

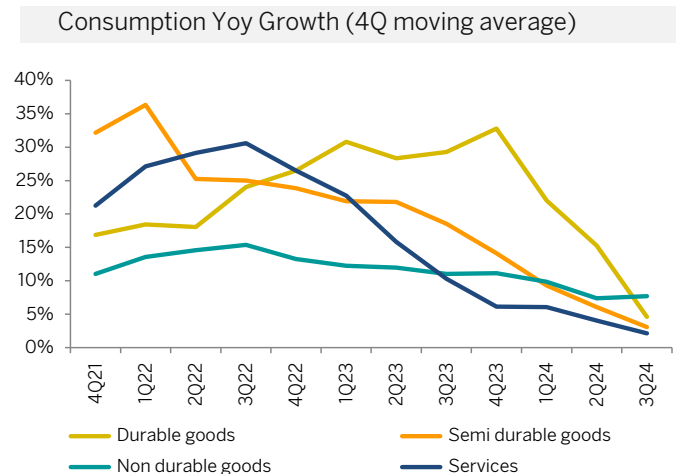
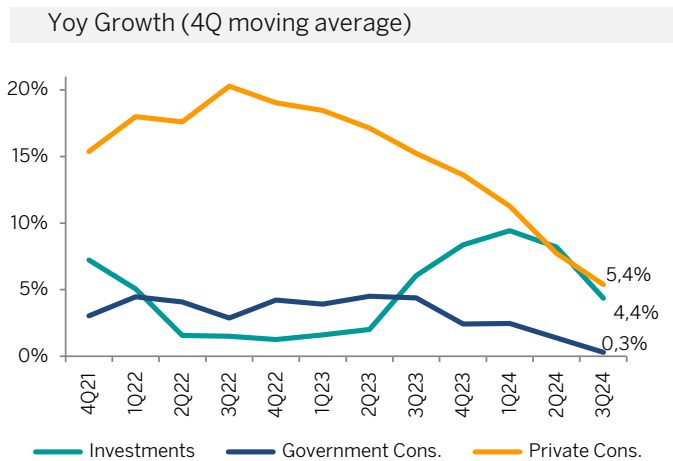
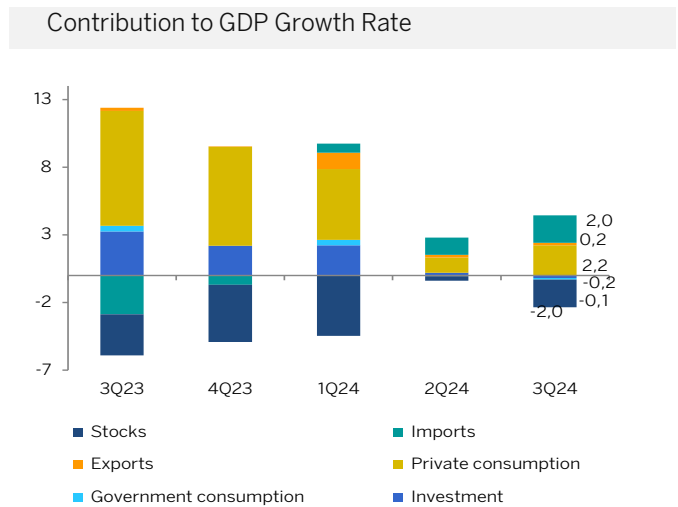
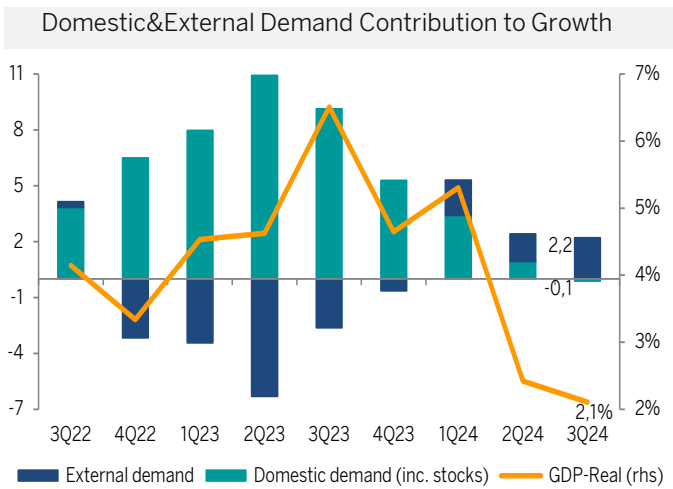
Türkiye- GDP Growth

3Q24– Yoy growth at 2.1%, qoq contraction at 0.2%

In 3Q24, the economy grew 2.1% yoy, below the consensus (2.5%). According to seasonally-and calendar-adjusted data, the previously announced 0.1% quarterly growth for 2Q24 was revised as a 0.2% contraction. In 3Q24, the economy also contracted by 0.2% qoq. Thus, on a quarterly basis the Turkish economy had contracted for two consecutive quarters. The four-quarter growth trend has lost momentum falling from 0.6% to 0.5%, according to quarterly data.

