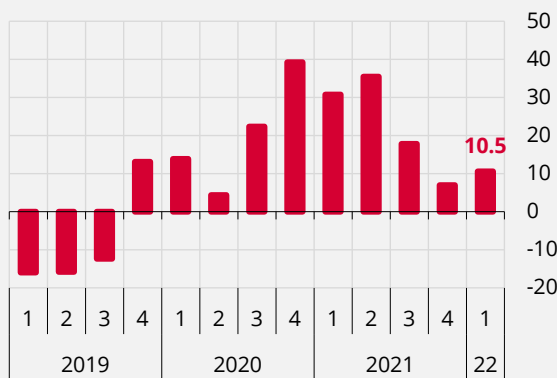


Box 2.2

Recent Trends in Machinery-Equipment Investments

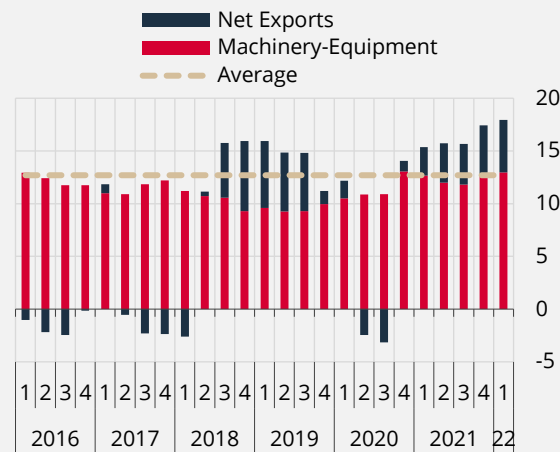
To strengthen the economy structurally, gain competitive advantage and achieve a sustainable growth path through high value-added production, components that increase potential growth, such as investments, are important in the growth composition. An analysis of recent trends of machinery-equipment investments, a sub-item of investments, reveals that, they made a significant contribution of 2.3 points to the overall growth recorded in 2021 of 11%, and made a positive contribution of 1.4 points to the growth in the first quarter of 2022 of 7.3%. Thus, annual growth in machinery-equipment investments continued for the 10th quarter in a row (Chart 1). The share of machinery and equipment investments and net exports, another component of sustainable growth, in national income has hit record levels in the recent years (Chart 2).

Chart 1: Machinery-Equipment Investments (Annual % Change)



Source: TURKSTAT.

Chart 2: Share of Machinery-Equipment Investments and Net Exports in GDP* (%)

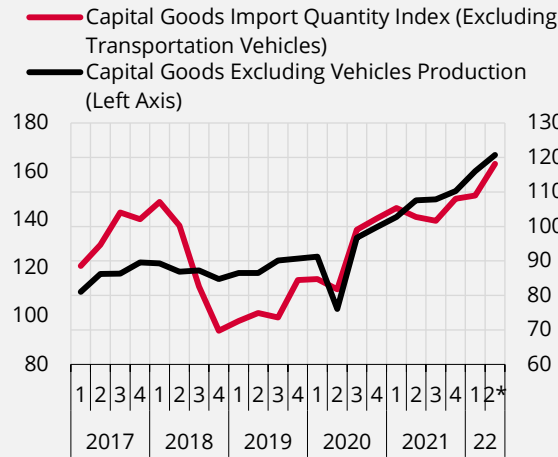


Source: CBRT, TURKSTAT.

* The dashed line shows the average for the period 2016Q1-2022Q1.

