5

Table 8: Some of leading indicators compared to the previous quarter. **RT price exp.:** Expected price for the retail sector (next 3 months); **Ser. demand turnover:** Demand for services (last 3 months), **Expected invest.-12m:** Investment expectations (next 12 months); **Expected invest.-12m::** Investment expectations (next 12 months)

	2021Q4	2022Q1
IPI-manufacturing	12.7	11.1
RT price exp.	-1.2	8.9
CUR	2.7	2.2
Ser. demand turnover	29.2	18.8
Expected invest.-12m	15.4	7.2
Electricity cons.	5.5	7.6

Table 9: Some of leading indicators compared to the same quarter of the previous year.

BOX: EXPLANATIONS

Explanation on seasonal and calendar day adjustment:

While forecasting the quarter-on-quarter GDP growth rate, we adjust all series for seasonal and calendar day effects. If institutions release an adjusted series, we use this released adjusted series, and if not, BETAM performs seasonal and calendar day adjustments. The status of variables used in this brief can be summarized as follows:

- Central Bank of the Republic of Turkey (TCMB): Capacity utilization rate of the manufacturing industry (CUR), Real sector confidence index.
- Turkstat (TUIK): Industrial production index (IPI) and its sub-components; export, import, and import sub-components concerning goods categories (intermediate goods, investment goods, and consumption goods); sectoral confidence indices and its components (retail trade, services, and construction sectors)
- Betam: The rest of the leading indicators.

Explanation on leading indicators: Betam shares three forecasts for each quarter. For some indicators of the quarter, of which the growth rate is forecasted, the last two months' observations and for others' last month's observations are missing when we run the forecasting model. While estimating growth rates of leading indicators, we use forecasts based on previous observations of each series for missing months. Since there are no missing monthly observations in series while running the third forecast, there is no need for this forecast.

Explanation on forecasting model:

For the direct forecast of GDP, we use 16 leading indicators. While forecasting the components of GDP (consumption, investment, export, and import), we use 26 leading indicators. We prefer to represent remarkable variables within the current period and success in the forecast instead of representing all of them in the research brief and tables.

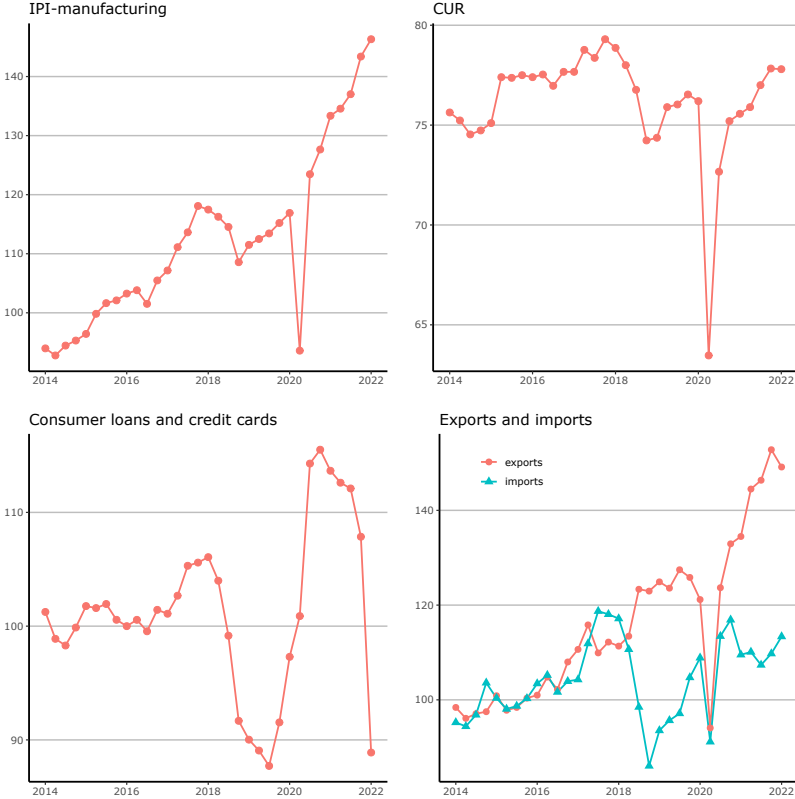


Figure 1: Seasonally and calendar day adjusted quarterly leading indicators. Consumer credits and individual credit cards in the first quarter of 2016 are indexed at 100.