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TURKEY'S PRODUCTION DECREASED BY ONE RANK DESPITE THE RECORD-HIGH GROWTH

According to 2011 first quarter gross domestic product (GDP) figures, Turkish economy grew successfully by 11 percent. Despite being one of the countries that contracted severely during the global crisis, Turkey demonstrated an impressive performance in recovery, rapidly regaining and surpassing the pre-crisis GDP levels.

This evaluation note examines with a comparative perspective Turkey's recovery in production and exports. The note uses the method presented in a TEPAV policy note of March 2011 after updating the analysis with the data for 2011, quarter oneⁱⁱⁱ.

The analysis which examined the outlook as of the end of 2010 revealed that among the studied economies, Turkey was ninth that ensured the highest increase in production compared to the pre-crisis level. As of the end of the second quarter of 2011, it is identified that Turkey fell to tenth place in terms of production level despite the impressive growth at 11 percent. Still, Turkey is one of the most successful countries among Europe and the Middle East, together with Poland and Israel.

The analysis also compared the level of exports and found out that Turkey performed relatively weak in exports despite the impressive GDP growth performance.

However, a relative recovery in the export performance was observed in the first quarter of 2011. As of the end of the last quarter of 2010, Turkey increased from the 37th to 31st place among the studied countries (Figure 2).

ⁱ <http://www.tepav.org.tr/en/ekibimiz/s/1034/Sarp+Kalkan>

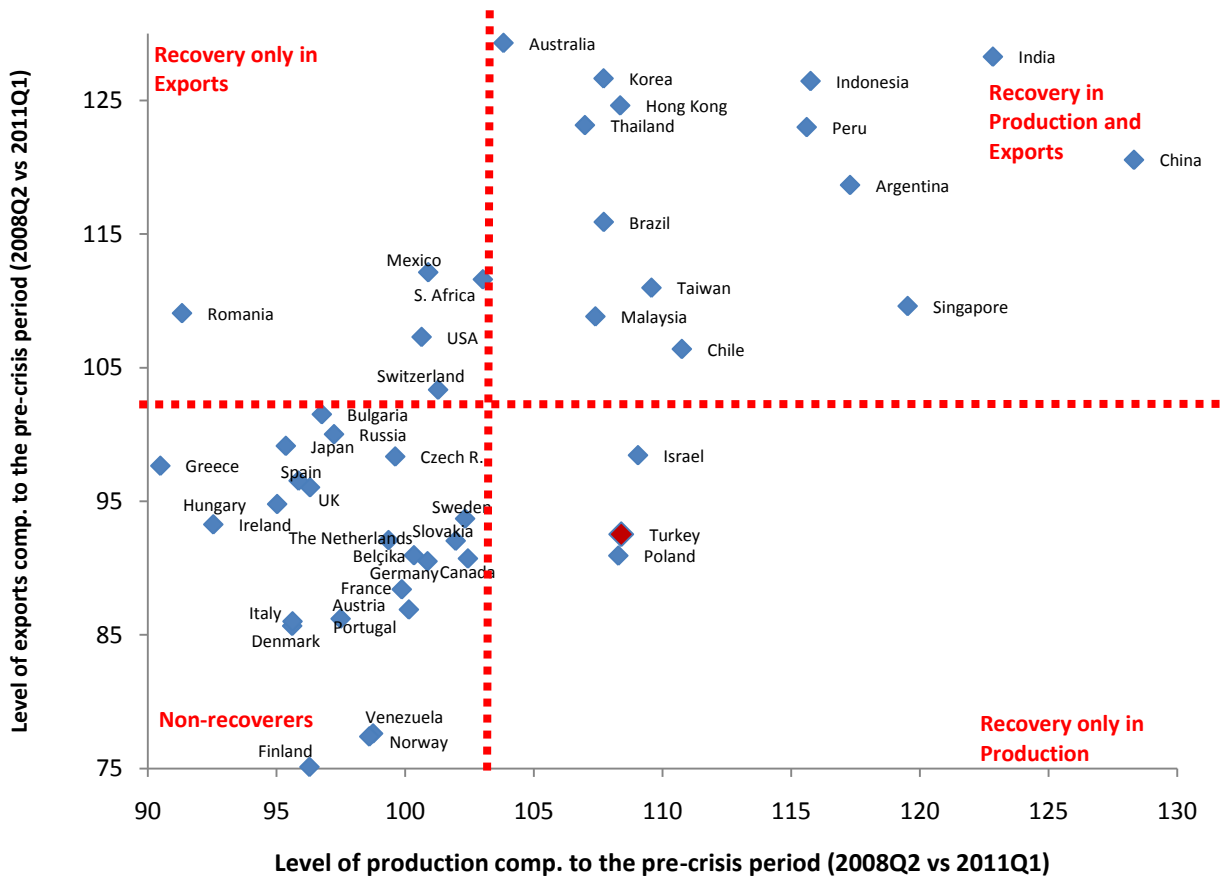
ⁱⁱ <http://www.tepav.org.tr/en/ekibimiz/s/1134/Aysegul+Dincceg>

