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Sarp Kalkan[1]
Policy Analyst, Economic Studies
Ayşegül Dinççağ[2]
Research Associate, Economic Studies

A COMPARATIVE ASSESSMENT OF THE GROWTH FIGURES

The long-awaited growth figures for 2010 certified that Turkey recovered from the global crisis of 2008. The economy that contracted by 4.7 percent in 2009 achieved a phenomenal success with 8.9 percent growth in 2010. Turkey, therefore, has been both among the most rapidly contracting and most rapidly growing economies. The country, that had been the 10th among the economies that have contracted the most by 2009, was the 5th most rapidly growing economy by 2010 following Singapore, Taiwan, China and Argentina.

Table 1. Economies that contracted and grew most rapidly[3]

Ten Economies that Contracted the Most in 2009		Ten Economies that Grew Most Rapidly	
Finland	-8,3%	Singapore	14,5%
Russia	-7,9%	Thaiwan	10,8%
Hungary	-6,7%	China	10,3%
Mexico	-6,5%	Argentina	9,1%
Japan	-6,3%	**Turkey**	**8,9%**
Denmark	-5,2%	India	8,6%
Sweden	-5,1%	Thailand	7,8%
Italy	-5,1%	Brazil	7,5%
United Kingdom	-5,0%	Malaysia	7,2%
Turkey	**-4,7%**	Hong Kong	6,9%

Source: EIU, CIA Factbook and TEPAV Calculations

This policy note analyzes the recovery in Turkey's production and exports within a comparative framework. The analysis suggests that Turkey ranks among the top countries with respect to production, that is Gross Domestic Product (GDP), growth.

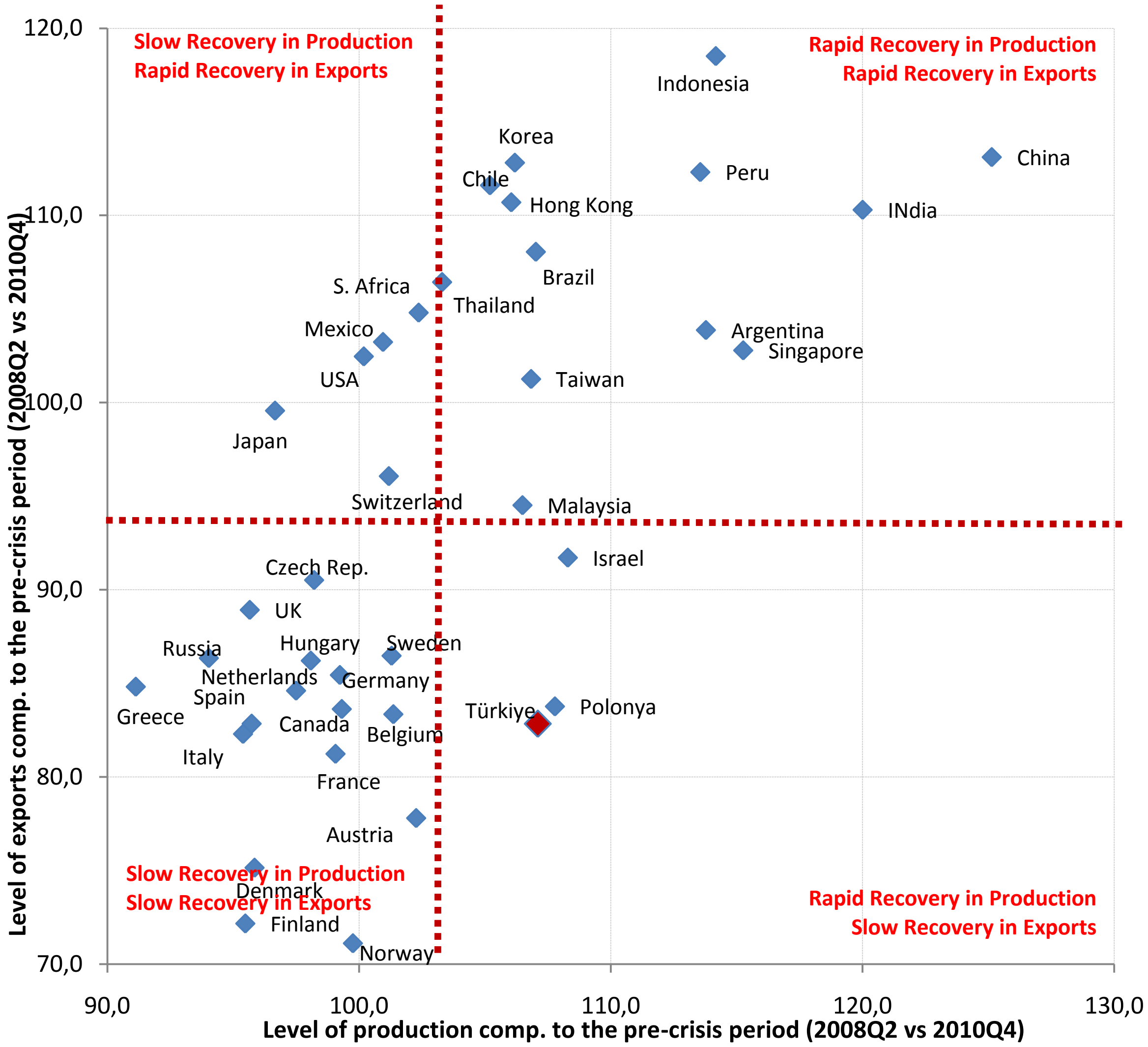
[1] http://www.tepav.org.tr/en/ekibimiz/s/1034/Sarp+Kalkan
[2] http://www.tepav.org.tr/en/ekibimiz/s/1134/Aysegul+Dinccag
[3] The analysis in this study covers 40 countries that carry out the 91 percent of the global GDP and 86 percent of the global trade. These countries are: Argentina, Australia, Belgium, Brazil, Canada, Chile, China, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Israel, Italy, Japan, Malaysia, Mexico, Netherlands, Norway, Peru, Poland, Russia, S. Africa, S. Korea, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, United States, and Venezuela.