Yoy growth dynamics in 3Q24 showed that external demand contributed to growth, while domestic demand pulled growth down, albeit to a limited extent. The contribution of external demand increased compared to the previous quarter. On the other hand, domestic demand including inventories had a downward impact on growth for the first time since the Covid-19 period. Although the contribution of private consumption to growth increased compared to 2Q24, the yoy decline in public consumption and investments was effective in the weakness in domestic demand. Although these three items boosted growth in total, the contractionary effect of inventories caused the net effect of total domestic demand to be on the downside. In 3Q24, exports had a limited contribution to growth, while imports had a more significant growth-enhancing effect. While external demand's positive contribution is favorable, the contraction in investments in 3Q24 after 7 quarters of growth is negative for the economic outlook.

The Turkish economy grew by 3.2% yoy in January-September period. Leading indicators for the last quarter of the year suggest that the weak growth trend continues. Our growth forecasts for 2024 and 2025 are 3.2% and 2.5%, respectively. We expect the balanced growth trend to continue in the coming quarters.



Source: Turkstat. Garanti BBVA Securities

In 3Q24, of the 2.1% yoy GDP growth the external demand contribution was 2.2 pps and the domestic demand contribution was –0.1 pps

- In 3Q24, of the 2.1% yoy GDP growth the external demand contribution was 2.2 pps and the domestic demand contribution was –0.1 pps. The contribution of private consumption increased by 1.1 pps qoq to 2.2 pps. Although private consumption’s contribution increased compared to 2Q24, it remained below the previous 4 quarter average of 5.5 points, indicating a continued slowdown trend. Public consumption declined on a yoy basis for the first time since 1Q21, pulling growth down (0.1 pps). Total investments also had a downward impact on growth (0.2 pps) for the first time since 3Q22.
- As in the previous fifteen quarters, the change in inventories pulled growth down in 3Q24, while its impact increased relative to 2Q24 to 2.0 pps. The contribution of domestic demand excluding inventories to growth was 1.9 pps, 0.7 pps higher than the previous quarter. The increase was mainly driven by the acceleration in yoy growth of private consumption (from 1.5% to 3.1%).
- On the private consumption expenditures front, 4-quarter data showed that growth in subgroups other than non-durable goods slowed down in 3Q24 compared to the previous quarter. The fastest growth was in non-durable goods with 8%, while growth in services was limited to 2%.
- On the investment side, 4-quarter data showed a limited slowdown in construction growth, while machinery and equipment investments contracted significantly. In 3Q24, machinery and equipment investments contracted by 17% yoy, while construction investments continued to grow by 4% yoy.
- According to the trends of the past four quarters, private and public consumption lost momentum, while deceleration has been more pronounced in investment as of 3Q24.
- Exports grew slightly by 0.8% on a yoy basis, while imports contracted by 9.6% yoy in 3Q24. Exports contributed 0.2 pps to growth, as in the previous quarter. Imports moved GDP growth up by 2.0 pps.
- In 3Q24, industry (2.2%), “professional, administrative and support service activities” (0.3%) and “other service activities” (2.4%) saw a yoy contraction. Agriculture (0.5 pps), construction (0.4 pps) and services (0.3 pps) made the highest contribution to growth. As in 2Q24, manufacturing industry pulled growth down by 0.4 pps in 3Q24. Compared to the previous quarter, services and information & communication were the sectors wherein weakening was more pronounced, while growth accelerated in finance & insurance, construction and “public administration, education, human health and social work activities”.

Sectoral Growth	Growth Rate (yoy)					
	4Q23	1Q24	2Q24	3Q24	2022	2023
Agriculture	0,6%	5,1%	4,3%	4,6%	1.3%	0.2%
Industry	2,8%	4,2%	-1,6%	-2,2%	1.7%	1.7%
Manufacturing	2,8%	3,6%	-2,7%	-2,8%	4.3%	2.5%
Construction	9,8%	10,9%	6,9%	9,2%	-7.1%	7.2%
Services	4,1%	3,9%	3,2%	1,4%	12.7%	7.5%
Information and communication	-2,2%	4,5%	3,8%	2,2%	8.2%	2.6%
Financial and insurance activities	5,7%	5,6%	3,3%	6,2%	20.7%	8.5%
Real estate activities	4,3%	2,2%	3,6%	2,5%	6.3%	3.9%
Professional. administrative etc.	-0,9%	5,9%	0,7%	-0,3%	11.1%	2.0%
Public administration. education etc.	3,8%	4,5%	0,1%	1,9%	3.3%	3.9%
Other service activities	3,7%	0,8%	3,5%	-2,4%	10.4%	6.4%
Sectoral total	3,9%	5,1%	1,3%	2,1%	6.2%	4.2%
Gross domestic product	4,6%	5,3%	2,4%	2,1%	5.5%	5.1%

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