Bahçeşehir Üniversitesi Ekonomik ve Toplumsal Araştırmalar Merkezi Betam

Economic Growth and Forecasts: June 2023

BAHÇEŞEHİR ÜNİVERSİTESİ

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Positive Growth in the Second Quarter of 2023

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Executive Summary

In light of the fully-released March, April, and partly-released May leading indicators, we expect GDP to decrease by 0.2 percent year-on-year in the second quarter of 2023. According to seasonal and calendar-adjusted data, we forecast quarter-on-quarter GDP growth to be 1.5 percent.

GDP growth forecasts	2023Q2
Quarter-on-quarter	1.5
Year-on-year	-0.2

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.

Significant increase in import of consumption goods

For the second quarter of 2023, we anticipate an 11.3 percent increase in imports of consumption goods, along with 8.7 percent and 3.2 percent rises in consumer loans and credit cards and mortgage loans, respectively. Additionally, we expect 0.2 and 0.7 percent decrease in non-durable and durable consumption goods production index, respectively. (Table2).

Compared to the same quarter of the previous year, we observe a significant increase in imports of consumption goods (51 percent), while there is a decrease in Mortgage loans (11.3 percent). We anticipate a decline of 4.8 percent in durable consumption goods and 11.9 percent in non-durable consumption goods production index (Table 3). We expect a notable rise in special consumption tax revenue (16.9 percent), and a substantial 41.8 percent increase in public consumption.

	2023Q1	2023Q2
Imports-cons. goods	18.8	11.3
Mortgage loans	-5.2	3.2
Consumer loans + CC	8.3	8.7
IPI-nondurable goods	0.6	-0.2
IPI-durable goods	0.9	-0.7
Special cons. tax	3.0	7.1
Public cons.	27.7	1.5

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

	2023Q1	2023Q2
Imports-cons. goods	67.6	51.0
Mortgage loans	-21.2	-11.3
Consumer loans + CC	8.5	25.1
IPI-nondurable goods	1.0	-11.9
IPI-durable goods	5.3	-4.8
Special cons. tax	33.2	16.9
Public cons.	39.1	41.8

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

Increase in imports of investment goods, Decrease in intermediate goods production

According to seasonally and calendar-adjusted investment data, the imports of investment goods grows by 3.5 percent, while the retail sector stock level drops by 3.5 percent. Public investment expenditures increase by 23.3 percent (Table 4).

Compared to the same quarter of the previous year, production expectations for the last three months decrease by 2.9 percent, and the intermediate goods production index decrease by 14.6 percent. Imports of investment goods rise by 16.8 percent, while public investment expenditures increase by 43.0 percent (Table 5).

	2023Q1	2023Q2
IPI-inter. goods	0.7	-0.3
CUR-invest. goods	0.8	0.9
Imports-invest. goods	13.4	3.5
Commercial loans + CC	3.0	6.2
Prod.-last 3 months	6.5	-1.1
RT vol. of stock	0.2	-3.5
Public invest.	-26.6	23.3

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.

	2023Q1	2023Q2
IPI-inter. goods	-6.3	-14.6
CUR-invest. goods	3.7	4.7
Imports-invest. goods	28.1	16.8
Commercial loans + CC	-3.3	7.7
Prod.-last 3 months	-5.5	-2.9
RT vol. of stock	-2.4	-5.4
Public invest.	97.3	43.0

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

Decrease in exports excluding gold maintains

When we look at the seasonal and calendar-adjusted gold-excluded foreign trade figures in the second quarter of 2023, we expect a 2.6 percent decrease in exports and a 3.1 percent increase in imports (Table 6).

Compared to the same quarter of the previous year, gold-excluded exports declined by 11.6 percent, and total exports decreased by 12.3 percent. While gold-excluded imports increase by 9.8 percent, total imports increase by 8.5 percent (Table 7).