The outlook of the recovery in exports, however, is not as favorable. Total exports of Turkey still stand below the pre-crisis level, the underlying reason for which is the laggard recovery in Turkey's major export markets, the European Union market to begin with.

Growth based on domestic consumption

For a better understanding of Turkey's performance during the crisis period, it will be wise to compare the recovery process in production and exports with that for other major economies. Figure 1 gives the recovery performance of 40 countries which carry out 91 percent of global production and 86 percent of world trade within a comparative framework. According to this, as of the end of 2010, Turkey's GDP was 7.1 percent higher than that in the pre-crisis period[4] reaching 107.1. With this performance, Turkey ranked the 9th among 40 countries.

Figure 1. Level of Production and Exports in the Q4 2010 compared to the Pre-crisis Period (Seasonally adjusted series, indexed as 2008Q2=100)



Source: WTO, TURKSTAT, EIU and TEPAV Calculations

[4] 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.

Export performance of Turkey, however, had a different outlook. As of the fourth quarter of 2010, level of exports could not achieve the pre-crisis level, corresponding to 82.8 percent of the level in the second quarter of 2008. Turkey ranked the 33rd among 40 countries concerning its export performance, lagging even behind some European countries.

Thus, despite the recovery in production, Turkey could not make it to the upper right zone in Figure 1 representing high growth and rapid recovery in exports. Negatively affected by the poor performance of the European countries and Russia in the slow growth and export recovery (lower left) zone, Turkey took its place in the lower right zone together with Poland and Israel. To put it differently, the recovery of Turkey was driven by domestic demand.

The Course of Recovery by the Growth Performance of Country Groups

The studied 40 countries could be categorized under four groups on the basis of their growth performances (please see Table 2 for the country groups). The first group is composed of the countries that had continuously grown despite the crisis. The second group is composed of the countries that had recovered rapidly and re-achieved the pre-crisis production levels while the third group involves countries that recovered with a slower pace and just recently achieved (±2%) the pre-crisis production levels. The final group is composed of countries which have not yet recovered from the crisis. According to this classification, Turkey is in the rapid-recoverers group.

