

Activity Pulse

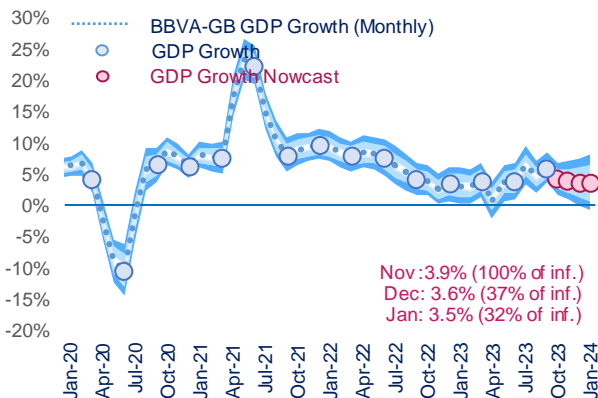
# Türkiye | Weak supply coupled with solid demand

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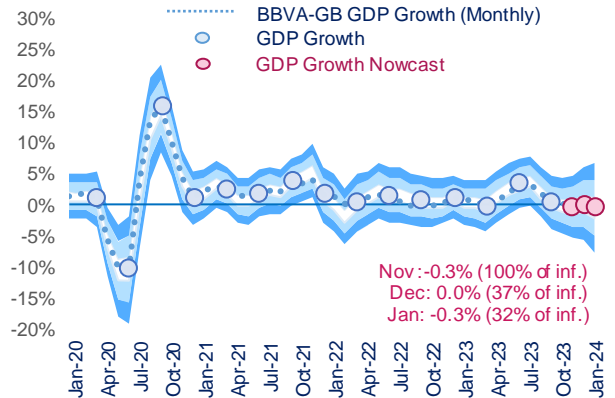
- Our GDP nowcast indicators signal a continuing deterioration in economic activity with around stagnant quarterly GDP growth rate, which corresponds to an annual growth rate of 3.6% in 4Q23 and 3.5% as of January.
- The imbalance between demand and supply continues due to weaker production and ongoing strong demand.
- On the supply side, industrial activity adjusts more negatively, mainly led by poor export performance, while turnover indices in real terms indicate that activity in other sectors continued to deteriorate but much more slowly.
- We maintain our 2024 GDP growth forecast at 3.5%, which will follow a growth of nearly 4.5% in 2023.

Figure 1. **Garanti BBVA Monthly GDP Nowcast (3-month average YoY)**



Source: Garanti BBVA Research, \*Garanti BBVA monthly GDP indicator is an average of different model results synthesizing high-frequency indicators to proxy monthly GDP (GBTRGDY Index in BBG)

Figure 2. **Garanti BBVA Monthly GDP Nowcast (3-month average QoQ)**



Source: TURKSTAT, Garanti BBVA Research

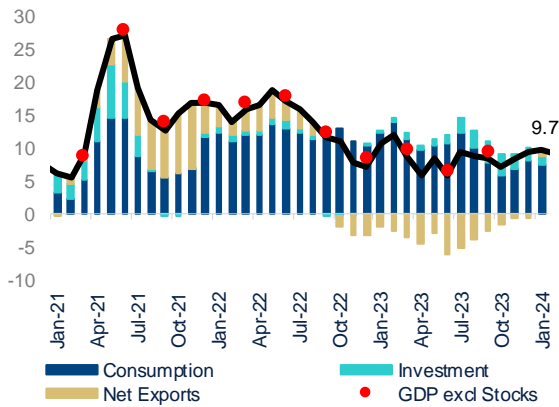
Figure 3. **Economic Activity Indicators Heatmap (3-month YoY, mean corresponding to 2010-2022)**

