

Turkey: Still robust activity in 4Q

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13 December 2021

Industrial Production (IP) increased by 8.5% yoy in calendar adj. terms (5.4% yoy in raw series) in October, in line with market expectation. IP also increased by 0.6% mom after its contraction of 1.5% in September. Despite some deceleration, retail sales also continued to grow by 0.9% mom (vs 1.8% mom the month before). All turnover indices (seasonal and cal. adj.) recovered on monthly basis in October. Our Big Data demand proxies and other high frequency indicators still displayed solid momentum in November and early December. Hence, our monthly GDP indicator nowcasts a yearly growth rate of near 8.5% yoy for December (33% of info), indicating a quarterly growth rate of 2% for 4Q21. 2021 GDP growth will likely reach 10.5-11%, beating our current 9.5% GDP growth forecast. Current strong momentum, recent acceleration in credit growth, looser economic policies, some slowdown but still robust global activity will likely support economy activity but the latest currency shock, uncertainty on the back of the new Covid-19 variant and tighter financial conditions will likely be downside factors on 2022 GDP growth.

Uneven recovery in activity, mainly on manufacturing

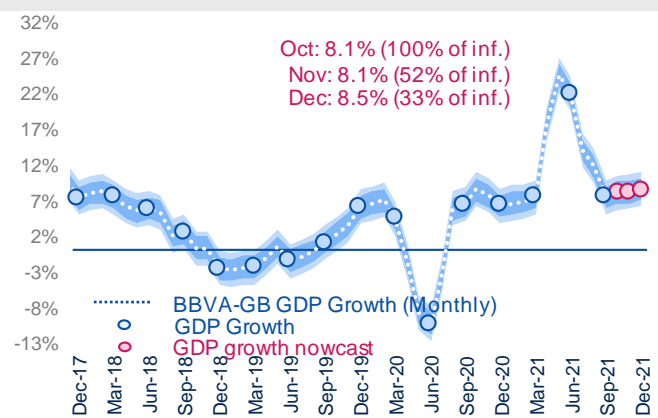
IP still doesn't indicate a clear slow-down in economic activity given the slight recovery in monthly growth of 0.6% which was a -1.5% the month before. All the main subsectors gave a positive contribution (consumer goods: 3.1%, energy: 1.4% and intermediate: 1.3% mom), whereas capital goods production fell by 5.2% mom after declining by 4.2% mom in September. The main continuing support came from intermediate and non-durable goods production while capital goods result in a reducing impact compared to 3Q21. In sectorial detail, food (5.2% mom), textile (3.4% mom), clothing (4.7% mom), computer and electronic equipment production (14.2% mom) were the main positive contributors whereas other transport vehicles production (mostly defense industry) weighed on the downside (-39.2% mom). Looking ahead, leading indicators such as manufacturing PMI (Nov: 52 vs Oct: 51.2), electricity production (7.5% yoy in Nov), manufacturing capacity utilization rate (77.6%) and our big data indicators (Figure 4 & 5) all show that there is still not a clear slow-down in the economic activity as confirmed by our IP forecast for November (Figure 3). Also, our GDP demand nowcasts indicate that domestic demand remained strong on private consumption while the contraction in investment has lost some pace (Figure 6 & 7). On the other hand, net exports maintained a high positive contribution despite some moderation on base effects.

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

	Mean	2021															
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec				
Industrial Production	6.5	9.6	8.7	11.3	26.6	38.9	40.4	18.5	14.0	9.1	10.9						
Non-metal Mineral Production	4.7	24.0	23.8	22.3	32.5	43.1	43.1	22.5	15.1	10.8	12.6						
Electricity Production	4.2	5.9	3.8	7.0	16.7	26.2	26.8	18.9	16.5	11.9	10.3	6.6	6.0				
Auto Sales	2.8	30.7	26.2	60.5	76.8	98.1	54.0	-2.6	-14.3	-31.0	-29.0	-32.7					
Auto Imports	4.1	23.2	23.6	58.5	64.9	88.7	57.9	3.9	-11.0	-26.4	-26.9	-29.1					
Auto Exports	7.7	-12.0	-13.0	-5.5	32.6	62.5	59.3	-10.5	6.2	-2.0	2.5	-19.9					
Number of Employed	3.2	-3.3	-1.4	2.6	6.3	9.2	9.8	8.7	8.1	8.2	8.8						
Number of Unemployed	4.8	-6.7	-3.3	2.1	8.1	8.9	0.6	-8.0	-10.3	-6.4	-5.0						
Real Sector Confidence	105.6	107.0	109.3	110.8	111.0	110.3	113.0	114.8	113.9	113.4	109.6	108.4					
Manufacturing PMI	50.9	54.4	51.7	52.6	50.4	49.3	51.3	54.0	54.1	52.5	51.2	52.0					
Total Loans growth 13-week	17.4	3.0	3.0	9.3	12.2	6.8	6.5	7.8	12.3	12.2	14.7	20.4	18.7				
Garanti BBVA BigData Cons.	4.0	-1.6	-3.5	3.7	19.7	29.0	30.3	21.4	19.3	16.5	16.2	23.1	29.0				
Garanti BBVA BigData Invest.	3.0	10.5	10.7	14.3	20.2	28.4	28.3	19.2	7.5	1.4	-2.2	-1.6	-6.9				
GDP Nowcasting Results YoY														8.1%	8.1%	8.5%	
GDP YoY					7.4%			22%									

Source: Garanti BBVA Research, Turkstat

Figure 2. **Garanti BBVA Research Monthly GDP Indicator**
(%yoy, 3-month moving avg.)

