

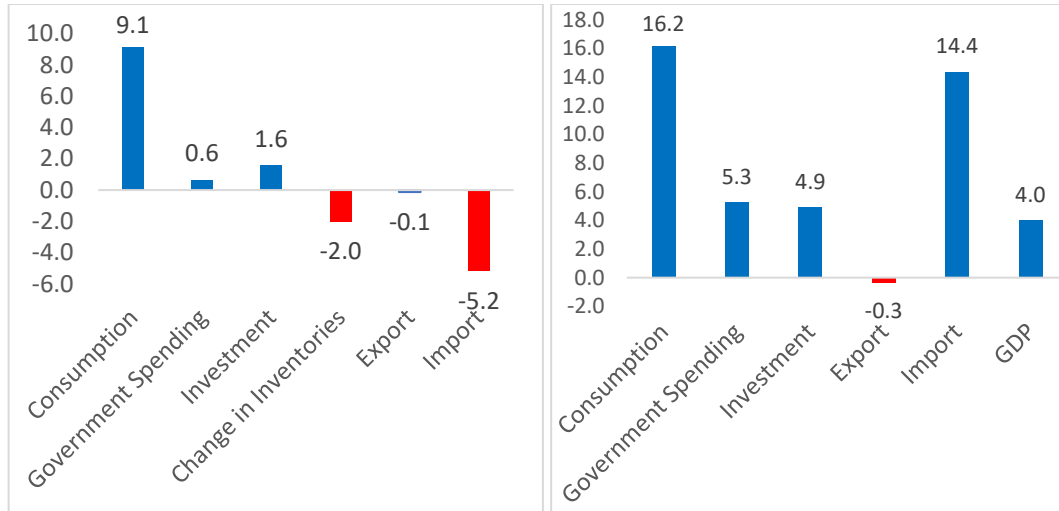
## PRIVATE CONSUMPTION REMAINS A KEY DRIVER OF POSITIVE ECONOMIC GROWTH

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### Executive Summary

The Turkish economy grew by 4.0 percent in the first quarter of 2023. Private consumption was the key driver of the growth, accounting for 9.1pp. The contribution of net foreign trade was -5.3pp. Changes in inventories pulled the growth down by 2.0pp. According to the seasonally and calendar-adjusted series, the Turkish economy grew 0.3% on quarter in the first quarter of 2023. While private consumption contributed 0.2pp to quarterly GDP growth, net foreign trade's contribution was -1.8pp. Government spending resulted in a 0.4pp reduction in the quarterly growth.

**Figure 1: Contributions to growth (left) and year-on-year growth rates (right) of GDP components in 2023 Q1**



Source: TurkStat, Betam

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## Private consumption maintains a steady upward trend

Private consumption increased by 16.2% YoY in the first quarter of 2023, with a 9.1pp contribution to the growth (Table 1). According to the seasonally and calendar-adjusted figures, it rose by 0.7% QoQ, with a 0.2pp contribution to the quarterly growth (Table 2).

**Table 1: Growth rates and contributions to the growth of GDP components in 2022 Q4 and 2023 Q1 compared to the same quarter of the previous year**

	2022Q4		2023 Q1	
	Change (%)	Contribution (%)	Change (%)	Contribution (%)
Consumption	16.1	9.1	16.2	9.1
Government Spending	9.0	1.2	5.3	0.6
Investment	2.6	0.7	4.9	1.6
Change in Inventories		-1.8		-2.0
Export	-3.3	-1.0	-0.3	-0.1
Import	10.2	-4.7	14.4	-5.2
<b>GDP</b>	<b>3.5</b>		<b>4.0</b>	

Source: TurkStat, Betam

**Table 2: Growth rates and contributions to the growth of GDP components in 2022 Q4 and 2023 Q1 compared to the previous quarter**

	2022Q4		2023Q1	
	Change (%)	Contribution (%)	Change (%)	Contribution (%)
Consumption	4.9	3.1	0.7	0.2
Government Spending	0.0	0.0	-3.1	-0.4
Investment	3.7	1.0	3.2	1.0
Change in Inventories		-1.2		1.3
Export	-1.3	-0.5	-1.2	-0.5
Import	4.1	-1.5	2.1	-1.3
<b>GDP</b>	<b>0.9</b>		<b>0.3</b>	

Source: TurkStat, Betam

## Moderate rise in investment

Investment spending increased by 4.9% YoY in the first quarter of 2023 and contributed 1.6 pp to the growth. Similarly, it rose by 3.2% QoQ, with a 1.0pp contribution to the quarterly growth (Table 1 and Table 2).