	Mean	2023												2024	
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	
Industrial Production (IP)	7.13	1.22	-0.95	-0.39	-5.76	0.45	-3.50	5.35	2.51	7.73	3.36	2.35			
Intermediate Goods IP	7.22	-4.54	-6.10	-6.25	-11.76	-5.66	-8.50	0.17	-1.29	5.01	2.36	2.39			
Turnover Index	10.62	15.70	16.29	13.19	5.28	9.73	7.34	16.58	11.44	11.44	4.29	2.92			
Employment	3.17	6.38	5.99	4.89	3.76	3.86	2.41	2.66	2.30	2.83	1.99	1.28			
Electricity Consumption	4.29	-5.60	-5.04	-5.10	-6.47	-3.95	-4.41	1.54	2.26	6.20	4.06	3.57	3.47	4.14	
Capacity Utilization*	76.12	76.03	75.97	75.23	75.17	75.37	76.17	76.60	76.40	76.50	76.47	77.07	77.20	77.07	
Retail Sales	6.37	21.66	25.57	28.74	25.13	29.49	27.67	31.51	25.36	21.76	15.33	13.78			
Import Volume	3.25	8.68	13.87	18.48	16.42	20.68	14.60	20.09	12.84	14.53	9.68	6.69	4.18		
Import VAT	8.27	-0.27	-3.87	-2.75	-7.41	-1.49	-4.40	9.28	7.07	13.84	10.83	13.89	15.08	16.00	
Economic Confidence*	101.34	98.38	98.94	99.17	100.14	101.71	102.49	101.50	98.30	96.39	95.46	95.82	96.13	97.05	
FX adj. Commercial Credits	2.44	-14.56	-13.85	-11.53	-7.34	-5.16	-6.95	-13.75	-20.33	-21.74	-22.12	-22.58	-25.39	-26.24	
Consumer Credits	5.25	2.88	8.73	18.93	27.40	31.86	30.94	24.68	18.49	14.06	12.50	12.00	5.02	6.96	
GB Big Data Consumption	7.15	28.72	30.85	32.18	33.65	34.59	34.66	36.59	32.86	26.98	19.65	14.69	13.22	12.78	
GB Big Data IP Proxy	7.02	-4.53	-2.74	0.04	-3.11	8.70	8.58	15.63	4.61	1.25	-4.78	-2.03	-3.20	-2.21	
GDP Nowcasting Results YoY															
GDP YoY					4.00%		3.90%		5.93%		4.3%	3.9%	3.6%	3.5%	

Source: TURKSTAT, CBRT, Garanti BBVA Research  
\*3MA Level

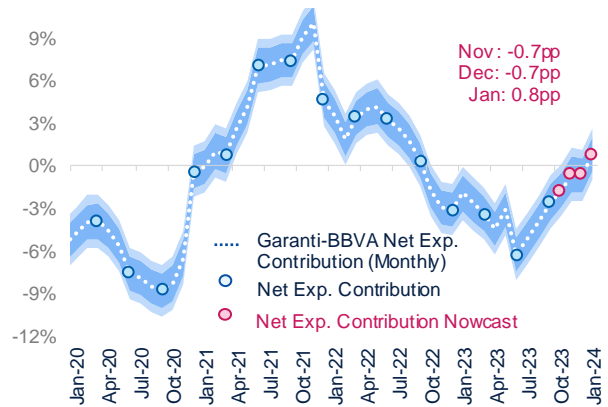
- Our GDP nowcasts on demand sub-components indicate that private consumption (7.5pp) and investment (1.4pp) contributed totally 9pp to annual growth as of January, while the contribution of net exports (0.8pp) improved to the positive territory.
- The current level of our financial conditions index signals somewhat an easing in overall conditions most recently (conditions are tight but it is still far from the level observed during 2018) which maintains upside risk on inflation outlook, given still solid domestic demand growing above the supply.
- Compared to the delayed fiscal impulse coming from the gap between the Treasury cash and accrued Central Government budget deficit by the end of 2023 (at least 3% of GDP will be spent most likely in 1Q24), fiscal policy has already been loose, adding nearly 2.6pp fiscal impulse in the 4Q23 (1.9pp for the whole year).

