

Growth in the First Quarter Continues

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Executive Summary

In light of the fully-released January and partly-released February leading indicators, we expect the Turkish economy to grow by 4.5 percent in the first quarter of 2025 compared to the same quarter of the previous year. According to seasonal and calendar-adjusted data, we forecast quarter-on-quarter GDP growth to be 1.4 percent.

GDP growth forecasts	2025Q1
Quarter-on-quarter	1.4
Year-on-year	4.5

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.

Fall in imports of consumer goods

In the first quarter of 2025, we expect the imports of consumer goods and the income generated by the special consumption tax to decrease by 4.1 percent. We also expect mortgage loans to increase by 1.0 percent and public consumption expenditures to increase by 5.4 percent quarter-on-quarter (Table 2).

Compared with the same quarter of the previous year, public consumption expenditure rose by 13.5 percent while mortgage loans fell by 13.5 percent. In the same period, we expect consumer loans to increase by 1.0 percent (Table 3).

	2024Q4	2025Q1
Imports-cons. goods	12.5	-4.1
Mortgage loans	0.3	1.0
Consumer loans + CC	2.2	1.5
IPI-nondurable goods	1.8	2.1
IPI-durable goods	1.0	4.0
Special cons. tax	7.5	-4.1
Public cons.	2.5	5.4

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

	2024Q4	2025Q1
Imports-cons. goods	12.3	1.6
Mortgage loans	-24.6	-13.5
Consumer loans + CC	-1.6	1.0
IPI-nondurable goods	0.2	-0.0
IPI-durable goods	-0.1	-4.0
Special cons. tax	-2.5	4.7
Public cons.	19.0	13.5

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

Significant Fall in Public Investment Expenditures

According to seasonally and calendar-adjusted data, we expect a 7.1 percent increase in the imports of investment goods and a 29.1 percent fall in public investment expenditures in the first quarter of 2025. The expected changes in other investment leading indicators are between a 1.3 percent decline and a 4.1 percent increase (Table 4).

On an annual basis, we expect a significant fall in public investment spending (34.4 percent) as was the case in the quarter-on-quarter basis, and an 8.6 percent increase in commercial loans. We calculate a 7.8 percent decline in the imports of investment goods and a 0.9 percent decline in production expectations (Table 5).

Increase in both imports and exports

In the first quarter of 2025, we expect exports to increase by 5.3 percent and imports to increase by 2.2 percent, based on seasonally and calendar-adjusted foreign trade figures (Table 6).

Compared with the same quarter of the previous year, exports decreased by 0.6 percent and non-gold exports are up 1.4 percent. Imports increase by 3.1 percent, while excluding gold, imports are estimated to have increased by 4.2 percent (Table 7).

	2024Q4	2025Q1
IPI-inter. goods	2.0	3.7
CUR-invest. goods	-0.5	-0.4
Imports-invest. goods	-4.2	7.1
Commercial loans + CC	4.4	4.1
Prod.-last 3 months	6.1	-1.3
RT vol. of stock	0.9	-0.1
Public invest.	6.3	-29.1

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.

	2024Q4	2025Q1
IPI-inter. goods	-0.7	-2.3
CUR-invest. goods	-3.7	-2.7
Imports-invest. goods	-8.1	-7.8
Commercial loans + CC	5.3	8.6
Prod.-last 3 months	-4.7	-0.9
RT vol. of stock	-2.9	1.4
Public invest.	-8.4	-34.4

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

	2024Q4	2025Q1
Exports	0.0	5.3
Imports	7.7	2.2
Exports excluding gold	2.2	2.3
Imports excluding gold	4.7	5.8

Table 6: Foreign trade compared to the previous quarter.

	2024Q4	2025Q1
Exports	-2.0	-0.6
Imports	1.4	3.1
Exports excluding gold	2.8	1.4
Imports excluding gold	0.4	4.2

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 3.2 percent increase in the retail sector price expectations and a 0.7 percent decline in the capacity utilization rate (CUR) (Table 8).

Compared to the same period of the previous year, we anticipate that electricity consumption will increase by 8.4 percent, while investment expectations will decrease by 5.2 percent (Table 9).

In light of the fully-released January partly-released February leading indicators, we expect the Turkish economy to grow by 4.5 percent in the first quarter of 2025 compared to the same quarter of the previous year. According to seasonal and calendar-adjusted data, we forecast quarter-on-quarter GDP growth to be 1.4 percent.

	2024Q4	2025Q1
IPI-manufacturing	3.9	1.6
RT price exp.	0.9	3.2
CUR	-0.4	-0.7
Ser. demand turnover	-0.3	2.2
Expected invest.-12m	-0.1	-0.4
Electricity cons.	-0.8	-0.2

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)

	2024Q4	2025Q1
IPI-manufacturing	1.8	-3.9
RT price exp.	-0.7	-2.5
CUR	-2.0	-1.7
Ser. demand turnover	-0.5	-4.0
Expected invest.-12m	-6.0	-5.2
Electricity cons.	6.1	8.4

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.

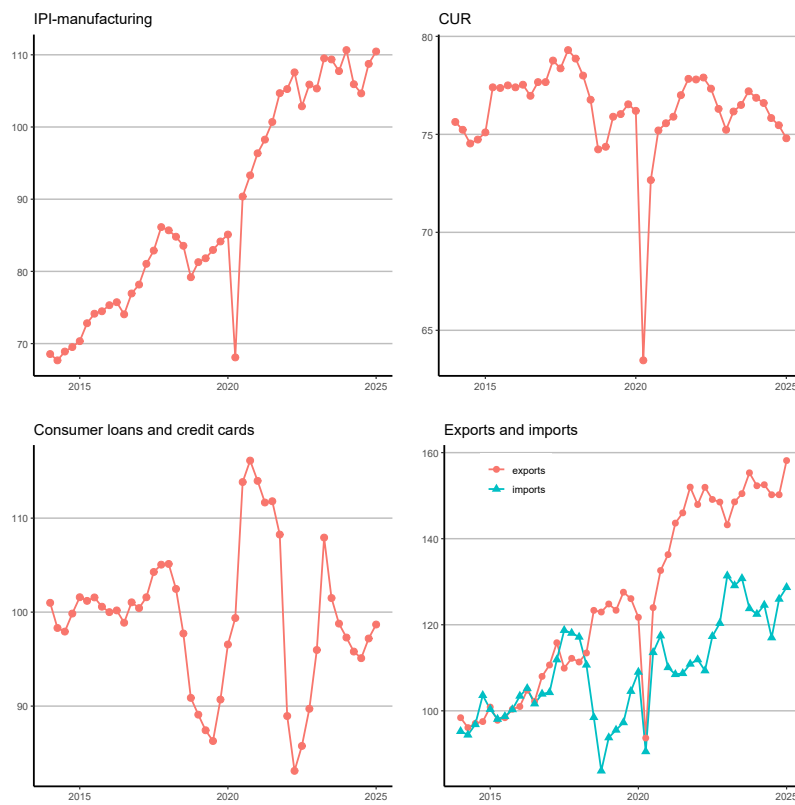


Figure 1: Seasonally and calendar day adjusted quarterly leading indicators. Consumer credits and individual credit cards in the first quarter of 2016 are indexed at 100.