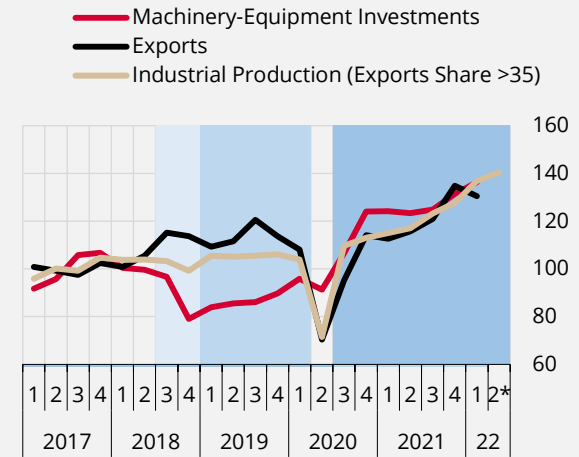
In the second quarter of the year, the course of the industrial production index and import quantity indices suggest the positive trend in investments continues. When the motor vehicles sector, where supply problems have been limiting production after the pandemic, is excluded, the production and imports of capital goods continued to increase and reached historically high levels (Chart 3). Along with the uptrend in exports, the strong course of industrial production, particularly in exporting sectors, underpins a significant recovery in machinery-equipment investments (Chart 4). It is evaluated that the strong trend in investments will continue as the manufacturing industry's capacity utilization rates have been hovering above past averages, encouraging companies to expand their capacities. Furthermore, the investment appetite of companies with high capacity utilization rates is higher (Chart 5).

Chart 3: Capital Goods Production and Import Volume Index (Seasonally Adjusted)



Source: CBRT, TURKSTAT.
* April-May averages.

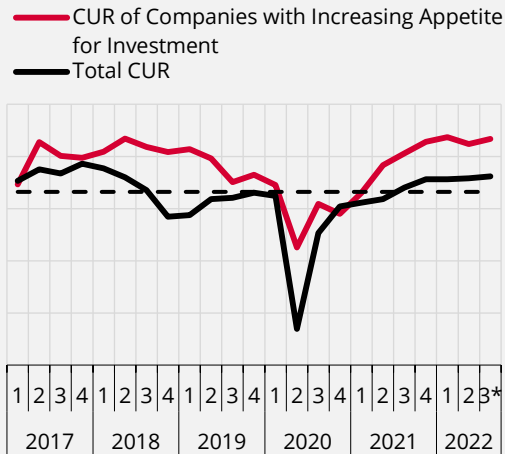
Chart 4: Machinery-Equipment Investments, Exports and Industrial Production (Seasonally Adjusted, 2017=100)



Source: CBRT, TURKSTAT.
* April-May averages.

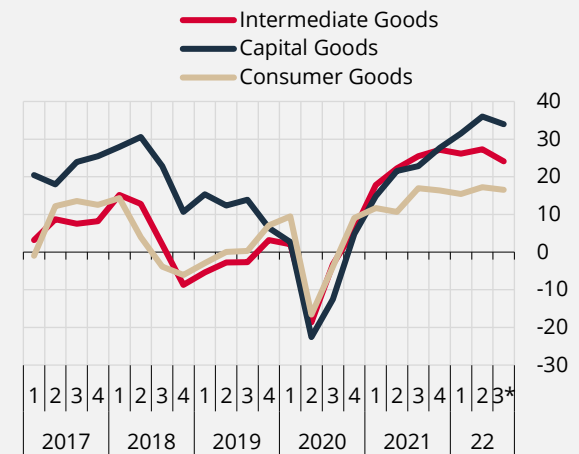
The answers to the investment tendency question in the Business Tendency Survey (BTS) suggest that firms' investment tendency remains strong. Moreover, even if this trend is observed across sectors, the recent increase in the capital goods group is remarkable (Chart 6). In this framework, it is expected that machinery-equipment investments will continue to contribute to growth in the coming period.

Chart 5: Manufacturing Industry Capacity Utilization Rate (Seasonally Adjusted, %)**



Source: CBRT.
* As of July.
** The dashed line shows the average for 2011-2019.

Grafik 6: BTS Investment Tendency (Seasonally Adjusted, Increase-Decrease, %)



Source: CBRT.
* As of July.

To sum up, the uptrend in machinery-equipment investments, which is one of the main drivers of potential growth, continues. The recent course of investments is important with respect to achieving a stable and sustainable growth.