Figure 3. **Garanti BBVA Nowcast Contributions to GDP Growth** (annual, PP)



Source: TURKSTAT, Garanti BBVA Research

Figure 4. **Garanti BBVA Net Exports Nowcast Contribution to GDP Growth** (annual, PP)



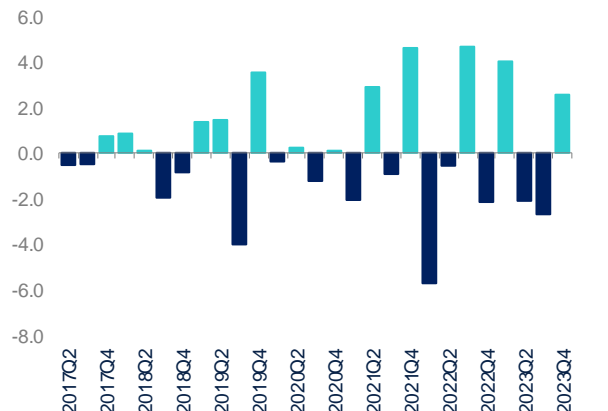
Source: TURKSTAT, Garanti BBVA Research

Figure 5. **Garanti BBVA Financial Conditions Index<sup>1</sup>** (standardized, + easing, - tightening)



Source: TURKSTAT, Garanti BBVA Research

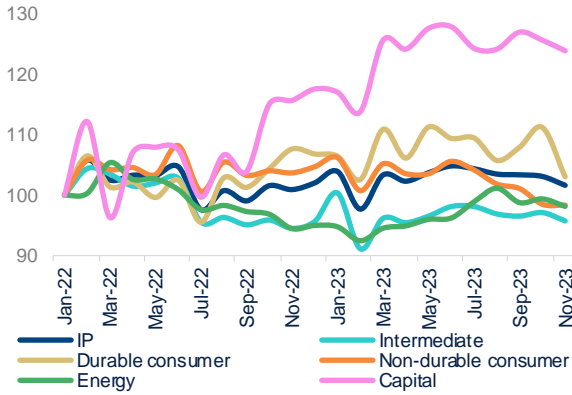
Figure 6. **Fiscal Impulse Indicator** (cyclically adj. primary budget balance/potential GDP, QoQ, pp)



Source: TURKSTAT, Garanti BBVA Research

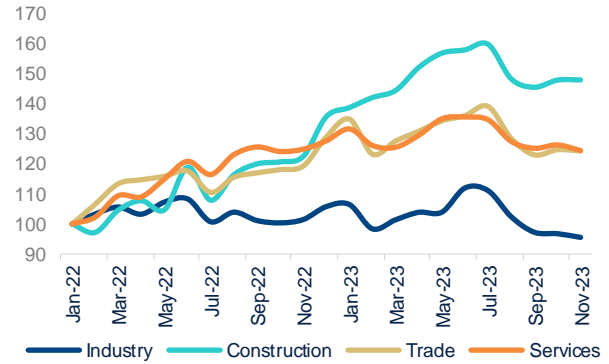
<sup>1</sup> Based on the study done by Bahçeşehir University Financial Research and Implementation Center(BFRC), we calculate the financial conditions index. The following variables are included; CDS, ex-ante 2 year yield (real), real exchange rate, real stock price, portfolio inflows, yield curve slope(10y-2y), real loans rate.

Figure 7. **Industrial Production Index** (seasonal and cal. adj., Jan22=100)



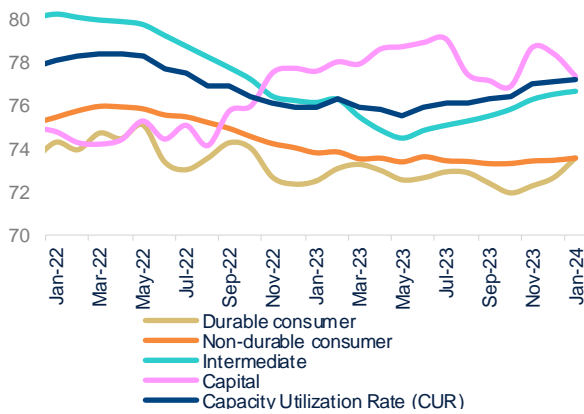
Source: TURKSTAT, Garanti BBVA Research

Figure 8. **Sectorial Turnover Indices** (real, seasonal and cal. adj., Jan22=100)