### **Stock changes present a puzzling picture**

The contribution of stock changes to annual growth was recorded at  $-2.0$ , where its contribution resulted in a 1.3pp increase in the quarterly growth (Tables 1 and 2).

### **Foreign trade negatively contributed to growth**

In the first quarter of 2023, exports dropped 0.3%, whereas imports increased 14.4% YoY. Consequently, the contribution of foreign trade to growth was a decrease of 5.3pp (Table 1). The seasonally and calendar-adjusted figures show exports decreased by 1.2%, whereas imports increased by 2.1%; thus, foreign trade pulled quarterly growth down by 1.8pp (Table 2).

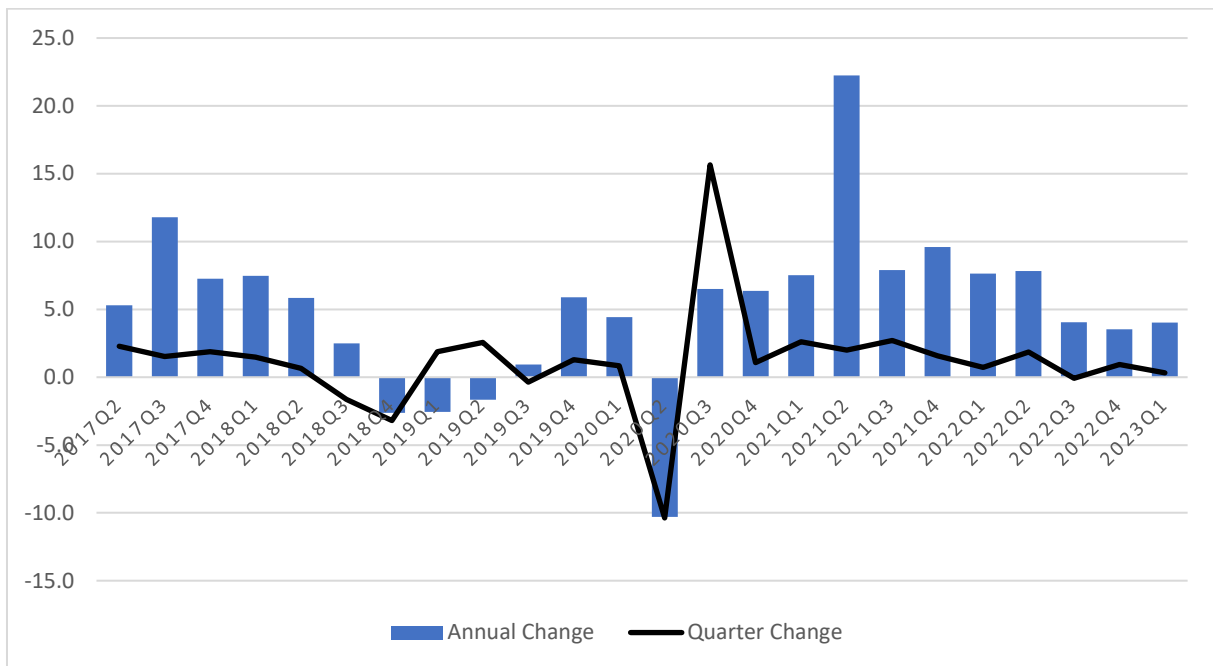
### **Slowdown in public spending**

In the last quarter of 2022, public spending rose by 9.0%, contributing 1.2pp to annual growth, while a further 5.3% increase made a 0.6pp contribution to the growth in the first quarter of 2023 (Table 1). According to seasonally and calendar-adjusted figures, public consumption decreased by 3.1%, reducing growth by 0.4pp (Table 2).

### **The future of the growth**

Private consumption and investment spending were the main drivers of the growth in the first quarter of 2023. The contribution of foreign trade was negative. Due to the stable exchange rates, exports were likely to negatively contribute to the growth. Despite the ongoing negative impact of the February 6 earthquakes on growth, the rise in domestic demand appears to partially offset the earthquake's adverse effects.

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



Source: TurkStat, Betam