

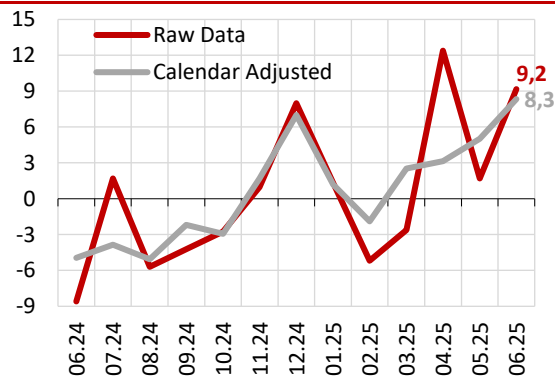
Macro: Industrial production continues to rise on the back of defense industry

In June, Industrial Production Index (IPI) increased by 0.7% month-on-month (mom) in seasonally and calendar adjusted terms and by 9.2% year-on-year. As in previous months, production in the defense industry, particularly in the manufacture of other transportation vehicles and computer and electronic products, contributed significantly to the overall IPI growth, adding 1.3 percentage points, mom. However, excluding these two sectors, the underlying trend remains weak, with the IPI declining by 0.7% mom and remaining flat on a quarterly basis.

In June, Industrial Production Index (IPI) increased by 0.7% month-on-month (mom) in seasonally and calendar adjusted (s.a.) terms and by 9.2% year-on-year (yoy) (Charts 1, 2, and 3). The calendar-adjusted annual increase was slightly lower at 8.3%.

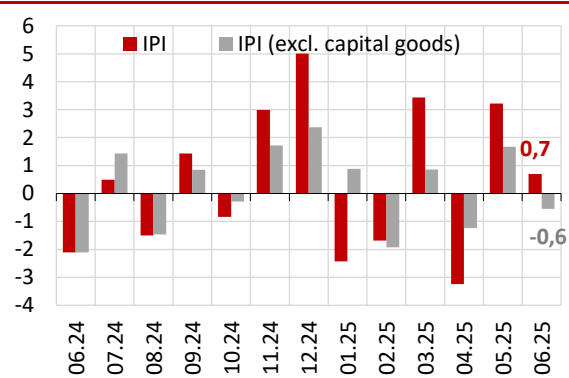
IPI (s.a.) increased by 0.7% quarter-on-quarter (qoq) (Chart 4) and grew by 7.3% yoy. Due to the higher number of working days in the second quarter compared to the same period last year, the calendar-adjusted annual growth was more limited at 5.5%. Despite the moderate quarterly growth, annual growth was high due to the low base effect. We will see a similar effect in the annual GDP growth in the second quarter.

Chart 1. IPI (yoy, %)



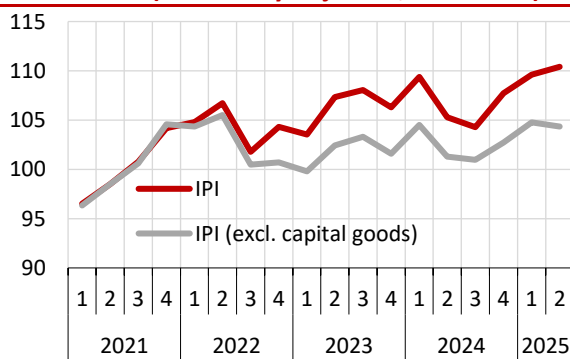
Source: Turkstat

Chart 2. IPI (seasonally adjusted, mom, %)



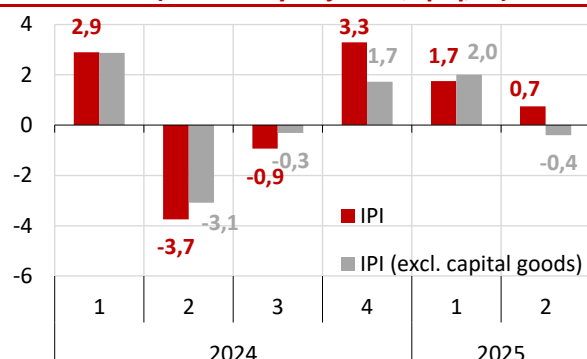
Source: Turkstat, Akbank

Chart 3. IPI (seasonally adjusted, 2021=100)



Source: Turkstat, Akbank

Chart 4. IPI (seasonally adjusted, qoq, %)



