Bahçeşehir Üniversitesi
Ekonomik ve Toplumsal Araştırmalar Merkezi
Betam

Economic Growth and Forecasts:
November 2023

BAHÇEŞEHİR ÜNİVERSİTESİ

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High GDP Growth in the Third Quarter

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Executive Summary

In light of the fully-released July, August and September leading indicators, we expect the Turkish economy to grow by 6.4 percent in the third quarter of 2023 compared to the same quarter of the previous year. According to our calculations based on seasonally and calendar-adjusted data, we expect GDP to increase by 1.3 percent in the third quarter of 2023 compared to the previous quarter.

GDP growth forecasts	2023Q3
Quarter-on-quarter	1.3
Year-on-year	6.4

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.

Imports of consumption goods on the rise

In the third quarter of 2023, we expect a quarter-on-quarter increase in imports of consumer goods (10.3 percent) and public consumption expenditures (2.5 percent), while housing loans and consumer loans and credit cards are expected to decline by 15.2 percent and 6.8 percent, respectively (Table 2).

Compared to the same quarter of the previous year, consumption good imports increase sharply (by 52.1 percent), while housing loans decrease (by 19.9 percent). We expect a 0.8 percent increase in the production index for non-durable goods and a 10.9 percent increase in the production index for durable goods. We calculate a 61.5 percent increase in special consumption tax and a 32.8 percent increase in public consumption expenditures (Table 3).

	2023Q2	2023Q3
Imports-cons. goods	9.3	10.3
Mortgage loans	4.0	-15.2
Consumer loans + CC	13.9	-6.8
IPI-nondurable goods	0.6	-1.4
IPI-durable goods	2.2	-0.7
Special cons. tax	17.8	13.5
Public cons.	7.8	2.5

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

	2023Q2	2023Q3
Imports-cons. goods	60.0	52.1
Mortgage loans	-8.7	-19.9
Consumer loans + CC	30.8	18.6
IPI-nondurable goods	-5.3	0.8
IPI-durable goods	3.8	10.9
Special cons. tax	35.9	61.5
Public cons.	47.4	32.8

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

Production expectations are positive

According to seasonally and calendar-adjusted investment data, we anticipate a 4.8 percent increase in imports of investment goods in the third quarter of 2023. We calculate a nearly 10 percent decline in commercial loans and credit cards and public investment expenditures (Table 4).

On an annual basis, production expectations for the last 3 months increase by 10.4 percent, while the intermediate goods production index increases by 5 percent. The increase in imports of investment goods is 26.9 percent, and we calculate an 8.4 percent decrease in retail sector stocks (Table 5).

	2023Q2	2023Q3
IPI-inter. goods	0.9	0.6
CUR-invest. goods	0.4	-1.4
Imports-invest. goods	4.3	4.8
Commercial loans + CC	6.5	-9.6
Prod.-last 3 months	0.3	5.3
RT vol. of stock	-4.5	-2.0
Public invest.	6.2	-9.9

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.

	2023Q2	2023Q3
IPI-inter. goods	-8.5	5.0
CUR-invest. goods	4.5	1.4
Imports-invest. goods	28.0	26.9
Commercial loans + CC	10.5	-2.1
Prod.-last 3 months	-0.1	10.4
RT vol. of stock	-6.5	-8.4
Public invest.	23.0	4.8

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

High increase in imports

In the third quarter of 2023, we expect a 2.4 percent increase in exports and a 0.2 percent increase in imports according to seasonally and calendar adjusted foreign trade figures excluding gold (Table 6).

Compared to the same quarter of the previous year, non-gold exports increase by 4.1 percent, while total exports increase by 4.5 percent. Non-gold imports and total imports are estimated to increase by 14.5 percent (Table 7).

	2023Q2	2023Q3
Exports	4.5	3.3
Imports	-0.4	0.2
Exports excluding gold	2.1	2.4
Imports excluding gold	2.2	0.9

Table 6: Foreign trade compared to the previous quarter.

