

Turkey: Still solid activity in 1Q21

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Industrial Production (IP) grew by 8.8% yoy in calendar adjusted terms in February, signaling still robust economic activity in 1Q21 (10% yoy in Jan-Feb period vs. 10.2% growth in 4Q20). Seasonal and calendar adjusted IP started to show a clearer deceleration by increasing only by 0.1% mom but the recovery pattern was still maintained since May20. Besides, retail sales accelerated by growing 3.4% mom, resulting in an annual growth rate of 3.6% in the first two months of the year (vs. 8.4% in 4Q20). Our monthly GDP indicator nowcasts a yearly GDP growth rate of near 5.5% as of March (with 50% of information), implying 0.3-0.6% qoq growth for 1Q21. Our Big Data proxies and other high frequency indicators have started to jump, being backed by both the base effects and the reopening of the economy in March. The strong momentum so far, favorable base effects and upward revisions in the global growth outlook on the back of the US fiscal stimulus still provide a positive outlook for the near term GDP growth pattern. Though, given the current tighter financial conditions, potential new lock-down measures and downside risks on tourism revenues on the gradual pace of vaccination, we maintain our GDP growth forecast of 5% for 2021.

February IP signaled some moderation in activity

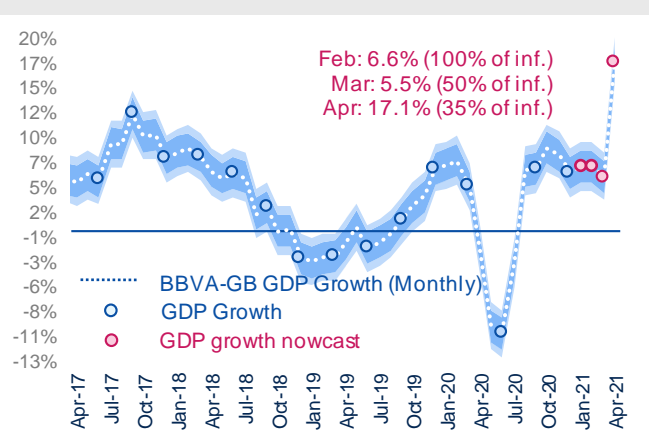
IP (sca) grew by 0.1% mom in February mainly supported by capital goods production (+3.2%), where all others recorded a contraction (intermediary -0.4%, consumer -1% and energy goods -0.4%). On the sectorial side, mining production contracted by 2.4% mom, whereas manufacturing sector grew by 0.2% mom on mainly the other transportation production (mainly defense items), and electricity & gas production (0.8% mom). With this, 10% annual growth rate (ca) in first two months of the year signaled still robust activity as our monthly GDP indicator also nowcasts an annual growth of near 5.5% in March. Looking ahead, the deceleration might become clearer on monthly basis, as confirmed by our IP forecast which implies a monthly contraction for March (Figure 3) but given the favorable base effects, the annual figure will remain high in 2Q21 as we nowcast 17.1% yoy growth at the start of April (35% of info.). Our big data indicators also confirm this trend as seen in our demand subcomponents nowcasts (Chart 5-7). Private consumption remained robust, while investment demand somewhat moderated in 1Q21. Though, this time the positive contribution of net exports also gained pace, reflecting a decline in inventories.

Figure 1. Activity Indicators (%yoy, 3M Moving Avg.)

