

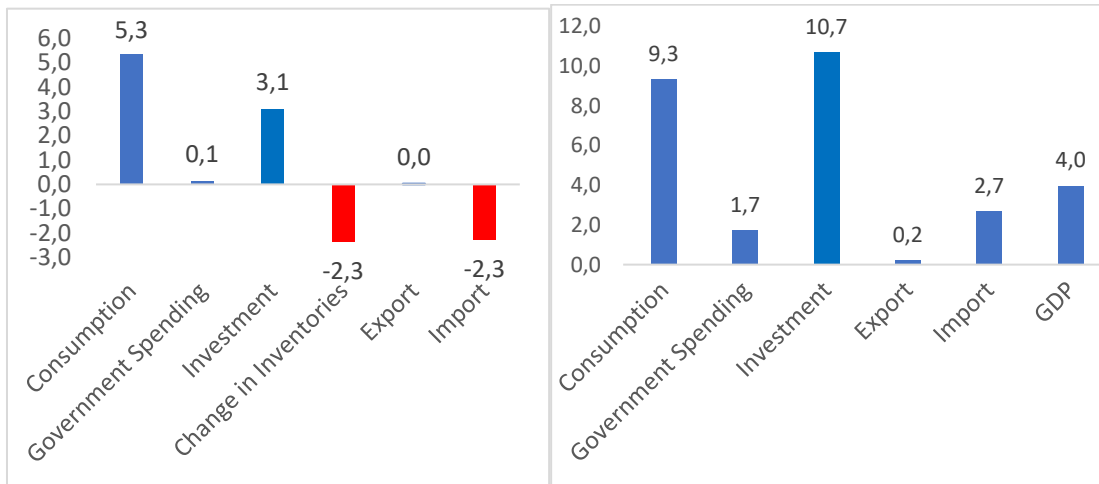
GROWTH DRIVEN BY HOUSEHOLD CONSUMPTION AND INVESTMENT

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Executive Summary

The Turkish economy grew by 4 percent in the fourth quarter of 2023. Thus, the annual growth for 2023 was recorded at 4.5%. The largest contribution to growth in this quarter came from private consumption with 5.3 pp. The contribution of net exports, which was minus 5.3 pp in the previous quarter, was minus 2.3 pp in this quarter. Changes in inventories, which made a positive contribution to growth in the previous two quarters, decreased growth by 2.3 pp this quarter. According to the seasonally and calendar-adjusted series, Turkish economy grew by 1 percent from the third quarter to the fourth quarter of 2023. Private consumption made a positive contribution of 2.2 pp to quarterly growth, while foreign trade made a positive contribution of 0.9 pp. Investments pulled quarterly growth down by 0.2 pp and stock changes by 1.4 pp.

Figure 1: Contributions to growth (left) and year-on-year growth rates (right) of GDP components in 2023 Q4



Source: TurkStat, Betam

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Private consumption increased quarter-on-quarter

In the fourth quarter of 2023, private consumption increased by 9.3 percent YoY and contributed 5.3 percentage points to growth (Table 1). According to seasonally and calendar-adjusted figures, private consumption increased by 3.6 percent QoQ and contributed 2.2 percentage points to quarterly growth (Table 2).

Table 1: Growth rates and contributions to the growth of GDP components in 2023 Q3 and 2023 Q4 compared to the same quarter of the previous year

	2023Q3		2023Q4	
	Change (%)	Contribution (%)	Change (%)	Contribution (%)
Consumption	11,1	6,3	9,3	5,3
Government Spending	7,6	0,9	1,7	0,1
Investment	14,8	3,9	10,7	3,1
Change in Inventories		0,1		-2,3
Export	1,2	0,4	0,2	0,0
Import	14,5	-5,7	2,7	-2,3
GDP	6,1		4,0	

Source: TurkStat, Betam

Table 2: Growth rates and contributions to the growth of GDP components in 2023 Q3 and 2023 Q4 compared to the previous quarter

	2023Q3		2023Q4	
	Change (%)	Contribution (%)	Change (%)	Contribution (%)
Consumption	-1,7	-1,0	3,6	2,2
Government Spending	2,6	0,3	-4,3	-0,5
Investment	4,9	1,5	-0,8	-0,2
Change in Inventories		-1,5		-1,4
Export	5,2	1,8	-2,5	-0,9
Import	1,6	-0,7	-3,9	1,8
GDP	0,3		1,0	

Source: TurkStat, Betam

Strong annual increase in investments

Investment expenditures increased by 10.7 percent YoY in this quarter, making a positive contribution of 3.1 pp to growth. On a quarterly basis, investment expenditures decreased by 0.8 percent QoQ, pulling growth down by 0.2 pp (Table 1 and Table 2).