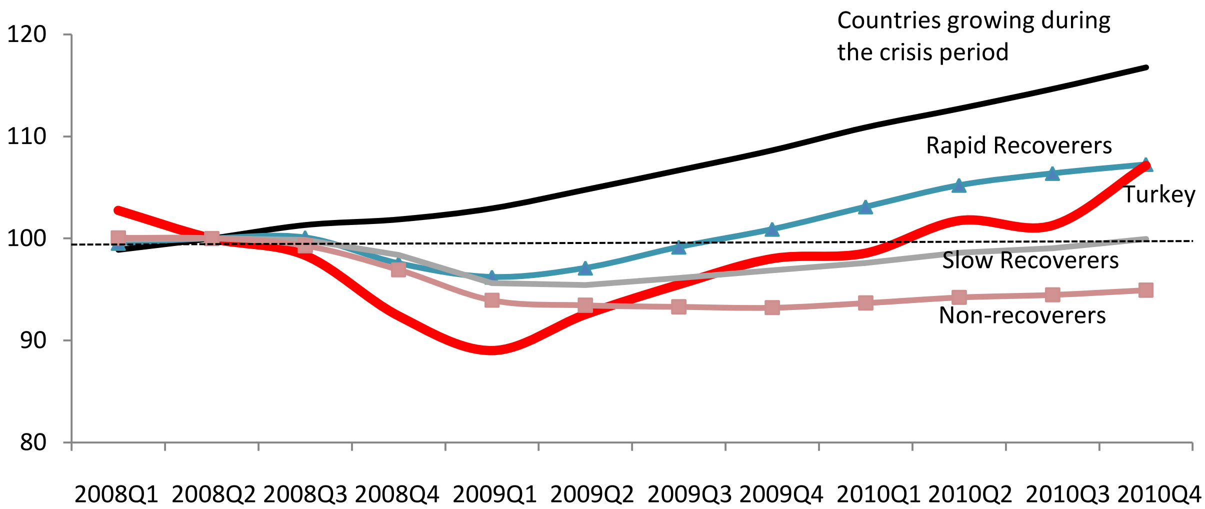
Figure 2 compares the average level of production of the mentioned country groups throughout the crisis period. According to this, Turkey's economy had contracted considerably in the crisis period, performing even worse than the non-recoverers. However, the country achieved rapid turnaround in the following period. As the figure also suggests, level of production recovered starting with the second quarter of 2010 and exceeded the pre-crisis level, demonstrating a positive outlook. The growth figures for the fourth quarter of 2010 improved Turkey's position into the rapid-recoverers group.

Table 2. Categories by growth performance

Grown during the crisis	Rapid recoverers	Slow recoverers	Non-recoverers
China	Singapore	Canada	Russia
India	Argentina	Sweden	Japan
Indonesia	Peru	Switzerland	Denmark
Poland	Israel	Mexico	Spain
	Turkey	United States	United Kingdom
	Brazil	Norway	Finland
	Taiwan	Belgium	Italy
	Malaysia	Germany	Venezuela
	Korea	France	Hungary
	Hong Kong	Czech Rep.	Greece
	Chile	Netherlands	
	Australia		
	Thailand		
	S. Africa		
	Austria		

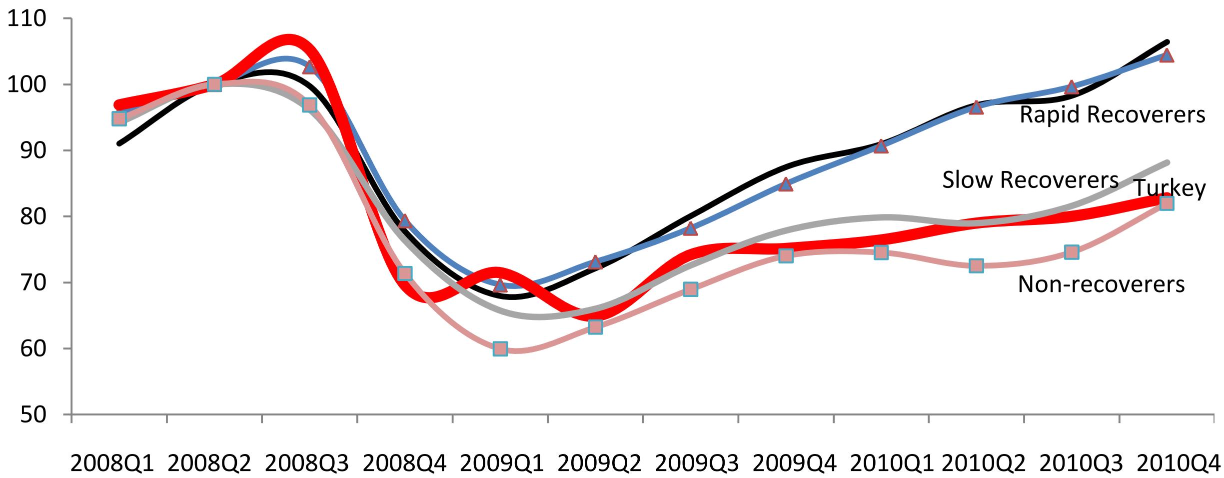
The analysis of the country groups on the basis of their export performances reveals a clearer divergence. The countries that had grown during the crisis and that recovered from the crisis managed to re-achieve the pre-crisis export volume while the others could not. Turkey's position with this regard is quite interesting. Despite being among the rapid-recoverer countries, Turkey's export performance resembles that of the non-recoverer countries. As figure 3 represents, Turkey's exports still stand below the pre-crisis level.