	2023Q1	2023Q2
Exports	-4.8	2.1
Imports	8.2	1.5
Exports excluding gold	-1.2	-2.6
Imports excluding gold	8.6	3.1

Table 6: Foreign trade compared to the previous quarter.

	2023Q1	2023Q2
Exports	-1.4	-12.3
Imports	18.4	8.5
Exports excluding gold	1.5	-11.6
Imports excluding gold	10.1	9.8

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

General Evaluation

Considering the other seasonal and calendar-adjusted leading indicators we use in GDP forecasting, we observe increases of 0.9 and 0.1 percent in the manufacturing sector production index and demand for the service sector, respectively (Table 8).

Compared to the previous year, electricity usage falls by 7.0 percent, and price expectations in the retail sector decrease by 4.8 percent. The investment expectation (next 12 months) falls by 2.5 percent (Table 9).

In light of the fully-released March, April, and partly-released May leading indicators, we expect GDP to decrease by 0.2 percent year-on-year in the second quarter of 2023. According to seasonal and calendar-adjusted data, we forecast quarter-on-quarter GDP growth to be 1.5 percent.

	2023Q1	2023Q2
IPI-manufacturing	0.7	0.9
RT price exp.	-3.2	-0.9
CUR	-1.1	0.4
Ser. demand turnover	-1.1	0.1
Expected invest.-12m	-1.5	6.1
Electricity cons.	-2.0	2.1

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)

	2023Q1	2023Q2
IPI-manufacturing	0.7	-9.3
RT price exp.	-2.3	-4.8
CUR	-2.5	-2.4
Ser. demand turnover	-2.0	-3.8
Expected invest.-12m	-5.3	-2.5
Electricity cons.	-10.5	-7.0

Table 9: Some of the 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.

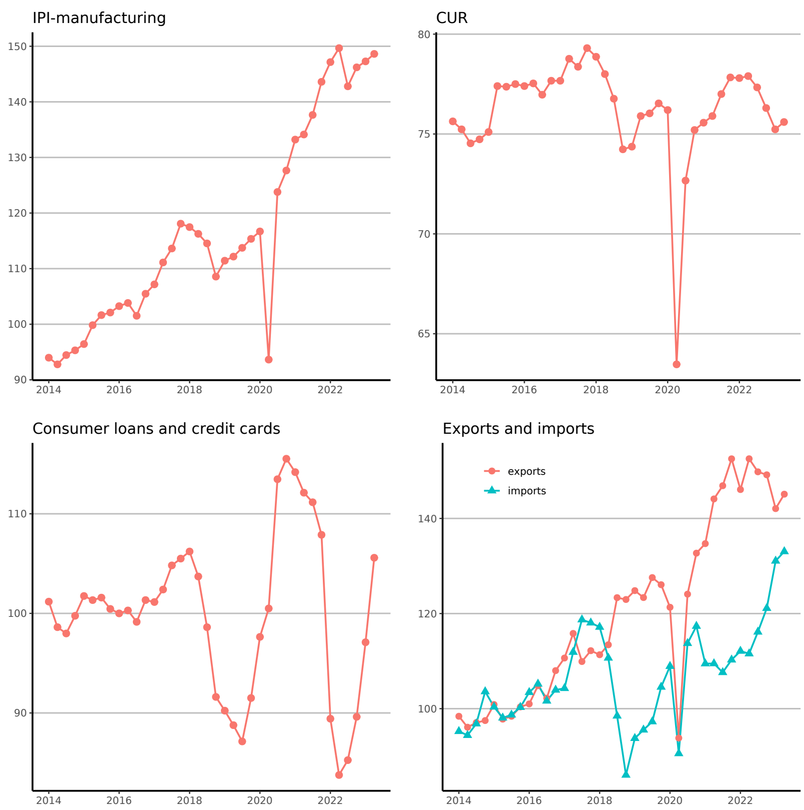

Figure 1: Seasonally and calendar day adjusted quarterly leading indicators. Consumer credits and individual credit cards in the first quarter of 2016 are indexed at 100.