	Mean	2020						2021				
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Nis
Industrial Production	6.5	-16.6	-6.1	10.2	8.5	12.1	9.8	10.2	9.6	8.7		
Non-metal Mineral Production	4.7	-5.2	8.4	24.8	29.0	25.4	22.1	23.0	23.3	23.4		
Electricity Production	4.2	-12.5	-7.0	0.0	3.8	6.0	7.4	7.0	5.9	3.8	7.0	35.3
Auto Sales	2.8	21.2	103.0	153.2	178.9	111.4	78.7	42.0	30.7	26.2	80.5	
Auto Imports	4.1	24.6	103.0	156.9	176.2	91.0	62.3	26.9	23.2	23.6	68.0	
Auto Exports	7.7	-60.0	-40.7	-28.6	-23.3	-14.1	-12.1	-11.3	-12.0	-13.0	-5.5	
Number of Employed	3.2	-8.4	-7.0	-4.8	-3.9	-3.1	-3.9	-4.7	-3.3	-1.4		
Number of Unemployed	4.8	-9.0	-6.1	-7.5	-10.2	-12.3	-10.0	-7.7	-6.7	-3.3		
Real Sector Confidence	105.6	92.6	100.7	106.2	105.3	108.1	103.9	106.8	107.0	109.3	110.8	
Manufacturing PMI	50.9	53.9	56.9	54.3	52.6	53.9	51.4	50.8	54.4	51.7	52.6	
Total Loans growth 13-week	17.4	46.5	31.6	25.2	14.0	7.6	8.1	5.3	3.0	3.0	9.3	11.7
Garanti BBVA BigData Cons.	4.0	-11.7	-2.6	6.7	7.8	7.2	5.7	2.6	-1.6	-3.5	2.8	25.5
Garanti BBVA BigData Invest.	0.2	-18.4	-11.9	0.1	-6.9	-5.8	-2.6	0.5	0.6	-3.1	3.0	13.9
GDP Nowcasting Results YoY								6.5%	6.6%	5.5%	17.1%	
GDP YoY		-10.3%		6.3%		5.9%						

Source: Garanti BBVA Research, Turkstat

Figure 2. BBVA Research Monthly GDP (%yoy, 3M Avg)

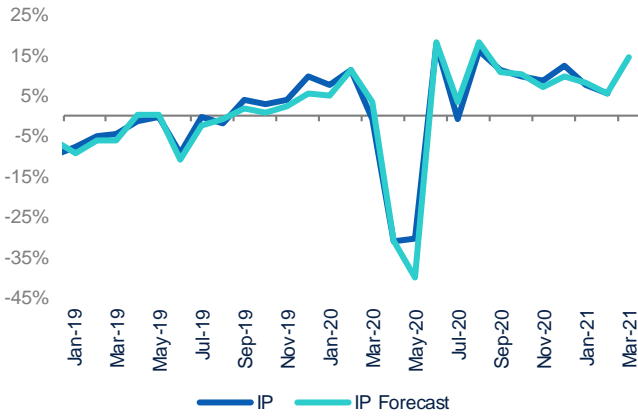


*Garanti BBVA Research monthly GDP is dynamic factor model (DFM) synthesizing high frequency indicators to proxy monthly GDP (GBTRGDPY Index in BBG)

Despite some upside factors, we remain prudent on our GDP forecasts

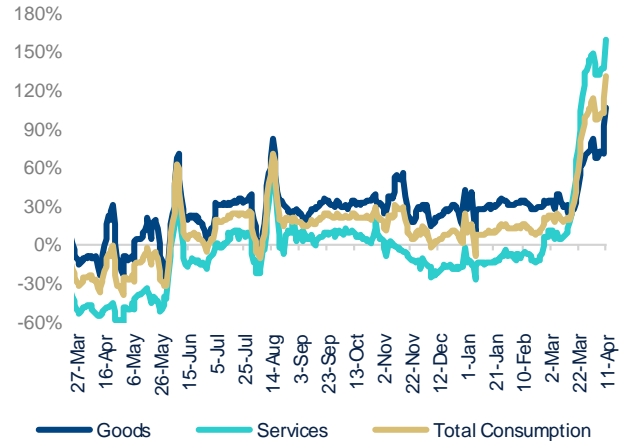
Even though IP signaled some deceleration in February, our monthly GDP indicator still nowcasts an annual growth of near 5.5% for 1Q21. The strong current momentum, favorable base effects and the expected recovery in the global economy will support the growth outlook in 2021. However, given the gradual vaccination process, potential new lock-down measures, tighter financial conditions and uncertainties on domestic policies, we maintain our 5% GDP growth forecast for 2021 by still acknowledging upside risks on our forecast.