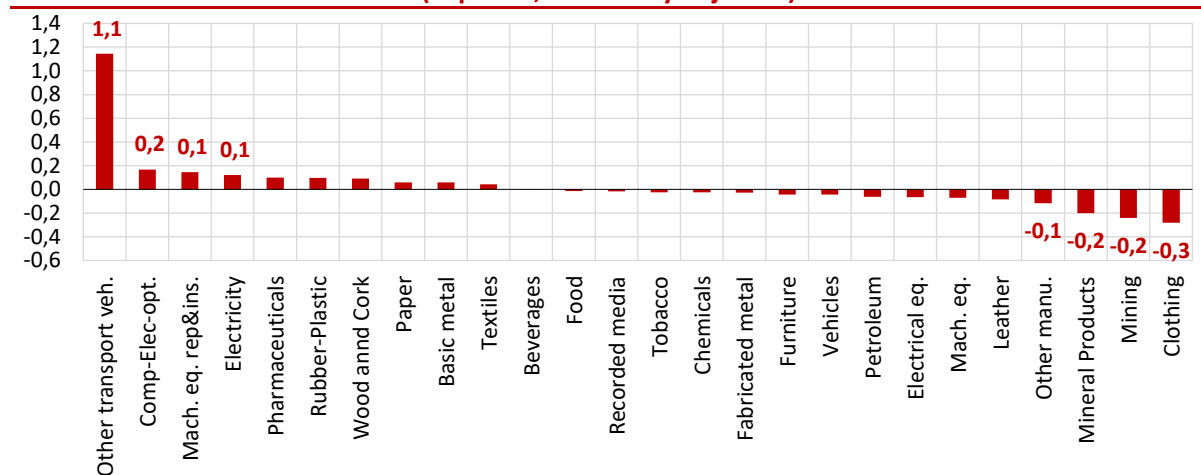
Source: Turkstat, Akbank

As in recent months, capital goods were the main determinant of the monthly change in the IPI in June. Excluding capital goods, the IPI decreased by 0.6% mom, in contrast to the positive growth in headline index (Chart 2). The same holds for the quarterly changes too. While the IPI grew by 0.7% qoq in the second quarter, it contracted by 0.4% excluding capital goods (Chart 4).

Other transportation vehicles was again the main driver of increase in capital goods in June. Indeed, it contributed the most to the monthly IPI growth, with 1.1 pp (Chart 5). External demand had been

the determining factor in the production of this sector, which also includes defense industry products, in recent periods. However, according to TEA data for June, there was a decline in the sector's exports. In this context, the 24% mom growth in production may indicate that the increase in June was due to domestic sales or production for stock. On the other hand, the 18.5% increase in the production of other transportation vehicles compared to the first quarter was also a decisive factor in the quarterly growth of the IPI. Similarly, the **manufacturing of computers, electronic, and optical equipment** (s.a.), which has seen an increase in the prominence of defense industry companies in recent years, grew by 7.3% mom, pushing up the monthly total industrial production growth by 0.2 pp, while the quarterly change remained limited at 1.6%. According to TEA's July sectoral export data, exports of other transportation vehicles and computers, electronic, and optical equipment increased by 22.9% and 58.1% mom, respectively. Despite growing by 6.4% mom in June, the production of **basic pharmaceutical products**, which contracted by 8.3% in 2024 due to stock and supply constraints caused by pricing strategies in domestic sales, shrank by 3.3% yoy in the first half of 2025 due to similar factors. **Plastic** and **wood** product manufacturing, which has strong forward linkages with all other manufacturing sectors, grew by 2.5% and 7.5% mom respectively, and was among the top five sectors contributing most to total IPI growth. The **food** sector, which has a significant share in total exports and manufacturing industry, shrank by 0.1% in June for the third consecutive month. Although the sector's production grew by 5.1% yoy in the first half of the year, the 1.6% contraction qoq in the second quarter indicates a loss of momentum in production. On the other hand, **clothing and leather goods** production declined by 6.5% and 9.6%, respectively, in June, ranking among the top three sectors that most negatively impacted IPI growth. Hence, the production of the **textile**, clothing, and leather goods sectors, which continued to face challenges in unit price competition as of the first half of the year, declined by 3.1%, 3.6%, and 2.5% yoy, respectively.