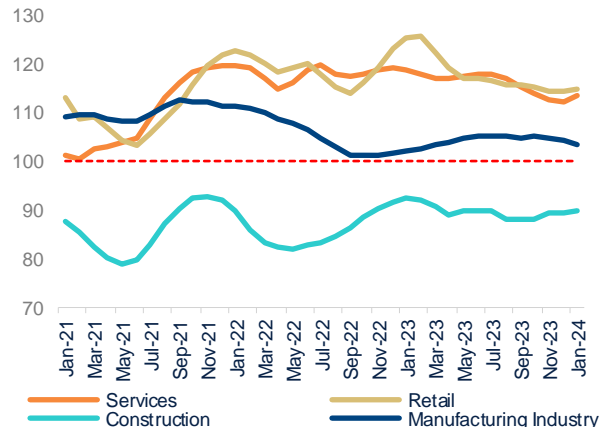
Source: TURKSTAT, Garanti BBVA Research

Figure 9. **Capacity Utilization Rate (3MA, seasonal and cal. adj.)**



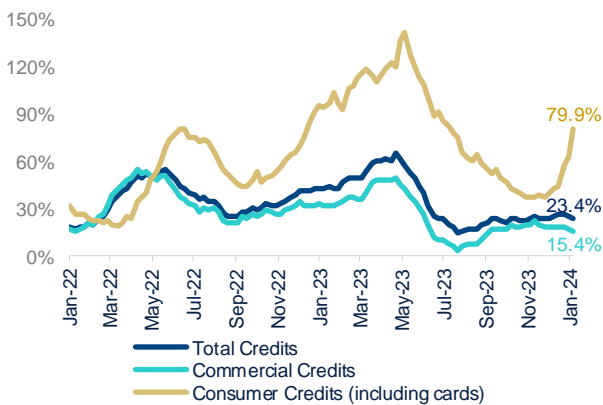
Source: CBRT, Garanti BBVA Research

Figure 10. **Sectorial Confidence Indices (3MA, seasonal and cal. adj.)**



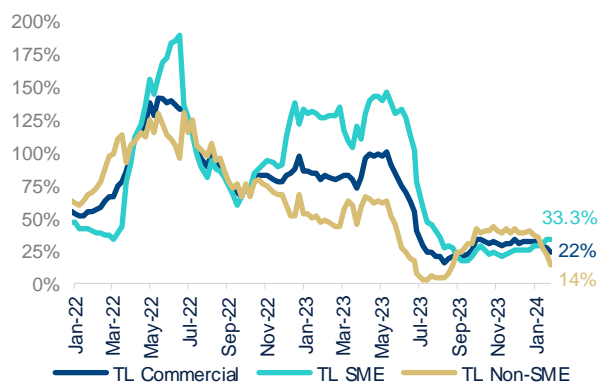
Source: TURKSTAT, Garanti BBVA Research

Figure 11. **Total Credit Growth (FX adj., 13-week average annualized rate)**



Source: BRSA, Garanti BBVA Research

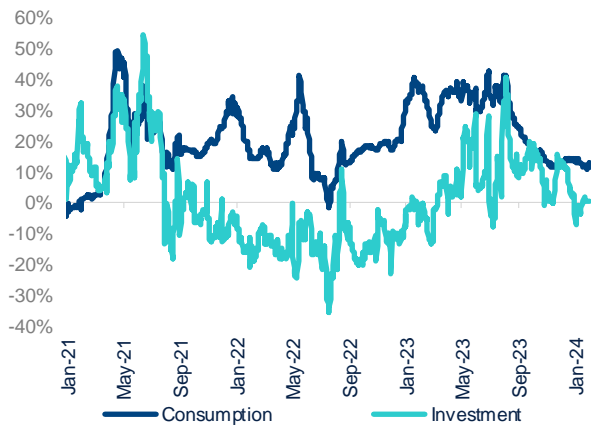
Figure 12. **TL Commercial Credit Growth (13-week average annualized rate)**



Source: BRSA, Garanti BBVA Research

- Our GDP nowcasts on demand sub-components indicate that the private consumption has not showed any signs of further slow-down compared to Nov23. Instead, investment demand has continued to decelerate and resulted in an undesired outcome to support the production capacity of the economy.
- In the recent weeks, there has been some stabilization in commercial credits; whereas consumer credits, particularly general purpose loans and credit cards, have gained momentum. This trend limited a further deceleration in consumption as signaled by our big data consumption indicators.
- Private consumption continues to be mainly supported by goods component, particularly the durable goods, reflecting the need for additional monetary tightening in order to anchor inflation expectations.