Figure 2. Quarterly production level in Turkey and the country groups during the crisis period (Seasonally adjusted series, indexed as 2008Q2=100)



Source: TURKSTAT, EIU and TEPAV Calculations

Figure 3. Quarterly exports of Turkey and the country groups during the crisis period (Seasonally adjusted series, indexed as 2008Q2=100)



Source: WTO, TÜRKSTAT and TEPAV Calculations

Turkey is the second most successful of Europe, following Poland

Compared to the other studied countries, Turkey demonstrated an impressive growth performance. It is of significance that Turkey, which had been the 10th economy that witnessed the severest contraction in 2009, was the 5th most rapidly recovering economy in 2010. This reiterates the key importance of the domestic market for Turkey's economy, as well as the improved ability to adapt.

East Asian countries such as China and India that ensured both high growth and export gains and Latin American countries that supply to the former were the most successful economies in the studied period. The weakest performance was demonstrated by the European countries that struggle with the debt crisis, and Russia and Canada. Among the European countries, two stroke attention with high growth rates. Following Poland, which did not diverge from the growth path throughout the crisis, Turkey was the second most successful economy of Europe. 45 percent of Turkey's exports go to countries that are in the weak growth-weak export performance (lower left) zone in the figure 1 implying that the profound effects of the crisis on those countries, as well as their inability to recover from the crisis, directly affect Turkey's export performance. Therefore, it is of great importance that Turkey managed to increase the production level by 7.1 percent compared to the pre-crisis period.

Turkey ranks the 9th among 40 considering the recovery of production and the 33rd considering the recovery in exports. As striking as it is, this causes a severe pressure on the current account deficit and other macroeconomic balances. Should the Europe recovers from the crisis in the coming period, exports will make a positive contribution to Turkey's growth performance. Nevertheless, the ongoing debt crisis in Europe coupled with the political uncertainties in the Middle East, another major export market, pose risks against Turkey.

Table 3. Ranking by the Recovery Performance in Production and Exports

Recovery in Production			Recovery in Exports		
Ranking as of the end of 2010		Change in Production compared to the pre-crisis period	Ranking as of the end of 2010		Change in Exports compared to the pre-crisis period
1	China	25,1%	1	Australia	23,8%
2	India	20,0%	2	Indonesia	18,5%
3	Singapore	15,3%	3	China	13,1%
4	Indonesia	14,2%	4	S. Korea	12,8%
5	Argentina	13,8%	5	Peru	12,3%
6	Peru	13,6%	6	Chile	11,6%
7	Israel	8,3%	7	Hong Kong	10,7%
8	Poland	7,8%	8	India	10,3%
9	**Turkey**	**7,1%**	9	Brazil	8,1%
10	Brazil	7,0%	10	Thailand	6,4%
11	Taiwan	6,8%	11	G. S. Africa	4,8%
12	Malaysia	6,5%	12	Argentina	3,9%
13	S. Korea	6,2%	13	Mexico	3,2%
14	Hong Kong	6,0%	14	Singapore	2,8%
15	Chile	5,2%	15	USA	2,5%
16	Australia	4,9%	16	Taiwan	1,3%
17	Thailand	3,3%	17	Japan	-0,4%
18	S. Africa	2,4%	18	Switzerland	-3,9%
19	Austria	2,3%	19	Malaysia	-5,5%
20	Canada	1,4%	20	Israel	-8,3%
21	Sweden	1,3%	21	Czech Republic.	-9,5%
22	Switzerland	1,2%	22	United Kingdom	-11,1%
23	Mexico	0,9%	23	Sweden	-13,5%
24	USA	0,2%	24	Hungary	-13,6%
25	Norway	-0,2%	25	Netherlands	-13,8%
26	Belgium	-0,7%	26	Germany	-14,5%
27	Germany	-0,8%	27	Greece	-15,2%
28	France	-0,9%	28	Russia	-15,4%
29	Czech Republic	-1,8%	29	Poland	-16,2%
30	Netherlands	-1,9%	30	Belgium	-16,4%
31	Russia	-2,5%	31	Canada	-16,6%
32	Japan	-3,3%	32	Spain	-17,1%
33	Denmark	-4,2%	**33**	**Turkey**	**-17,2%**
34	Spain	-4,3%	34	Italy	-17,7%
35	United Kingdom	-4,3%	35	France	-18,8%
36	Finland	-4,5%	36	Austria	-22,2%
37	Italy	-4,6%	37	Denmark	-24,8%
38	Venezuela	-4,9%	38	Finland	-27,8%
39	Hungary	-6,0%	39	Norway	-28,9%
40	Greece	-8,9%	40	Venezuela	-37,0%

Source: TURKSTAT, WTO, EIU and TEPAV Calculations