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



Source: Turkstat, Akbank

Across goods groups, capital goods recorded a strong increase of 4.8% mom (Chart 8). As previously mentioned, other transportation vehicles and computers, electronic, and optical equipment were decisive in this development. Excluding these two sectors, capital goods contracted by 1.1% mom. This month, durable and non-durable consumer goods contracted by 4.4% and 1.7%, respectively, while intermediate goods increased by 0.8% (Charts 6 and 7). Energy production, which grew by an average of 0.7% mom in the first 5 months of the year, contracted by 1.2% in June. On a quarterly basis, there was a decline in consumer goods and an increase in energy, intermediate goods, and capital goods (Charts 9-11). Capital goods also increased on a quarterly basis, excluding other transportation vehicles and computer, electronic and optical equipment.

Chart 6. Intermediate and Consumption Goods (seasonally adjusted, 2021=100)

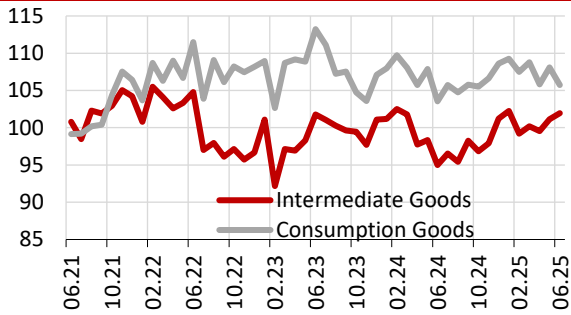


Chart 7. Consumption Goods (seasonally adjusted, 2021=100)

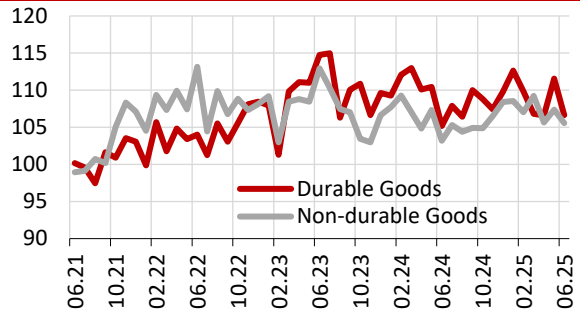
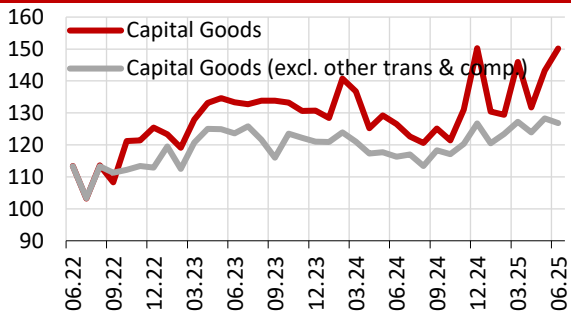
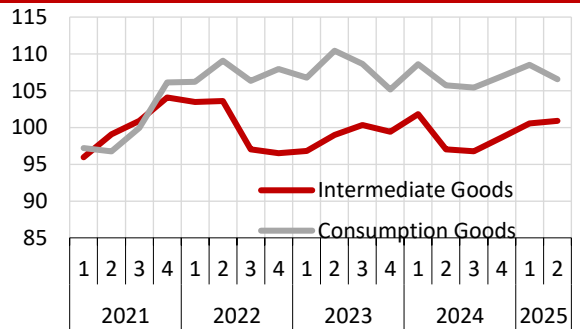


Chart 8. Capital Goods (seasonally adjusted, 2021=100)



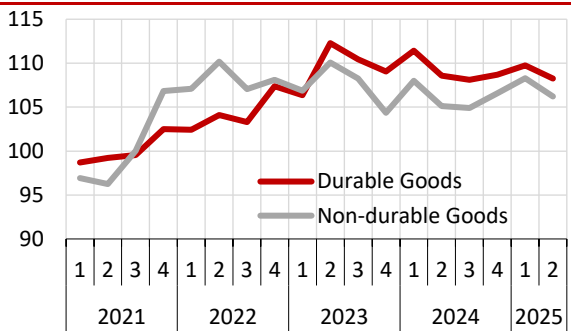
Source: Turkstat, Akbank

Chart 9. Intermediate and Consumption Goods (seasonally adjusted, 2021=100)