Figure 13. **Garanti BBVA Big Data Domestic Demand Indicators** (28-day sum, real, YoY)



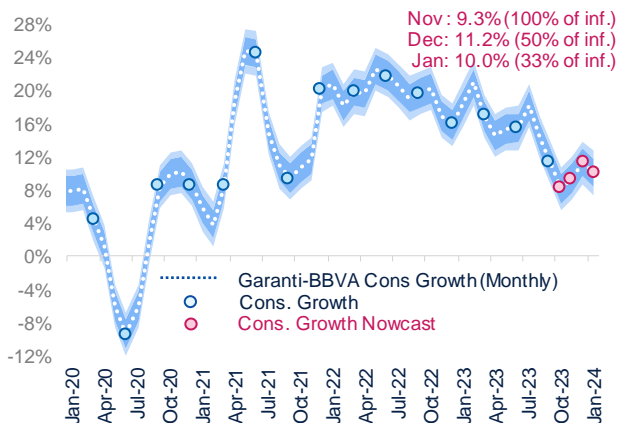
Source: TURKSTAT, Garanti BBVA Research

Figure 14. **Garanti BBVA Big Data Consumption Indicators** (28-day sum, real, YoY)



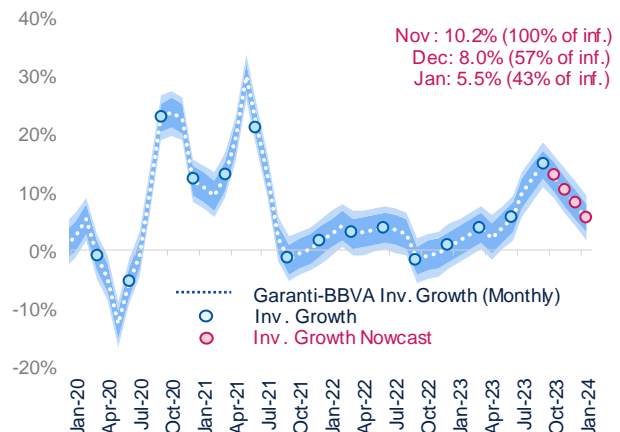
Source: TURKSTAT, Garanti BBVA Research

Figure 15. **Garanti BBVA Monthly Consumption GDP Nowcast** (3M YoY)



Source: TURKSTAT, Garanti BBVA Research

Figure 16. **Garanti BBVA Monthly Investment GDP Nowcast** (3M YoY)

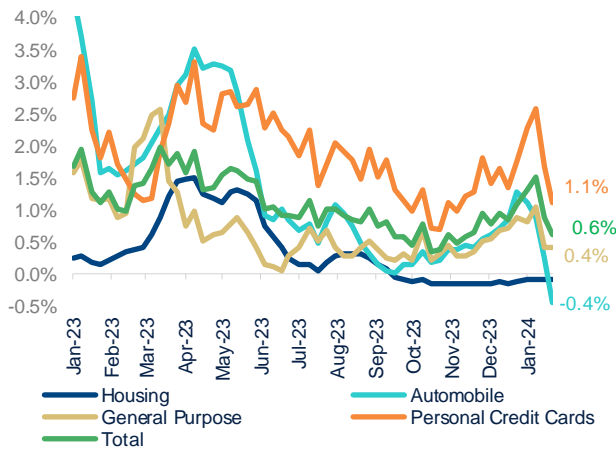


Source: TURKSTAT, Garanti BBVA Research

- Despite the seasonal factors at the start of the year, consumer credit card spending remains solid at around 1% weekly growth rate as of the last week of January. On consumer confidence, we observe a limited improvement in the overall index since Jun23, led by more positive readings for future expectations.
- Our external demand big data indicators signal the correction in imports has started to be seen more clearly in January, given the lagged effects of monetary tightening. The limited positive support from exports also helped and resulted in a positive contribution from net exports on growth for the first time since 3Q22.
- Consumer goods import volume continued to decelerated despite preserving still high levels, while the contraction in intermediate and capital goods imports remained relatively limited compared to previous month, confirming the slight pick-up in production in January.

