Bahçeşehir Üniversitesi Ekonomik ve Toplumsal Araştırmalar Merkezi
Betam

Economic Growth and Forecasts: July 2022

BAHÇEŞEHIR ÜNIVERSITESI

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High Growth Continues

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Executive Summary

In the light of fully-released April, May, and partly-released June leading indicators, we expect GDP to expand by 5.7 percent on a year-on-year basis for the second quarter of 2022. According to seasonal and calendar-adjusted data, we forecast quarter-on-quarter GDP growth to be 1.1 percent.

The World Bank and OECD had increased their growth forecast for the Turkish economy in 2022 to 2.3 percent and 3.7 percent, respectively. The IMF has recently increased it to 4 percent from 2.7 percent.

GDP growth forecasts	2022Q2
Quarter-on-quarter	0.9
Year-on-year	5.6

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.

Huge decline in consumer loans

In the second quarter of 2022, we expect an increase of about 15 percent in the special consumption tax and a decrease of around 6 percent in loans compared to the previous quarter (Table 2).

According to year-on-year figures, we calculate decreases in housing loans, consumer loans and credit cards by more than one quarter. There are increases in industrial production (Table 3).

	2022Q1	2022Q2
Imports-cons. goods	9.2	7.2
Mortgage loans	-18.1	-7.5
Consumer loans + CC	-17.3	-6.1
IPI-nondurable goods	2.4	1.0
IPI-durable goods	2.4	-2.5
Special cons. tax	10.5	14.8
Public cons.	-4.5	1.4

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

	2022Q1	2022Q2
Imports-cons. goods	-7.9	1.8
Mortgage loans	-28.8	-31.6
Consumer loans + CC	-21.8	-25.7
IPI-nondurable goods	14.9	12.2
IPI-durable goods	7.6	0.5
Special cons. tax	-11.4	12.3
Public cons.	-0.6	1.3

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

High increase in public investment expenditures

According to seasonally and calendar adjusted data, we expect public investment expenditures to increase by 23.1 percent in the second quarter of 2022 (Table 4).

On an annual basis, we calculate an increase of 7.8 percent in public investment expenditures. While the stock level in the retail sector continues to increase, we expect a decrease of up to one quarter in commercial loans, as in consumer loans (Table 5).

	2022Q1	2022Q2
IPI-inter. goods	0.8	-0.8
CUR-invest. goods	-0.3	-0.1
Imports-invest. goods	5.9	4.6
Commercial loans + CC	-13.8	-5.2
Prod.-last 3 months	-5.2	-3.0
RT vol. of stock	8.2	-1.1
Public invest.	-19.1	23.1

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.

	2022Q1	2022Q2
IPI-inter. goods	9.4	4.0
CUR-invest. goods	-0.8	3.2
Imports-invest. goods	3.2	5.0
Commercial loans + CC	-20.7	-23.4
Prod.-last 3 months	-3.8	-1.9
RT vol. of stock	14.3	16.8
Public invest.	4.7	7.8

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

Foreign trade outlook is positive

When we look at the seasonal and calendar adjusted foreign trade figures in the second quarter of 2022, we expect an 3.5 percent increase in exports and a 0.6 percent decrease in imports. We expect the developments which were against the foreign trade balance last quarter to be in favor of the balance this quarter (Table 6).

When we compare the second quarter of 2022 with the same period of 2021, we expect exports and imports to increase by 3.4 and 0.1 respectively (Table 7).

	2022Q1	2022Q2
Exports	-2.5	3.5
Imports	3.6	-0.6
Exports excluding gold	1.4	1.5
Imports excluding gold	2.6	-3.7

Table 6: Foreign trade compared to the previous quarter.

	2022Q1	2022Q2
Exports	10.8	3.4
Imports	3.5	0.1
Exports excluding gold	18.6	12.7
Imports excluding gold	7.2	-1.7

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, while we see a decrease of 1 percent and 4 percent in the demand for services and electricity consumption, respectively. Investment expectations remain positive (Table 8).

Compared to the same period of the previous year, we calculate that there are an increase of 8 percent in the manufacturing industry production and an 12.8 percent increase in the service sector demand (Table 9).

In the light of fully-released April, May, and partly-released June leading indicators, we expect GDP to expand by 5.7 percent on a year-on-year basis for the second quarter of 2022. According to seasonal and calendar-adjusted data, we forecast quarter-on-quarter GDP growth to be 1.1 percent.

	2022Q1	2022Q2
IPI-manufacturing	2.1	0.8
RT price exp.	2.1	1.4
CUR	-0.0	0.3
Ser. demand turnover	1.4	-1.1
Expected invest.-12m	-0.1	2.9
Electricity cons.	3.5	-4.2

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)

	2022Q1	2022Q2
IPI-manufacturing	11.1	8.1
RT price exp.	8.9	7.9
CUR	2.2	2.0
Ser. demand turnover	18.8	12.8
Expected invest.-12m	7.2	6.0
Electricity cons.	7.6	-0.9

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.

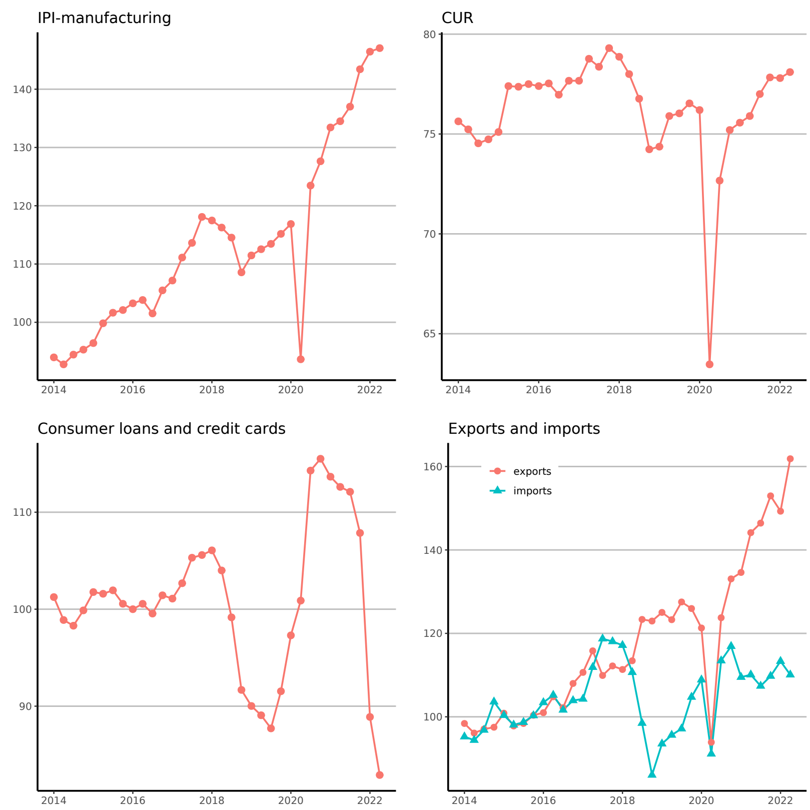

Figure 1: Seasonally and calendar day adjusted quarterly leading indicators. Consumer credits and individual credit cards in the first quarter of 2016 are indexed at 100.