Growth in the First Quarter

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Executive Summary

In light of the fully-released January, February and partly-released March leading indicators, we expect the Turkish economy to grow by 5.5 percent year-on-year in the first quarter of 2024. According to seasonal and calendar-adjusted data, we forecast quarter-on-quarter GDP growth to be 1.9 percent.

GDP growth forecasts	2024Q1
Quarter-on-quarter	1.9
Year-on-year	5.5

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.

Public consumption expenditures continue to increase

In the first quarter of 2024, we forecast a 20.4 percent increase in public consumption expenditures compared to the previous quarter, and a 10.3 percent decrease in imports of consumption goods. (Table 2).

Compared to the same quarter of the previous year, public consumption expenditures and special consumption taxes have increased significantly (by 40.7 percent and 26.4 percent), while mortgage loans have decreased (by 28,6 percent). Imports of consumption goods increased by 13.8 percent in the same period (Table 3).

	2023Q4	2024Q1
Imports-cons. goods	3.8	-10.3
Mortgage loans	-12.2	-7.3
Consumer loans + CC	-2.2	-0.8
IPI-nondurable goods	-2.4	5.7
IPI-durable goods	-1.4	2.6
Special cons. tax	0.5	-5.4
Public cons.	-5.5	20.4

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

	2023Q4	2024Q1
Imports-cons. goods	48.3	13.8
Mortgage loans	-24.8	-28.6
Consumer loans + CC	10.3	1.3
IPI-nondurable goods	0.4	-0.3
IPI-durable goods	-1.4	1.6
Special cons. tax	38.0	26.4
Public cons.	18.1	40.7

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

Production expectations are negative

According to seasonally and calendar-adjusted data, retail volume of stocks decline by 4.3 percent in the first quarter of 2024. We expect a quarterly decline in all investment leading indicators except intermediate goods manufacturing (up 2.7 percent) and commerical loans (up 1 percent) (Table 4).

On an annual basis, we expect a decline in all investment indicators except for intermediate goods manufacturing (up 2 percent). We calculate a decline of 11.5 percent in retail stocks, 6.2 percent in commercial loans and 6 percent in public investment expenditures on an annual basis (Table 5).

	2023Q4	2024Q1
IPI-inter. goods	-0.3	2.7
CUR-invest. goods	0.9	-1.4
Imports-invest. goods	-1.9	-3.9
Commercial loans + CC	-2.8	1.0
Prod.-last 3 months	-2.1	-3.9
RT vol. of stock	-1.2	-4.3
Public invest.	7.9	-1.2

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.

	2023Q4	2024Q1
IPI-inter. goods	3.4	2.0
CUR-invest. goods	0.7	-1.9
Imports-invest. goods	18.0	-3.0
Commercial loans + CC	-6.1	-6.2
Prod.-last 3 months	9.9	-0.9
RT vol. of stock	-7.3	-11.5
Public invest.	25.9	-6.0

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

Imports continue to decline

In the first quarter of 2024, seasonally and calendar adjusted foreign trade figures suggest a 0.5 percent decline in exports and a 3.5 percent fall in imports (Table 6).

Compared to the same quarter of the previous year, exports excluding gold increased by 5 percent, while total exports rose by 3.8 percent. Imports excluding gold decreased by 2.7 percent, while a 10.3 percent decline in imports is calculated when gold is included (Table 7).

	2023Q4	2024Q1
Exports	3.2	-0.5
Imports	-3.7	-3.5
Exports excluding gold	0.6	3.5
Imports excluding gold	-2.0	-0.5

Table 6: Foreign trade compared to the previous quarter.

	2023Q4	2024Q1
Exports	4.6	3.8
Imports	3.1	-10.3
Exports excluding gold	2.3	5.0
Imports excluding gold	7.6	-2.7

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 3.5 percent increase in the manufacturing industry production index and a 5.2 percent increase in the demand for services. Prices in the retail sector are expected to rise by 5.4 percent (Table 8).

Compared to the same period of the previous year, we expect the manufacturing industry production index to increase by 7.9 percent and electricity consumption by 6.8 percent. We calculate a 3.3 percent increase in price expectations in the retail sector and a 1.2 percent decrease in investment expectations (Table 9).

In light of the fully-released January, February and partly-released March leading indicators, we expect the Turkish economy to grow by 5.5 percent year-on-year in the first quarter of 2024. According to seasonal and calendar-adjusted data, we forecast quarter-on-quarter GDP growth to be 1.9 percent.

	2023Q4	2024Q1
IPI-manufacturing	-0.6	3.5
RT price exp.	-6.4	5.4
CUR	0.7	-0.5
Ser. demand turnover	-2.8	5.2
Expected invest.-12m	-1.7	-0.8
Electricity cons.	-5.7	2.6

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)

	2023Q4	2024Q1
IPI-manufacturing	2.9	7.9
RT price exp.	-3.8	3.3
CUR	1.2	1.6
Ser. demand turnover	-6.3	-0.2
Expected invest.-12m	-2.0	-1.2
Electricity cons.	3.5	6.8

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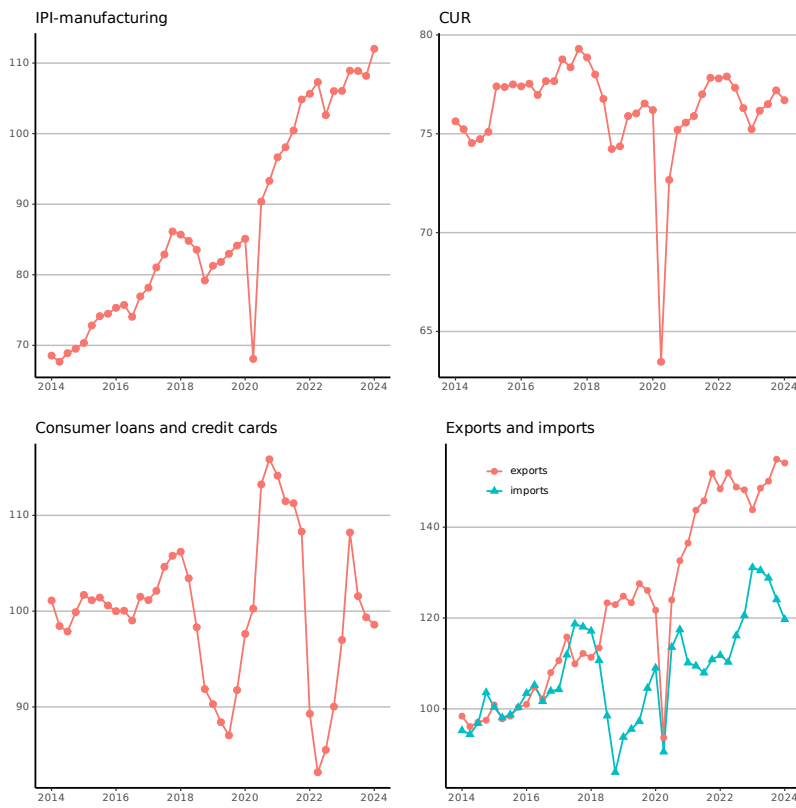
Figure 1: Seasonally and calendar day adjusted quarterly leading indicators. Consumer credits and individual credit cards in the first quarter of 2016 are indexed at 100.