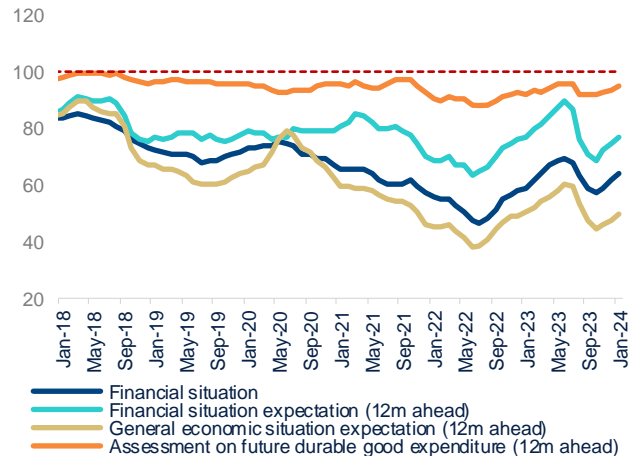
**BOTTOM LINE:** Economic activity has stagnated with around 0% quarterly GDP growth levels. Though, domestic demand remains much stronger than supply, driven by particularly private consumption. Overall financial conditions do not tighten further, while fiscal policy remains loose; which requires a clearer commitment to accelerate rebalancing in the economy and fight against inflation. We maintain our 2024 GDP growth forecast at 3.5%, following a growth of nearly 4.5% in 2023.

Figure 17. **Consumer Credit Sub-Segments Growth (4-week average)**



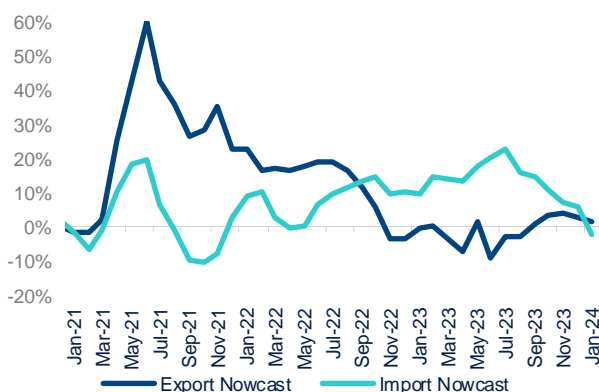
Source: BRSA, Garanti BBVA Research

Figure 18. **Consumer Confidence Index (3MA, seasonal and cal. adj.)**



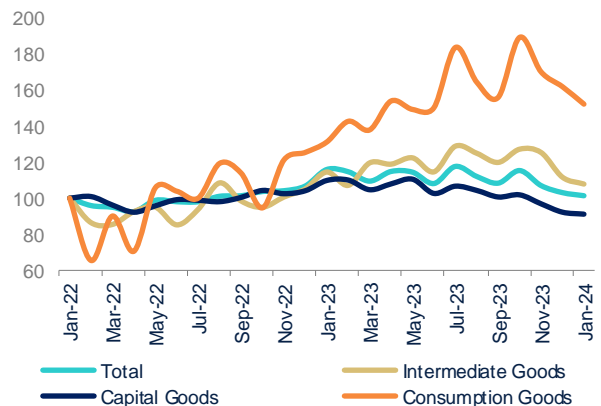
Source: TURKSTAT, Garanti BBVA Research

Figure 19. **Garanti BBVA Monthly Exports & Imports Nowcast (3M, YoY)**



Source: Garanti BBVA Research, GBTRXGDPY and GBTRMGDPY

Figure 20. **Import Sub-Components Volume Index (2022 Jan=100, seasonal and cal. adj.)**



Source: TURKSTAT, Garanti BBVA Research

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