ⁱⁱⁱ Dinççağ, A. and Kalkan, S. (2011), A Comparative Assessment of the Growth Figures, TEPAV Policy Note

Domestic consumption driven growth

Figure 1 compares the performance of 45 countries which carry out 91 percent of global production and 87 percent of global trade, in terms of the recovery of production and exports^{iv}. According to this, as of the first quarter of 2011, 27 countries have exceeded the pre-crisis production level and 21 exceeded the pre-crisis export level^v.

Figure 1. Level of Production and Exports in the Q1 2011 compared to the Pre-crisis Period (Seasonally adjusted series, indexed as 2008Q2=100)



Source: WTO, TURKSTAT, EIU, Eurostat, BEA and TEPAV Calculations

^{iv} The countries studied are Argentina, Austria, Australia, Belgium, Brazil, Bulgaria, Canada, Chile, China, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Malaysia, Mexico, Netherlands, Norway, Peru, Poland, Portugal, Romania, Russia, S. Africa, S. Korea, Singapore, Slovakia, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, United States, and Venezuela.

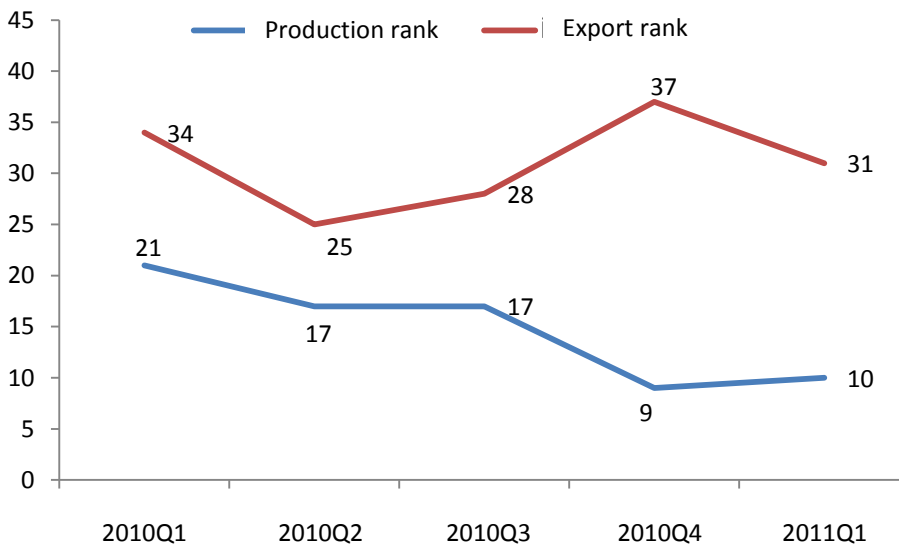
^v The peak level of production varies across countries from the first quarter of 2008 to the third quarter of 2008. Therefore, average production level in the second quarter of 2008 is assumed to be the production peak before the crisis.

Turkey surpassed the pre-crisis production level by 8.4 percent. However, exports still lag behind the pre-crisis level, achieving 92.5 percent of the level in the second quarter of 2008. Turkey ranks the 31st among 45 countries with respect to its export performance, performing even worse than some European countries.

Thus, despite the recovery in production, Turkey could not take place in the upper right zone of the graph which represents high recovery in both GDP growth and exports. Turkey, who was affected negatively by the weak performance of European countries and Russia in the non-recoverers zone (lower left), stood in the lower right zone with Poland and Israel, other countries that performed well in economic growth. In other words, in Turkey the recovery from the crisis was driven mainly by domestic demand.

The most successful countries in the examined period were East Asian countries including China and India, who secured high growth and high export recovery, as and Latin American countries who supply to these. The worst-performing countries were European countries suffering from debt crisis and Japan, who was damaged severely by the earthquake in March. Turkey attained the most impressive growth performance among European countries. Despite being one of the countries that faced the severest economic contraction during the crisis, Turkey recovered successfully, even surpassing Poland that was not affected by the global crisis.

Figure 2. Turkey's ranking among 45 countries by level of production and level of exports



Compared to the 45 countries involved in the analysis, Turkey demonstrated a remarkable growth performance. It is of significance that Turkey was among the rapid-recovery group in 2010 despite being one of the countries that faced the severest economic contraction in 2009. This reiterates that domestic market is of high importance and that Turkey's adaptation capacity has improved. Turkey maintained the high growth performance also in the first quarter of 2011. This way, Turkey achieved the highest increase in production among European countries compared to the pre-crisis period. The country ranked second following Israel in the Middle East region.