Decline in inventories after two quarters³

Stock changes, which had made a positive contribution to growth in the previous two quarters, reduced growth in this quarter. The contribution of stock changes to annual growth was minus 2.3 pp (Table 1). According to seasonally and calendar-adjusted data, the contribution to quarterly growth was minus 1.4 percentage points (Table 2).

Negative contribution from foreign trade to growth

In the fourth quarter of 2023, exports increased by 0.2 percent YoY, while growth of import slowed down to 2.7 percent. As a result, the contribution of foreign trade to growth was minus 2.3 pp on an annual basis. This contribution was minus 5.3 pp in the previous quarter (Table 1). Seasonally and calendar adjusted figures show that exports and imports decreased by 2.5 percent and 3.9 percent, respectively (Table 2).

Public spending decreased

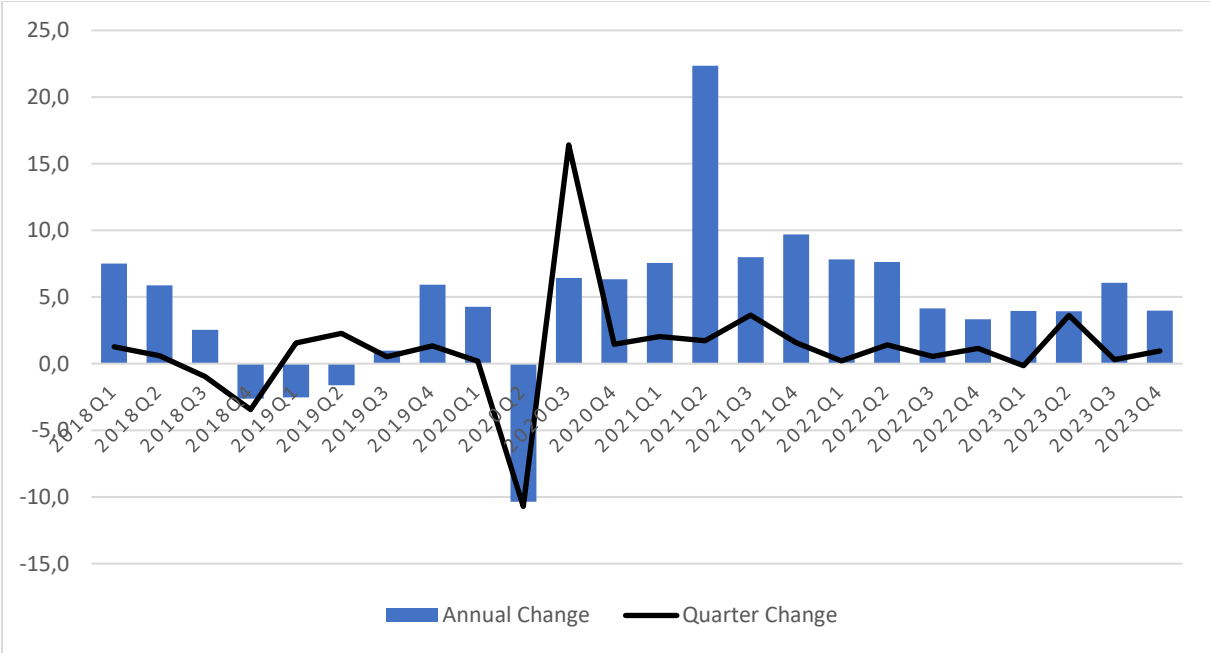
In the fourth quarter of 2023, public spending increased by 1.7 percent, contributing 0.1 pp to annual growth (Table 1). According to seasonally and calendar-adjusted figures, public consumption fell by 4.3 percent, contributing minus 0.5 pp (Table 2).

The future of the growth

In the fourth quarter of 2023, the main contribution to growth came from private consumption spendings and investment expenditures. The contribution of inventory change and foreign trade was negative. Due to the tight monetary policy likely to be implemented after the elections, we anticipate that private consumption spendings will make a relatively lower contribution to growth. On the other hand, we expect a higher contribution to growth from the construction sector which has been stimulated by the devastating earthquakes of 6 February.

³ TurkStat uses the chained volume index method when calculating new national income series. The contribution to growth of the inventory change cannot be easily calculated because there is an additivity problem in the chain method and a chain index cannot be derived for the "changes in inventories". We discussed in detail in the research note that we recently published how to account for the contribution of inventory change to growth in the chain-volume index approach (see Betam Research Note 17/217).

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



Source: TurkStat, Betam