

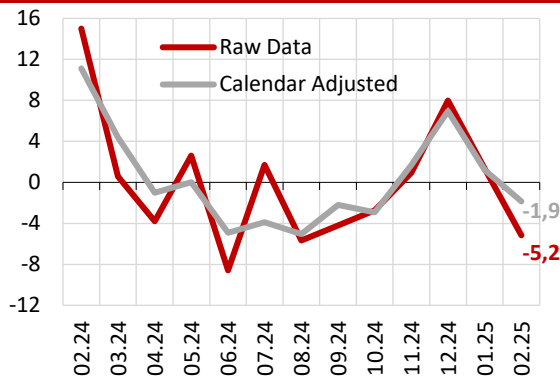
## Macro: Correction in industrial production continues

As in January, the Industrial Production Index (IPI) fell on a monthly basis in February. However, we believe that this decline was again a correction to the strong increases in November and December, which were due to characteristically volatile items. The cumulative increase of 3.9% over the last four months, which is not affected by this volatility, suggests that the IPI is on a very strong trend and is recovering after the slowdown in the 2024Q2 and 2024Q3. Sectoral data suggest that this recovery has spread to all major sectors, with a stronger trend in capital goods, while survey indicators suggest that domestic demand has been influential in this recovery. We believe that the strong credit impulse and the continued loose fiscal stance supported domestic demand in 2025Q1. The volatility in the markets, driven first by domestic developments and then by the global economy due to tariffs, and the tightening of financial conditions pose downside risks to industrial production in 2025Q2, both from domestic and external demand.

In January, the seasonally and calendar adjusted (s.a.) IPI fell by 1.6% mom and 5.2% yoy (Charts 1, 2 and 3). Excluding the regular calendar effects stemming from one less working day due to leap year, the annual decline was more limited at 1.9%.

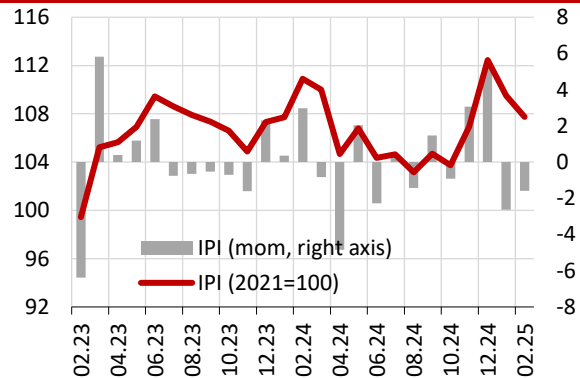
IPI (s.a.) contracted by 4.2% cumulatively in January and February. This contraction can be considered as a correction of the strong cumulative increase (8.4%) in November and December due to characteristically highly volatile items. Nevertheless, when we consider the cumulative change over the last 4 months, which excludes this volatility, there is a strong increase of 3.9% (monthly average  $\approx 1.0\%$ ) in IPI. This confirms our previous assessment that the underlying trend is recovering. The quarterly increase in IPI was 0.9% (Chart 4).