Figure 3. **IP & IP Forecasts** (one month ahead forc.,yoy)



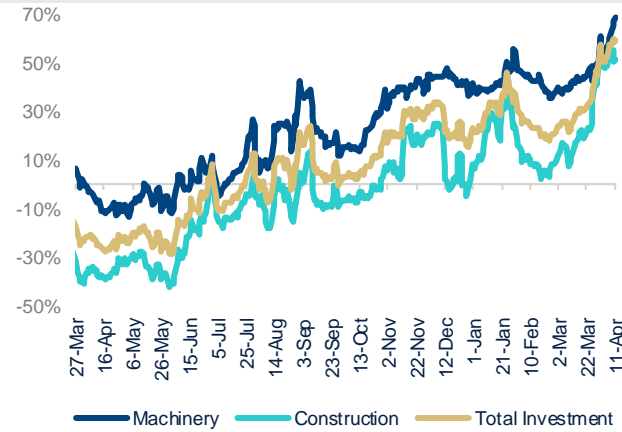
Source: Garanti BBVA Research MIDAS&MFBVAR Models, Turkstat

Figure 4. **BBVA Big Data Consumption Indices** (7-day moving average, nominal, YoY)



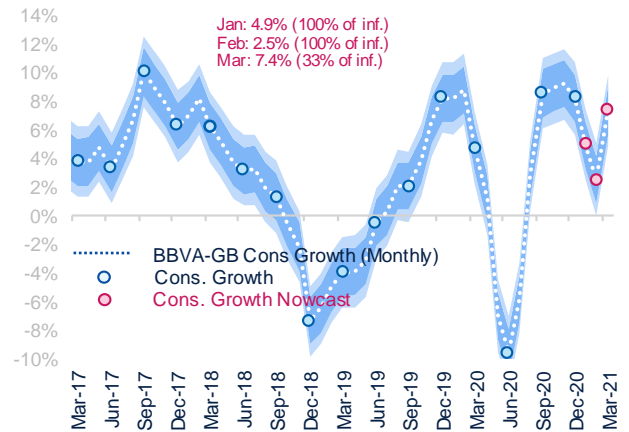
Source: Garanti BBVA Research, Turkstat

Figure 5. **BBVA Big Data Investment Indices** (28-day moving average, nominal, YoY)



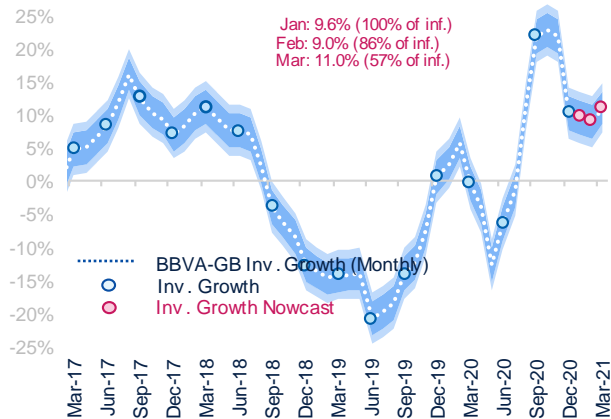
Source: Garanti BBVA Research

Figure 6. **BBVA Monthly Consumption Nowcast (3m yoy)**



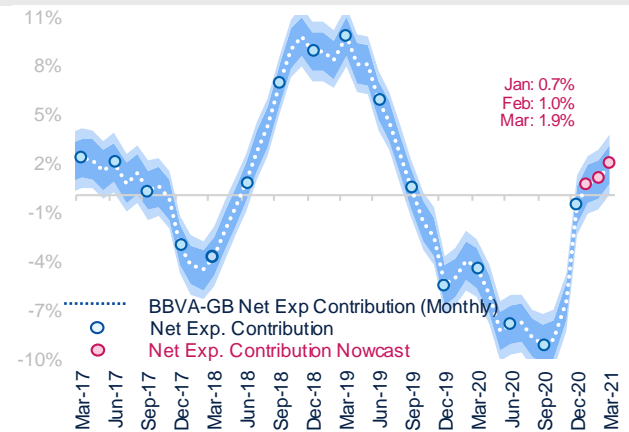
Source: BBVA Research Turkey, GBTRCGDPY Index in Bloomberg

Figure 7. **BBVA Monthly Investment Nowcast (3m yoy)**



Source: BBVA Research Turkey, GBTRIGDPY Index in Bloomberg

Figure 8. **BBVA Monthly Net Exports Nowcast (cont. pp)**



Source: BBVA Research Turkey, GBTRXGDPY and GBTRMGDPY in Bloomberg

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