

**Turkish economy grew 4%, despite turmoil**  
**Malaysian Insider**  
**31 March, 2014**

The Turkish economy grew by 4% last year, official data showed today, after an unexpectedly firm fourth quarter, but analysts warned of a slowdown amid political uncertainty and tightening credit.

The growth data came the morning after Prime Minister Recep Tayyip Erdogan hailed landslide local poll victories for his AKP party, despite months of turmoil including street clashes and an Internet clampdown.

The political unrest, and severe tensions on Turkish financial markets, since June have rattled investors.

Meanwhile, a slowing of monetary stimulus by the United States for its economy is reversing a flow of cheap money which had gone into emerging economies, exacerbating weaknesses in the Turkish economy which has experienced rapid growth under Erdogan's 11-year rule.

Despite the turmoil, gross domestic product grew by 4.4% in the last three months of 2013 for a 17th quarterly rise in a row, beating analysts' expectations, data from the Turkish Statistical Institute showed.

UBS economist Reinhard Cluse said that the latest figures for growth of gross domestic product again showed that "last year's political and economic shocks have inflicted surprisingly little damage on the Turkish economy".

But he warned that "the bigger political and economic shock-waves of recent weeks suggest that a sharper slowdown is now under way" for Turkey, an economy with low exports and driven by credit-fuelled domestic demand.

"While the outcome of yesterday's local elections removes some uncertainty, we believe the political atmosphere in Turkey will likely remain tense over the coming months and hence imply headwinds for financial markets," Cluse said.

The USB economist said that since global interest rates may rise and "unfavourable political and economic news dampens private sector confidence", the bank was forecasting growth of 2.3% in Turkey this year, set to rise again to 3.8% in 2015.

The initial market reaction today was to greet the strong AKP election result as bringing a measure of stability.

The lira made its biggest jump for months, shooting up to 2.1559 to the dollar, and the main stock market index rose almost 2%.

Finance Minister Mehmet Simsek said reduced political risk following his party's election wins would support the outlook, while acknowledging the economy would slow this year.

William Jackson of Capital Economics said the outcome "showed that PM Erdogan and the ruling AK party continue to enjoy high levels of popularity, bolstered by the strength of the economy."

He said: "Nonetheless, in spite of today's release of strong fourth quarter GDP data, we expect growth to slow sharply over the coming quarters which, in turn, may chip away at the party's support." – AFP, March 31, 2014

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