**Chart 1. Industrial Production Index (IPI) (yoy)**



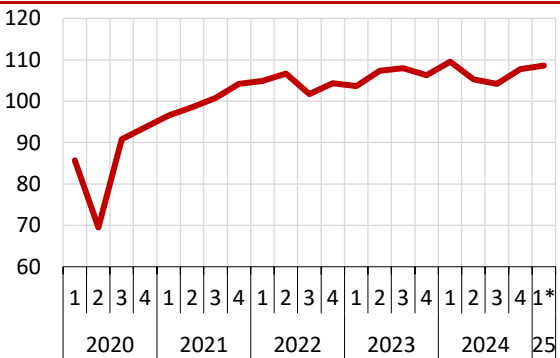
Source: Turkstat

**Chart 2. IPI (s.a, 2021=100)**



Source: Turkstat

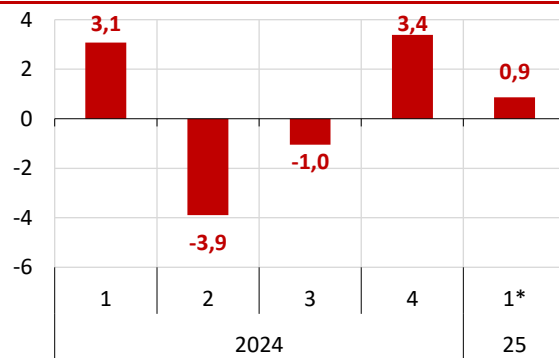
**Chart 3. IPI (s.a.)**



\* January – February average

Source: Turkstat

**Chart 4. IPI (s.a., qoq)**



\* January – February average

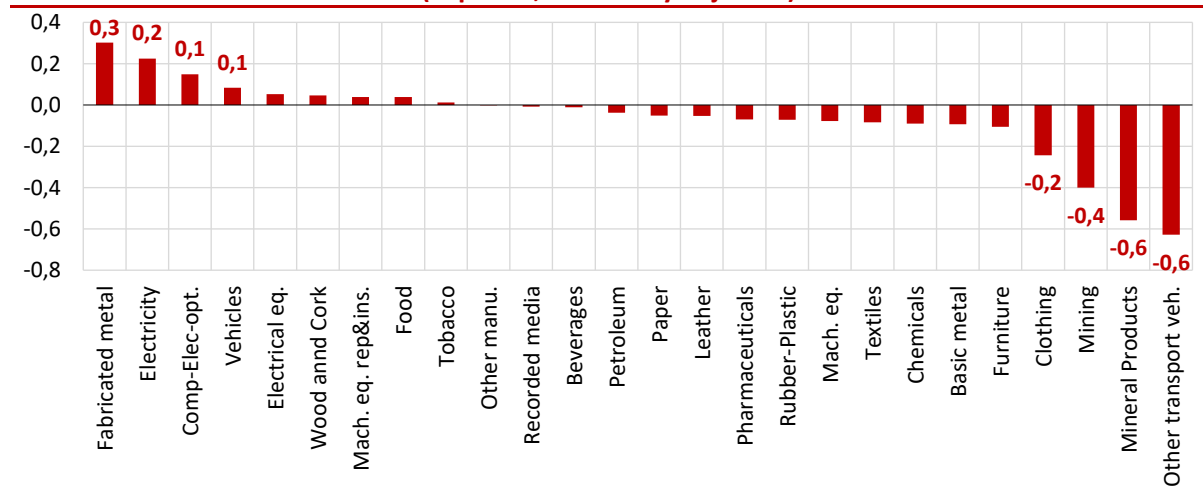
Source: Turkstat

The monthly decrease for manufacturing (s.a.) was 1.6 %, similar to the IPI (Table 1). In terms of the subsectors, contractions in other transport equipment, other non-metallic mineral products and clothing explained most of the monthly decline ( $\approx 1.4$  points). In this month, the largest negative contribution to the monthly change in manufacturing came from **other transport equipment**, which accounted for 0.63 points. The monthly decreases of 37.6 % and 18.5 % in this sector in January and February, respectively, were a correction of the increases of 49 % and 27.3 % recorded in November and December, respectively. This sector, which includes the defense industry, has a history of strong declines following strong increases. The manufacture of **other non-metallic mineral products** (s.a) also fell by 8.3% mom, dragging down overall manufacturing output growth by 0.56 pp. The main contributors to the monthly decline in this index, which also includes subsectors such as glass, ceramics and porcelain, were **cement** and **concrete** (-13.5% and -14.4% respectively), which had recorded strong growth in the previous month. In this regard, this decline can also be considered as a correction. We believe that domestic and external demand conditions were effective in the third sector, **clothing**, which contributed the most to the decline with 0.24 points. To sum up, the fact that the movements in the two sectors that contributed most to the monthly decline in the IPI were realized as a correction of past increases rather than a weakening in the underlying trend suggests that the weakening in the underlying trend was more limited in February.

