

## A Multisectoral Nowcasting Model for Turkish Economy

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### Abstract:

In this study, a sectoral nowcasting model for the Turkish Economy is proposed using a structural dynamic factor analysis. In addition to quarterly GDP data, higher frequency price, labor, production and financial data is used in order to obtain improved and timely forecasts. A structural identification scheme is employed to identify and distinguish the factors of growth in the main sectors of GDP as well as factors that drive inflation and labor market aggregates, which include the global factor, the financial factor and the sector specific factors. The methodology in the study allows model-consistent forecasts of inflation, labor market and sectoral GDP aggregates. Pseudo-out-of-sample forecast performance of our model appears to be better than simple single equation forecasts for these macro aggregates. Moreover, multi-sectoral approach and the structural identification scheme employed in the study permit us to identify factors of sectoral GDP growth such as sectoral inputs, financial conditions, and supply&demand conditions.

**Keywords:** Nowcasting, Turkey, GDP forecasts, Structural Dynamic Factor Model

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