As of the end of quarter four, 2010, Chile and Taiwan has surpassed Turkey in production while Turkey outpaced Poland. However, this outstanding performance of Turkey in the first quarter of 2011 was not achieved via a substantial increase in production in the given period. It was facilitated by the relatively weaker production performance of the country in the first quarter of 2010. In other words, with the growth performance in the last two quarters, Turkey offset the losses encountered in the first year of the crisis and caught up on the other good-performers.

Table 1. Change in Production and Exports in the First Quarter of 2011, Compared to the Pre-crisis Period (2008Q2)

	Production in 2011 Quarter 1 compared to 2008 Quarter 2	Ranking in 2011 Quarter 1	Ranking in the previous year (2010Q1)	Ranking in the previous quarter (2010Q4)		Exports in 2011 Quarter 1 compared to 2008 Quarter 2	Ranking in 2011 Quarter 1	Ranking in the previous year (2010Q1)	Ranking in the previous quarter (2010Q4)
China	128.3	1	1	1	Australia	129.3	1	5	1
India	122.8	2	2	2	India	128.3	2	13	2
Singapore	119.5	3	3	3	Korea	126.7	3	2	3
Argentina	117.3	4	6	5	Indonesia	126.5	4	4	4
Indonesia	115.8	5	4	4	Hong Kong	124.6	5	1	5
Peru	115.6	6	5	6	Thailand	123.2	6	6	6
Chile	110.8	7	16	15	Peru	123.0	7	3	7
Taiwan	109.6	8	11	10	China	120.6	8	7	8
Israel	109.0	9	14	7	Argentina	118.7	9	12	9
Turkey	108.4	10	21	9	Brazil	115.9	10	14	10
Hong Kong	108.4	11	15	14	Mexico	112.1	11	10	11
Poland	108.3	12	7	8	S.Africa	111.6	12	21	12
Brasil	107.7	13	9	12	Taiwan	111.0	13	8	13
S.Korea	107.7	14	10	13	Singapore	109.6	14	16	14
Malasia	107.4	15	13	11	Romania	109.1	15	26	15
Thailand	107.0	16	8	17	Malaysia	108.8	16	9	16
Australia	103.8	17	12	16	USA	107.3	17	11	17
S.Africa	103.0	18	18	18	Chile	106.4	18	19	18
Canada	102.4	19	17	20	Switzerland	103.4	19	15	19
Sweden	102.3	20	32	19	Bulgaria	101.5	20	43	20
Slovakia	102.0	21	22	22	Russia	100.0	21	23	21
Switzerland	101.3	22	19	21	Japan	99.2	22	17	22
Mexico	100.9	23	29	23	Israel	98.5	23	20	23
Germany	100.9	24	31	25	Cezch Rep.	98.4	24	31	24
United States	100.6	25	23	24	Greece	97.7	25	38	25
Belgium	100.3	26	26	27	Spain	96.5	26	25	26
Austria	100.1	27	30	26	United Kingdom	96.1	27	27	27
France	99.9	28	25	29	Hungary	94.8	28	29	28
Czech R.	99.6	29	28	30	Sweden	93.7	29	41	29
Netherlands	99.4	30	27	31	Ireland	93.3	30	18	30
Norway	98.8	31	20	28	Turkey	92.5	31	34	31
Venezuela	98.6	32	38	41	Netherlands	92.1	32	24	32
Portugal	97.5	33	24	32	Slovakia	92.1	33	36	33
Russia	97.2	34	41	33	Belgium	91.0	34	28	34
Bulgaria	96.8	35	40	35	Poland	90.9	35	22	35
United Kingdon	96.3	36	36	36	Canada	90.7	36	32	36
Finland	96.3	37	45	40	Germany	90.5	37	33	37
Spain	95.9	38	35	38	France	88.4	38	30	38
Italy	95.6	39	37	39	Austria	86.9	39	40	39
Denmark	95.6	40	39	37	Portugal	86.2	40	37	40
Japan	95.4	41	33	34	Italy	86.0	41	39	41
Hungary	95.0	42	42	42	Denmark	85.7	42	35	42
Ireland	92.5	43	43	43	Norway	77.6	43	42	43
Romania	91.3	44	44	44	Venezuela	77.4	44	44	44
Greece	90.5	45	34	45	Finland	75.1	45	45	45

Source: WTO, TURKSTAT, EIU, Eurostat, BEA and TEPAV Calculations