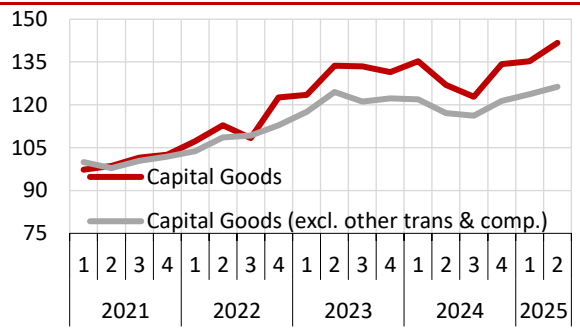
Source: Turkstat, Akbank

Consumption Goods (seasonally adjusted, 2021=100)



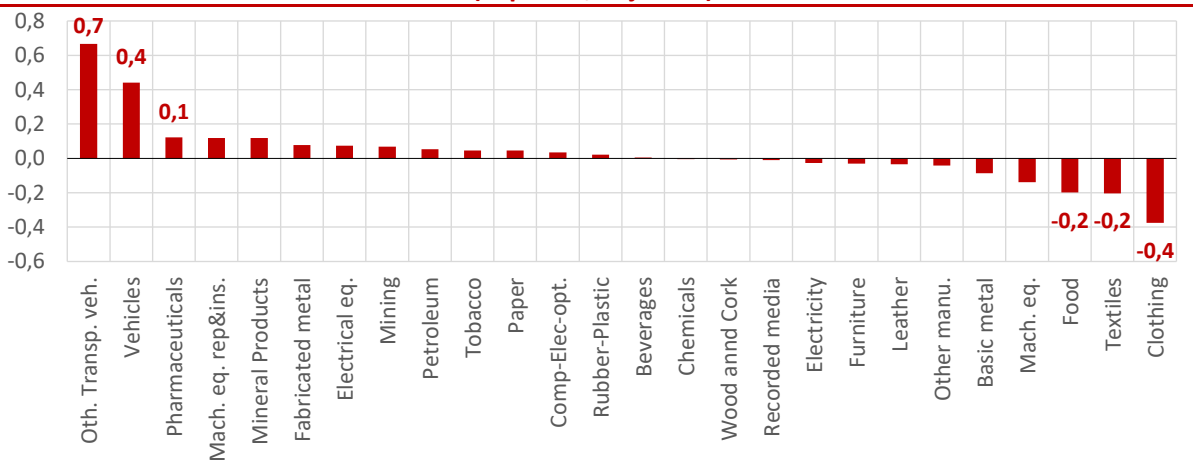
Source: Turkstat

Chart 11. Capital Goods (seasonally adjusted, 2021=100)



Source: Turkstat, Akbank

Chart 12. Contributions to the Quarterly Change in IPI in 2025-Q2 (% points, adjusted)



Source: Turkstat, Akbank

Table 1. Industrial Production Index (Annual % Change)