On the other hand, the 0.3 pp contribution from the 4.4% monthly increase in **fabricated metal products** (s.a.) was the most important factor limiting the decline in IPI. Although this increase spread across all sub-sectors, the 58.8% rise in the production of **arms and ammunition** sub-sector was determinant in the development of the main index as in previous months. **Manufacture of computer, electronic and optical equipment** (s.a.) and manufacture of **motor vehicles**, which followed a fluctuating growth course in the previous months, grew by 5.1% mom and 1.6% mom, respectively, and made positive contributions of 0.1 pp each to the total manufacturing sector production growth.

Apart from these sectors, **base metal** industry production (s.a.), which has a high share in total manufacturing industry and exports, contracted by 1.8% mom, while **chemical** and **machinery** production contracted by 2.0% and 1.9%, respectively. Production in the **textile** industry, which has a high indirect export intensity when considered together with the clothing industry, contracted by 1.1% in this month. **Food** sector production, which has been increasing for the last 5 consecutive months, continued to make a positive contribution to the manufacturing industry activity, albeit limited, by increasing by 0.3%.

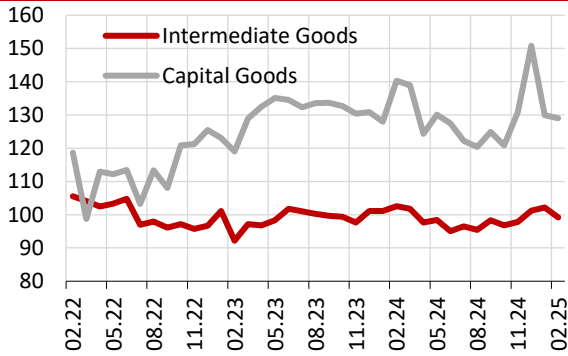
**Chart 5. Contributions to the Monthly Change in IPI in February**  
(% points, seasonally adjusted)



Source: Turkstat, Akbank

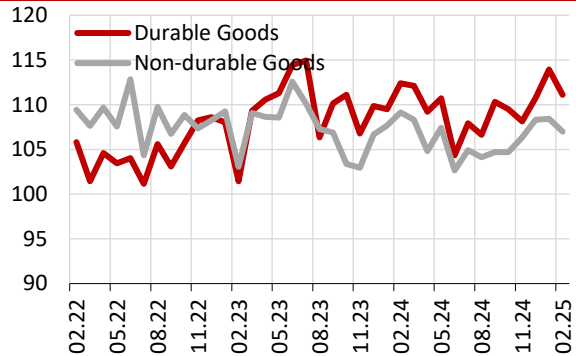
Across goods groups, production declined in all goods groups except energy. Capital goods production posted a limited monthly decline of 0.6% (Chart 6). As detailed above, the high volatility in the manufacture of other transport vehicles and computer, electronic and optical equipment, which are included in capital goods, causes the production of capital goods to follow a volatile course. The monthly declines in durable consumer goods and intermediate goods were 2.5% and 2.9%, respectively. The decline in non-durable goods was limited to 1.3%.

