

Economic Growth in the Second Quarter

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Executive Summary

In light of the fully-released April, May, and partly-released June leading indicators, we expect GDP to increase by 4.7 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 1.6 percent.

| GDP growth forecasts | 2023Q2 |
|----------------------|--------|
| Quarter-on-quarter | 1.6 |
| Year-on-year | 4.7 |

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 imports of consumption goods

In the second quarter of 2023, We expect an increase in imports of consumption goods(9.3 percent) and in public consumption (1.4). We calculate consumer loans and private credit cards, and mortgage loans to increase by 12.2 and 4.9 percent, respectively. (Table2).

Compared to the same quarter of the previous year, we observe a soar in imports of consumption goods (60.9 percent) and public consumption (43.1 percent). We anticipate a 5.5 percent decrease in non-durable consumption goods, while durable consumption goods are expected to experience a 3.9 percent increase. (Table 3).

| | 2023Q1 | 2023Q2 |
|----------------------|--------|--------|
| Imports-cons. goods | 18.8 | 9.3 |
| Mortgage loans | -5.7 | 4.9 |
| Consumer loans + CC | 8.0 | 12.2 |
| IPI-nondurable goods | 0.6 | -0.4 |
| IPI-durable goods | 1.1 | 1.7 |
| Special cons. tax | 1.9 | 14.1 |
| Public cons. | 30.4 | 1.4 |

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 | 60.9 |
| Mortgage loans | -21.2 | -9.1 |
| Consumer loans + CC | 8.5 | 29.0 |
| IPI-nondurable goods | 1.0 | -5.5 |
| IPI-durable goods | 5.3 | 3.9 |
| Special cons. tax | 33.2 | 26.5 |
| Public cons. | 39.1 | 43.1 |

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

Increase in imports of investment goods and public investment

Based on seasonally and calendar-adjusted investment data, we expect imports of investment goods and public investment to rise by 5.8 and 13.7 percent, respectively. The retail sector stock level and production expectations for the last three months decrease by 4.6 and 1.2 percent, respectively. (Table 4).

Compared to the same quarter of the previous year, we expect a 32.3 percent increase in imports of investment goods and 29.6 percent rise in public investment. The intermediate goods production index and retail sector stock level decrease by 7.8 and 6.5 percent, respectively (Table 5).

Increase in imports 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 0.1 percent increase in exports and a 5.7 percent increase in imports (Table 6).

Compared to the same quarter of the previous year, gold-excluded exports decline by 4.5 percent, and total exports decrease by 5.8 percent. While gold-excluded imports increase by 18.3 percent, total imports increase by 20.5 percent. (Table 7).

| | 2023Q1 | 2023Q2 |
|-----------------------|--------|--------|
| IPI-inter. goods | 0.7 | 0.2 |
| CUR-invest. goods | 0.8 | 0.3 |
| Imports-invest. goods | 13.5 | 5.8 |
| Commercial loans + CC | 3.0 | 5.9 |
| Prod.-last 3 months | 5.8 | -1.2 |
| RT vol. of stock | 0.2 | -4.6 |
| Public invest. | -26.7 | 13.7 |

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 | -7.8 |
| CUR-invest. goods | 3.7 | 4.3 |
| Imports-invest. goods | 28.1 | 32.3 |
| Commercial loans + CC | -3.3 | 9.4 |
| Prod.-last 3 months | -5.5 | -3.1 |
| RT vol. of stock | -2.4 | -6.5 |
| Public invest. | 97.3 | 29.6 |

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

| | 2023Q1 | 2023Q2 |
|------------------------|--------|--------|
| Exports | -4.8 | 1.4 |
| Imports | 8.2 | 1.7 |
| Exports excluding gold | -1.2 | 0.1 |
| Imports excluding gold | 8.6 | 5.7 |

Table 6: Foreign trade compared to the previous quarter.

| | 2023Q1 | 2023Q2 |
|------------------------|--------|--------|
| Exports | -1.4 | -5.8 |
| Imports | 18.4 | 20.5 |
| Exports excluding gold | 1.5 | -4.5 |
| Imports excluding gold | 10.1 | 18.3 |

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 1.4 and 0.7 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 4.3 percent, and price expectations in the retail sector decrease by 3.6 percent. The investment expectation (next 12 months) falls by 4.6 percent (Table 9).

In light of the fully-released April, May, and partly-released June leading indicators, we expect GDP to increase by 4.7 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 1.6 percent.

| | 2023Q1 | 2023Q2 |
|----------------------|--------|--------|
| IPI-manufacturing | 0.8 | 1.4 |
| RT price exp. | -3.2 | 0.4 |
| CUR | -1.1 | 0.7 |
| Ser. demand turnover | -1.1 | 0.7 |
| Expected invest.-12m | -1.5 | 3.7 |
| Electricity cons. | 0.1 | 0.8 |

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 | -2.4 |
| RT price exp. | -2.3 | -3.6 |
| CUR | -2.5 | -2.1 |
| Ser. demand turnover | -2.0 | -1.5 |
| Expected invest.-12m | -5.3 | -4.6 |
| Electricity cons. | -7.9 | -4.3 |

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.

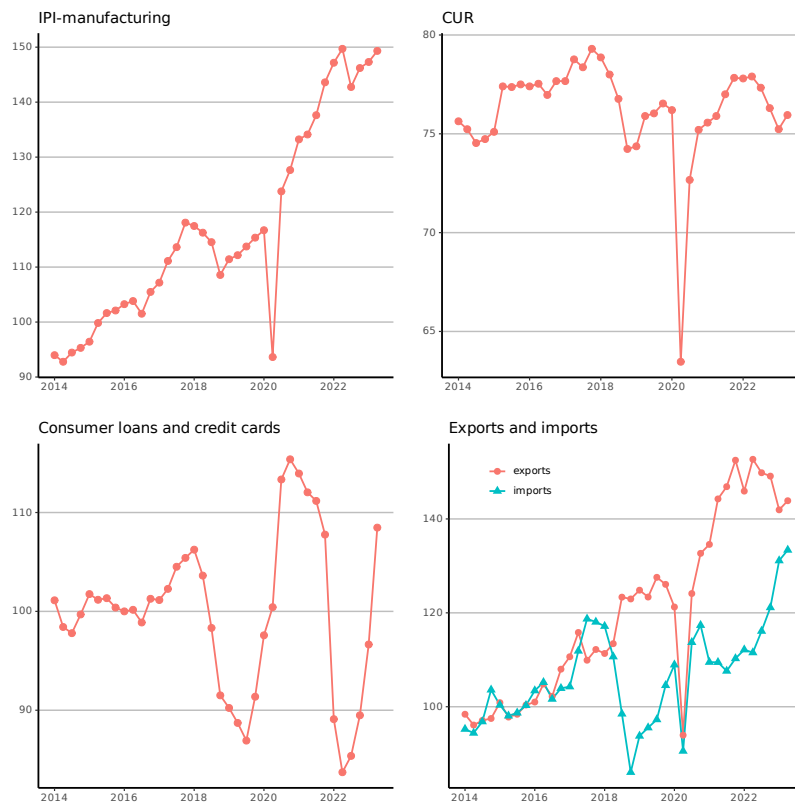


Figure 1: Seasonally and calendar day adjusted quarterly leading indicators. Consumer credits and individual credit cards in the first quarter of 2016 are indexed at 100.