
Turkey hit by grim growth data

By Delphine Strauss in Ankara
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Turkey aims to close a financing deal with the International Monetary Fund at the start of January, the government confirmed on Monday, as the weakest quarterly growth in six years prompted analysts to forecast a technical recession.

Gross domestic product in the third quarter of 2008 grew just 0.5 per cent from the same quarter of 2007, official data showed, down from 2.3 per cent in the second quarter. That took year-on-year growth for the first nine months of 2008 to 3 per cent - less than half the previous five-year average.

EDITOR'S CHOICE Turkey 'set to sign IMF accord' - Dec-04 Sabanci prepares for weak Turkish growth - Oct-31 Turkey seeks to boost investor confidence - Oct-23 Lex: Turkish economy - Jun-04 Doubts as Turkish IMF deal expires - May-12 Editorial Comment: Banking on Turkey - May-11 Separate data showed unemployment hit double-digit figures in September, reaching 10.3 per cent compared with 9.3 per cent in the same month of 2007.

The figures belie ministers' repeated assertion that Turkey will suffer only mild effects from the global crisis and underline the urgency of sealing an agreement with the IMF on a financing package. Investors are hoping Turkey will secure \$20bn (â, -14bn, Â£13bn) of funding to help plug its financing gap.

"Today's grim data will remind the authorities just how exposed the country is to the global credit crunch," said Neil Shearing, at Capital Economics in London.

Since Turkey completed its \$10bn, three-year IMF programme in May, the ruling Justice & Development party (AKP) has been reluctant to enter a scheme that would constrain spending before local elections in the spring.

But after weeks of wrangling, the government has accepted it will have to revisit budget plans based on a forecast of 4 per cent annual GDP growth and on revenue assumptions the IMF considers to be wildly optimistic.

The Treasury said on Monday that it had invited an IMF mission to visit Ankara in January. An IMF statement confirmed there had been "considerable progress" in technical discussions that could lead to a programme.

The negotiations in January will determine how much funding Turkey can access and how it balances the budget - although the IMF will stress that productive investments should be postponed rather than cancelled.

There is no agreement yet on the growth assumption that will underpin the programme. But analysts noted on Monday that quarter-on-quarter growth was negative and several predicted the economy would shrink at least until the second quarter of 2009 - meeting one definition of a technical recession.

"A sharp economic downturn and a further currency correction now look almost inevitable," said Ahmet Akarli, economist at Goldman Sachs, noting that political problems could resurface as recession would hit the AKP's core supporters among the urban poor and small businesses.