	Feb.25	Mar.25	Apr.25	May.25	2024-Q3	2024-Q4	2025-Q1	2025-Q2	H1
IPI	-2.6	12.4	1.7	9.2	-2.8	2.2	-2.2	7.3	2.4
Mining and quarrying	1.3	7.3	5.8	3.7	0.9	-4.2	-2.1	5.6	1.7
Mining of coal and lignite	9.7	-0.3	8.7	-14.9	16.2	1.8	-0.6	-2.4	-1.5
Extraction of crude petrol. and n. gas	38.1	42.1	30.4	25.3	53.4	68.9	42.8	32.3	37.2
Mining of metal ores	-0.1	-0.5	-7.5	1.2	-12.4	-22.0	-8.6	-2.4	-5.6
Other mining and quarrying	-12.7	10.2	7.5	12.8	-5.8	-8.1	-8.5	10.0	0.8
Manufacturing	-3.3	12.7	1.2	10.5	-3.3	1.8	-2.7	7.6	2.3
Food products	3.9	16.0	3.3	15.0	0.1	-1.9	0.1	10.9	5.1
Beverages	-1.8	12.4	2.9	2.3	-2.4	6.2	-3.8	5.5	1.4
Tobacco products	-15.9	19.6	15.2	9.9	-0.7	3.3	-7.2	14.7	3.6
Textiles	-10.1	6.9	-7.7	-0.8	-2.4	3.4	-4.9	-1.2	-3.1
Wearing apparel	-4.7	6.9	-11.9	-13.0	4.2	10.5	-0.4	-6.9	-3.6
Leather and related products	-5.5	1.9	-7.8	-0.7	-9.6	-4.6	-2.3	-2.7	-2.5
Wood and cork products	-5.1	23.8	4.2	30.9	-10.6	-1.5	-1.1	18.1	7.8
Paper and paper products	-5.6	11.2	-1.6	12.4	-4.0	3.0	-3.3	6.6	1.5
Recorded media	-11.3	2.9	-10.2	1.9	3.2	-7.7	-5.6	-2.5	-4.1
Coke and refined petroleum products	5.9	11.2	12.8	4.4	-6.9	-10.2	4.4	9.4	6.9
Chemicals and chemical products	-6.4	7.7	-2.0	6.9	1.8	1.5	-3.8	3.8	-0.1
Basic pharmaceutical products	-11.7	11.0	-5.0	24.4	-17.7	-8.7	-12.9	8.6	-3.3
Rubber and plastic products	-12.0	10.7	-2.7	10.7	-5.4	-3.1	-8.4	5.4	-1.9
Other non-metallic mineral products	-5.8	15.2	7.7	9.8	-4.8	-2.2	-5.2	10.6	2.7
Base metals	-2.1	11.5	0.7	6.9	4.7	3.7	-0.1	6.0	2.9
Fabricated metal products	2.9	19.9	11.4	15.1	-0.3	12.3	4.3	15.1	9.6
Computer, electronic and optical products	-12.5	4.9	27.6	51.5	-15.3	-1.3	4.6	27.8	16.0
Electrical equipment	-8.3	16.8	-4.5	3.2	2.9	-1.9	-3.3	4.2	0.4
Machinery and equipment	-11.3	4.9	-8.9	-3.6	-10.1	-7.5	-8.8	-3.0	-6.0
Motor vehicles	-9.4	17.7	-0.2	11.0	-11.5	-10.6	-12.3	8.6	-2.6
Other transport equipment	30.4	11.6	5.6	52.1	-17.5	29.5	-5.8	23.1	7.9
Furniture	-9.9	12.5	-0.9	6.6	-3.4	4.0	-4.3	5.4	0.5
Other manufacturing	-11.9	16.2	0.5	-2.3	0.9	-3.1	-2.4	4.4	0.8
Repair and installation of mach. and equip.	9.1	13.6	14.1	24.5	4.4	9.1	9.0	17.3	13.2
Electricity, gas, steam	2.9	12.3	4.7	-1.1	4.3	10.0	5.0	4.9	5.0
IPI	-2.6	12.4	1.7	9.2	-2.8	2.2	-2.2	7.3	2.4
Intermediate Goods	-7.4	11.6	-0.2	8.4	-2.6	-0.7	-4.6	6.1	0.6
Durable Consumer Goods	-11.6	5.8	-4.4	-1.3	-0.7	-0.2	-3.5	-0.3	-2.0
Non-durable Consumer Goods	-2.1	12.4	-2.3	6.7	-1.9	0.2	-2.2	5.0	1.2
Energy	6.1	12.6	8.3	0.5	4.7	7.6	6.4	6.9	6.6
Capital Goods	3.5	16.2	8.2	21.4	-7.4	5.9	-1.4	14.8	6.4
Low Technology	-4.2	11.7	-2.6	5.4	-1.1	1.9	-2.1	4.2	0.9
Medium-Low Technology	-3.4	12.8	4.5	9.8	-2.2	0.6	-1.8	8.7	3.4
Medium-High Technology	-1.9	14.5	-1.6	3.2	-5.2	-1.5	-4.0	4.8	0.3
High Technology	-0.6	7.1	21.3	97.2	-14.6	16.1	-6.9	40.1	13.3