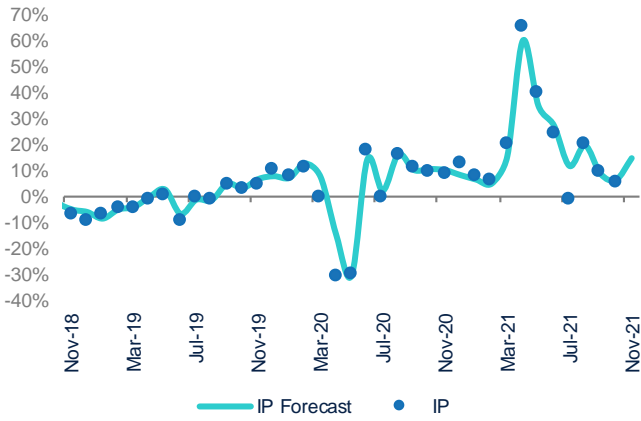


*Garanti BBVA Research monthly GDP is dynamic factor model (DFM) synthesizing high frequency indicators to proxy monthly GDP (GBTRGDPI Index in BBG)

2021 GDP growth forecast will breach 10% on strong activity in 4Q

Strong current momentum, higher loan growth on loose economic policies and still robust but somewhat moderating global activity could support the economic activity in the coming period but tighter financial conditions on recent high volatility in financial assets, potential financial stability problems attached to that, likelihood of faster global monetary tightening led by the FED and uncertainty stemmed from new variant will pose downside risks.

Figure 3. **IP vs IP Forecast**
(YoY, one month ahead forecast)



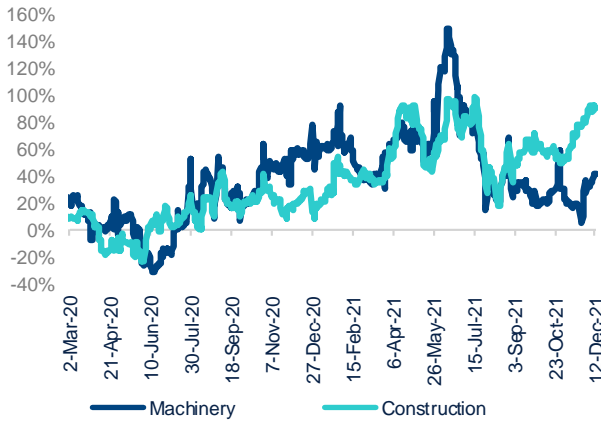
Source: Garanti BBVA Research, Turkstat

Figure 4. **BBVA Big Data Consumption Indicators**
(28-day sum, nominal, YoY)



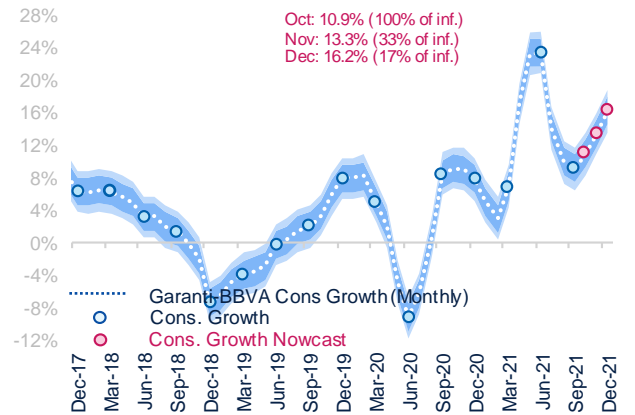
Source: Garanti BBVA Research, Turkstat

Figure 5. **BBVA Big Data Investment Indicators**
(28-day sum, nominal, YoY)



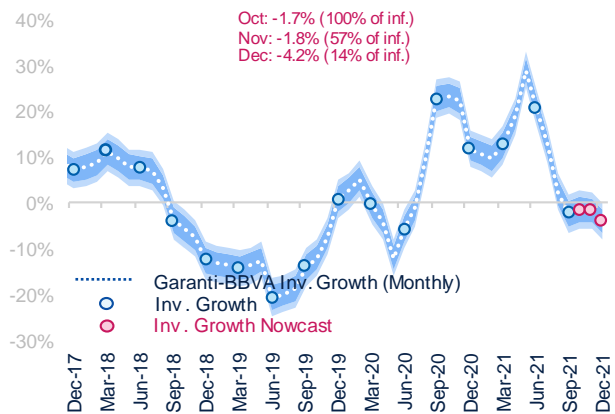
Source: Garanti BBVA Research, Turkstat

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



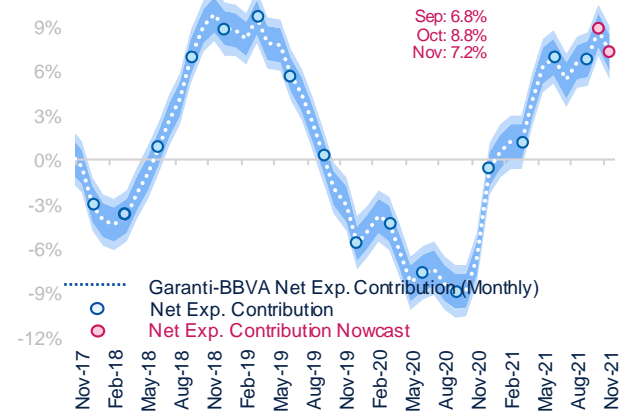
Source: BBVA Research Turkey, GBTRCGDPY Index in Bloomberg

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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