	2023Q2	2023Q3
Exports	-5.1	4.5
Imports	14.6	14.5
Exports excluding gold	-2.0	4.1
Imports excluding gold	13.1	14.5

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 a 0.5 percent decline in the manufacturing industry production index and a 2.8 percent fall in the demand for services. Prices in the retail sector are expected to increase by 4 percent (Table 8).

Compared to the same period of the previous year, we expect the manufacturing industry production index to increase by 7.3 percent. Electricity consumption is projected to increase by 9.8 percent year-on-year, while investment expectations decline by 1.8 percent. (Table 9).

In light of the fully-released July, August and September leading indicators, we expect the Turkish economy to grow by 6.4 percent in the third quarter of 2023 compared to the same quarter of the previous year. According to our calculations based on seasonally and calendar-adjusted data, we expect GDP to increase by 1.3 percent in the third quarter of 2023 compared to the previous quarter.

	2023Q2	2023Q3
IPI-manufacturing	2.3	-0.5
RT price exp.	0.6	4.0
CUR	0.9	0.3
Ser. demand turnover	0.7	-2.8
Expected invest.-12m	2.9	-1.5
Electricity cons.	0.3	9.4

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)

	2023Q2	2023Q3
IPI-manufacturing	-2.7	7.3
RT price exp.	-3.3	1.6
CUR	-1.7	-0.6
Ser. demand turnover	-0.8	-2.5
Expected invest.-12m	-5.4	-1.8
Electricity cons.	-4.4	9.8

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.

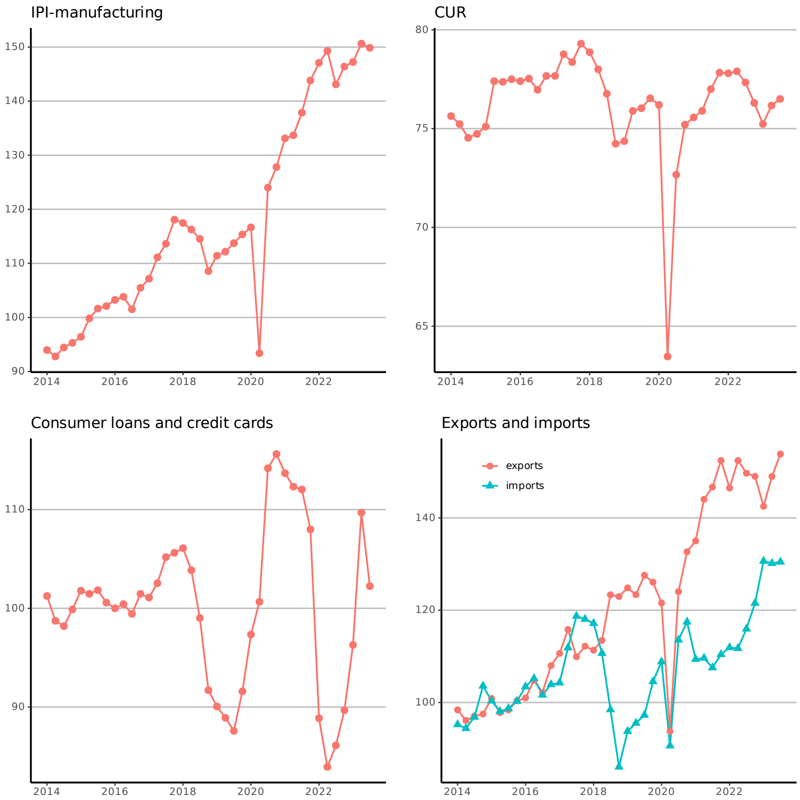

Figure 1: Seasonally and calendar day adjusted quarterly leading indicators. Consumer credits and individual credit cards in the first quarter of 2016 are indexed at 100.