**Chart 6. IPI (seasonally and calendar adjusted. 2021=100)**



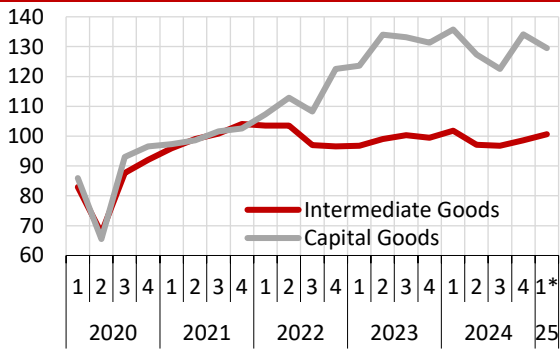
Source: Turkstat

**Chart 7. IPI (seasonally and calendar adjusted. 2021=100)**



Source: Turkstat

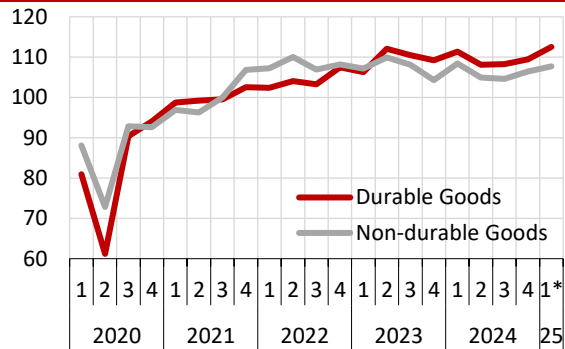
**Chart 8. IPI (seasonally and calendar adjusted. 2021=100)**



\* January – February average

Source: Turkstat

**Chart 9. IPI (seasonally and calendar adjusted. 2021=100)**



\* January – February average

Source: Turkstat

Table 1. Industrial Production Index (Annual % Change)

	Nov.24	Dec.24	Jan.25	Feb.25	2024-Q2	2024-Q3	2024-Q4	2025-Q1*
<b>IPI</b>	<b>1.0</b>	<b>8.0</b>	<b>1.3</b>	<b>-5.2</b>	<b>-3.1</b>	<b>-2.8</b>	<b>2.2</b>	<b>-2.0</b>
<b>Mining and quarrying</b>	<b>-4.8</b>	<b>3.5</b>	<b>-0.7</b>	<b>-7.9</b>	<b>9.0</b>	<b>0.9</b>	<b>-4.2</b>	<b>-4.1</b>
Mining of coal and lignite	4.1	3.9	-5.7	-5.1	27.1	16.2	1.8	-5.5
Extraction of crude petrol. and n. gas	49.7	120.7	49.6	41.2	51.2	53.4	68.9	45.4
Mining of metal ores	-20.5	-17.4	-8.2	-19.1	1.8	-12.4	-22.0	-13.0
Other mining and quarrying	-7.7	-4.4	-0.2	-12.3	-4.7	-5.8	-8.1	-6.1
<b>Manufacturing</b>	<b>0.4</b>	<b>7.8</b>	<b>1.3</b>	<b>-6.0</b>	<b>-4.5</b>	<b>-3.3</b>	<b>1.8</b>	<b>-2.4</b>
Food products	-2.6	-1.4	-3.7	0.7	1.5	0.1	-1.9	-1.6
Beverages	-0.5	9.7	0.3	-9.4	5.3	-2.4	6.2	-4.7
Tobacco products	3.8	5.0	1.6	-6.1	0.3	-0.7	3.3	-2.4
Textiles	4.9	5.4	1.7	-5.5	-6.0	-2.4	3.4	-2.0
Wearing apparel	10.7	9.6	6.6	-3.1	-12.7	4.2	10.5	1.8
Leather and related products	-2.3	-0.4	4.6	-5.0	-16.4	-9.6	-4.6	-0.3
Wood and cork products	-2.4	5.8	0.9	0.9	-13.8	-10.6	-1.5	0.9
Paper and paper products	1.5	8.0	2.4	-6.4	-0.4	-4.0	3.0	-2.1
Recorded media	-8.9	-2.1	3.0	-7.4	-10.2	3.2	-7.7	-2.3