Source: Turkstat

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

	Monthly % Change				Quarterly % Change			
	Mar.25	Apr.25	May.25	Jun.25	2024-Q3	2024-Q4	2025-Q1	2025-Q2
IPI	3.4	-3.2	3.2	0.7	-0.9	3.3	1.7	0.7
Mining and quarrying	8.1	-2.6	5.2	-5.0	-0.5	-3.2	6.4	1.5
Mining of coal and lignite	16.3	-9.8	20.4	-19.5	-3.8	-6.1	3.5	2.7
Extraction of crude petrol. and n. gas	2.9	3.8	0.9	1.1	9.8	5.8	4.7	6.8
Mining of metal ores	14.2	-1.5	-3.7	-0.4	-3.4	-7.4	8.3	-0.2
Other mining and quarrying	1.6	-2.1	7.1	-3.0	-0.1	-1.3	8.6	0.5
Manufacturing	3.7	-3.5	3.4	0.9	-1.2	3.8	1.5	0.8
Food products	1.4	-1.9	-0.8	-0.1	-0.5	2.3	4.5	-1.6
Beverages	1.0	4.7	-4.9	-0.5	-5.9	9.0	0.2	0.9
Tobacco products	-8.3	10.4	12.9	-5.6	0.7	1.1	-2.3	12.2
Textiles	-1.3	-3.2	1.8	0.7	-1.1	2.7	-1.7	-3.1
Wearing apparel	3.6	-9.2	4.4	-6.5	1.8	0.7	-2.6	-8.1
Leather and related products	2.3	-7.3	11.7	-9.6	-2.2	0.7	0.9	-3.8
Wood and cork products	-3.9	0.3	-2.6	7.5	0.9	8.1	7.3	-0.5
Paper and paper products	2.7	1.4	-2.2	2.5	-0.9	2.9	0.7	1.9
Recorded media	-0.9	-2.6	4.5	-2.3	2.6	-10.7	5.2	-1.5
Coke and refined petroleum products	1.1	5.1	-3.7	-2.4	-8.1	3.7	12.5	2.0
Chemicals and chemical products	0.6	-0.6	1.3	-0.6	-1.3	3.0	0.9	-0.1
Basic pharmaceutical products	11.0	0.6	-0.3	6.4	-0.3	0.7	-2.8	8.2
Rubber and plastic products	-0.1	-1.3	3.0	2.5	-1.2	1.6	2.2	0.5
Other non-metallic mineral products	6.1	-2.5	6.9	-3.1	-1.5	1.9	5.1	1.9
Base metals	-0.9	-0.4	-0.7	1.2	1.0	3.3	2.0	-1.7
Fabricated metal products	1.3	-5.4	7.0	-0.4	3.3	7.1	0.3	1.1
Computer. electronic and optical products	3.5	-19.5	27.8	7.3	2.5	0.7	18.6	1.6
Electrical equipment	-1.0	2.2	0.6	-1.5	1.0	-0.6	2.1	1.8
Machinery and equipment	1.3	-3.8	1.3	-1.7	-1.2	2.0	-2.8	-3.3
Motor vehicles	3.5	3.6	1.1	-0.7	-4.9	1.1	3.0	7.2
Other transport equipment	79.2	-30.3	24.0	28.0	-15.7	35.7	-10.8	18.5
Furniture	-1.4	-0.8	3.8	-1.7	-0.3	3.2	1.3	-1.1
Other manufacturing	-5.8	1.7	3.5	-5.6	2.2	0.9	0.5	-2.0
Repair and installation of mach. and equip.	3.8	-3.7	4.5	4.4	1.5	4.7	4.3	3.7
Electricity, gas, steam	-3.5	0.2	-0.1	1.9	1.7	1.5	1.1	-0.4
IPI	3.4	-3.2	3.2	0.7	-0.9	3.3	1.7	0.7
Intermediate Goods	1.0	-0.7	1.6	0.8	-0.3	2.0	1.9	0.3
Durable Consumer Goods	-2.7	-0.2	4.6	-4.4	-0.4	0.5	1.0	-1.4
Non-durable Consumer Goods	2.0	-3.3	1.6	-1.7	-0.2	1.6	1.6	-1.9
Energy	-0.6	0.8	0.6	-1.2	-0.5	1.6	3.9	0.8
Capital Goods	12.8	-9.8	8.7	4.8	-3.3	9.3	0.8	4.7
Low Technology	0.3	-2.4	1.2	-1.2	-0.3	2.3	1.3	-2.3
Medium-Low Technology	1.9	-1.0	2.5	0.1	-0.7	3.1	3.1	1.0
Medium-High Technology	3.5	-0.4	3.5	-3.5	-4.4	3.3	1.0	3.2
High Technology	42.6	-32.3	25.3	38.1	4.1	20.2	-1.6	9.6

Source: Turkstat

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