Coke and refined petroleum products	-3.0	-5.7	4.8	2.3	6.0	-6.9	-10.2	3.6
Chemicals and chemical products	0.8	3.9	1.4	-6.1	-1.1	1.8	1.5	-2.4
Basic pharmaceutical products	-7.2	-15.6	-5.8	-20.4	-7.2	-17.7	-8.7	-13.6
Rubber and plastic products	-4.7	-0.1	-3.1	-8.9	-8.4	-5.4	-3.1	-6.0
Other non-metallic mineral products	-0.3	-2.0	3.4	-12.7	-5.0	-4.8	-2.2	-4.8
Base metals	5.4	2.7	1.6	0.4	2.0	4.7	3.7	1.0
Fabricated metal products	14.2	18.2	5.4	4.6	-7.3	-0.3	12.3	5.0
Computer. electronic and optical products	-24.2	19.0	16.8	22.3	-9.7	-15.3	-1.3	19.7
Electrical equipment	-0.3	-4.3	3.0	-3.5	0.2	2.9	-1.9	-0.5
Machinery and equipment	-9.5	-5.9	-5.8	-9.0	-11.3	-10.1	-7.5	-7.4
Motor vehicles	-13.4	-6.0	-11.4	-16.1	-8.7	-11.5	-10.6	-13.9
Other transport equipment	20.9	65.3	1.6	-46.3	-1.3	-17.5	29.5	-27.7
Furniture	1.3	8.0	5.1	-7.2	-12.6	-3.4	4.0	-1.3
Other manufacturing	0.9	-6.7	4.3	1.8	-7.3	0.9	-3.1	3.1
Repair and installation of mach. and equip.	-0.3	25.1	16.2	2.7	9.7	4.4	9.1	8.8
<b>Electricity, gas, steam</b>	<b>11.1</b>	<b>11.4</b>	<b>5.0</b>	<b>7.2</b>	<b>6.3</b>	<b>4.3</b>	<b>10.0</b>	<b>6.1</b>
<b>IPI</b>	<b>1.0</b>	<b>8.0</b>	<b>1.3</b>	<b>-5.2</b>	<b>-3.1</b>	<b>-2.8</b>	<b>2.2</b>	<b>-2.0</b>
Intermediate Goods	-0.3	1.0	0.8	-6.8	-3.3	-2.6	-0.7	-3.0
Durable Consumer Goods	-0.7	1.1	6.3	-3.8	-3.1	-0.7	-0.2	1.0
Non-durable Consumer Goods	0.2	0.7	-1.3	-3.3	-5.5	-1.9	0.2	-2.3
Energy	9.6	11.5	6.2	6.9	9.9	4.7	7.6	6.5
Capital Goods	-0.2	22.1	2.4	-10.0	-6.5	-7.4	5.9	-4.3
Low Technology	1.8	3.4	0.8	-2.9	-5.3	-1.1	1.9	-1.0
Medium-Low Technology	0.7	4.0	3.1	-4.7	-2.6	-2.2	0.6	-0.9
Medium-High Technology	-0.2	1.5	-3.8	-6.4	-2.4	-5.2	-1.5	-5.1
High Technology	-6.9	49.5	15.3	-27.8	-17.1	-14.6	16.1	-11.3

\* January - February average

Source: TURKSTAT

Table 2. Industrial Production Index (Seasonally and Calendar Adjusted)

	Monthly % Change				Quarterly % Change			
	Nov.24	Dec.24	Jan.25	Feb.25	2024-Q2	2024-Q3	2024-Q4	2025-Q1*
<b>IPI</b>	<b>3.1</b>	<b>5.2</b>	<b>-2.6</b>	<b>-1.6</b>	<b>-3.9</b>	<b>-1.0</b>	<b>3.4</b>	<b>0.9</b>
<b>Mining and quarrying</b>	<b>2.2</b>	<b>1.8</b>	<b>7.2</b>	<b>-7.6</b>	<b>-3.4</b>	<b>-1.2</b>	<b>-3.3</b>	<b>5.0</b>
Mining of coal and lignite	2.6	3.1	0.4	-6.1	5.0	-4.2	-5.9	0.2
Extraction of crude petrol. and n. gas	0.9	2.6	1.8	-0.1	12.5	9.3	5.5	3.9
Mining of metal ores	5.3	2.0	10.7	-14.3	-6.3	-4.7	-7.4	5.9
Other mining and quarrying	-0.9	0.1	11.9	-5.3	-11.9	-0.2	-1.6	8.6
<b>Manufacturing</b>	<b>3.2</b>	<b>5.8</b>	<b>-3.3</b>	<b>-1.6</b>	<b>-4.3</b>	<b>-1.3</b>	<b>4.0</b>	<b>0.6</b>
Food products	2.0	2.2	1.8	0.3	-5.3	-0.8	2.5	4.2
Beverages	-4.0	5.3	-0.9	-2.2	-3.9	-5.8	9.7	0.0
Tobacco products	-0.2	1.9	-2.9	3.4	-1.0	-0.2	0.3	-0.1
Textiles	2.1	3.0	-2.9	-1.1	-1.3	-0.8	3.0	-0.8
Wearing apparel	1.1	2.4	-2.2	-5.1	2.0	2.4	1.4	-2.9
Leather and related products	4.3	3.7	0.6	-5.4	-0.1	-2.0	1.0	1.6
Wood and cork products	2.4	10.4	-1.7	3.7	-12.7	1.2	8.3	7.7
Paper and paper products	1.6	4.4	-2.2	-2.1	-2.5	-1.0	2.9	0.1
Recorded media	-2.4	2.6	5.4	-1.4	0.9	2.6	-10.6	5.6
Coke and refined petroleum products	19.9	-1.9	8.2	-1.3	-2.8	-8.3	3.8	12.3
Chemicals and chemical products	2.1	1.9	0.1	-2.0	-3.2	-1.0	2.9	1.0
Basic pharmaceutical products	-0.6	-7.9	1.9	-4.7	-6.0	-1.5	0.1	-6.0
Rubber and plastic products	0.6	6.8	-0.7	-1.8	-6.7	-1.1	1.6	3.0
Other non-metallic mineral products	-0.2	1.1	8.1	-8.3	-5.8	-1.8	1.5	4.3
Base metals	3.0	0.7	2.1	-1.8	-4.0	1.0	3.3	2.6
Fabricated metal products	6.5	5.7	-8.5	4.4	-2.4	3.2	7.0	-1.0
Computer. electronic and optical products	-14.2	61.8	-11.3	5.1	-11.5	-0.2	1.5	16.6
Electrical equipment	2.3	2.3	-0.2	1.3	-3.8	1.4	-0.2	2.7
Machinery and equipment	-1.7	4.6	-4.0	-1.9	-4.4	-1.0	2.2	-2.5
Motor vehicles	-3.1	3.9	-1.5	1.6	-7.7	-5.5	0.4	0.8
Other transport equipment	49.0	27.3	-37.6	-18.5	-10.5	-16.3	37.1	-26.6
Furniture	-0.6	5.9	0.8	-4.3	-4.7	0.0	3.5	2.3
Other manufacturing	2.1	-3.3	4.7	0.0	-3.2	2.5	1.3	3.0
Repair and installation of mach. and equip.	-1.4	14.6	-6.3	1.3	1.4	1.7	4.6	2.6
<b>Electricity, gas, steam</b>	<b>1.9</b>	<b>0.3</b>	<b>-0.8</b>	<b>3.5</b>	<b>1.8</b>	<b>2.0</b>	<b>1.6</b>	<b>1.8</b>
<b>IPI</b>	<b>3.1</b>	<b>5.2</b>	<b>-2.6</b>	<b>-1.6</b>	<b>-3.9</b>	<b>-1.0</b>	<b>3.4</b>	<b>0.9</b>
Intermediate Goods	1.1	3.4	0.9	-2.9	-4.7	-0.3	1.9	2.1
Durable Consumer Goods	-1.2	2.4	2.9	-2.5	-2.9	0.2	1.1	2.8
Non-durable Consumer Goods	1.6	1.8	0.1	-1.3	-3.2	-0.4	1.8	1.2
Energy	5.5	0.2	1.3	1.3	1.7	-0.5	1.7	4.0
Capital Goods	8.3	15.3	-13.9	-0.6	-6.2	-3.8	9.5	-3.5
Low Technology	1.5	2.8	0.0	-1.5	-3.1	-0.2	2.5	1.6
Medium-Low Technology	2.3	3.7	1.1	-2.8	-3.8	-0.8	3.0	2.9
Medium-High Technology	5.7	1.0	-3.2	0.7	-1.8	-4.3	3.3	-0.4
High Technology	9.4	54.4	-32.9	-6.9	-22.0	1.9	21.3	-13.3

\* January - February average

Source: TURKSTAT

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