

Macro: Despite tightening quarterly growth is above potential; and demand conditions still inflationary

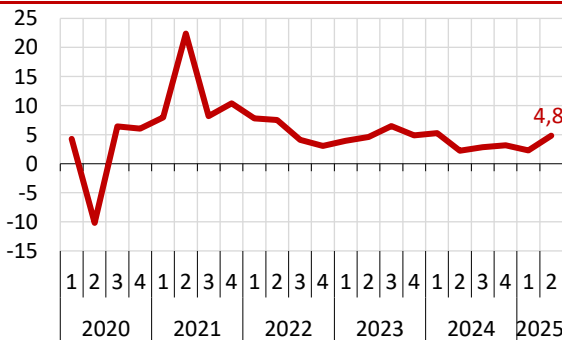
In the second quarter of 2025, Gross Domestic Product (GDP) grew by 4.8% year-on-year (yoy), exceeding market expectations, while quarter-on-quarter (qoq) growth accelerated to 1.6%, despite expectations of a slowdown. Domestic demand was the driver of both annual and quarterly growth, while net exports contributed negatively to both quarterly and annual growth by 1.4 percentage points. Although activity was expected to lose pace on a quarterly basis amid tighter financial conditions and rising uncertainty, quarterly growth gained momentum and exceeded potential.

Following the major revision by TURKSTAT to the national accounts (see Appendix), the level of economic activity as of 2025Q1 in seasonally and calendar adjusted (s.a) terms stood at 0.7% above the pre-revision value. On the other hand, according to the output gap forecast graph in the latest Inflation Report, CBRT predicted that quarterly growth would remain 1.0 percentage points below its potential. However, quarterly growth realized approximately 0.5 percentage points above its potential. Based on this information, we can conclude that as of 2025Q2, GDP (s.a) is 2.2% above the CBRT's forecast.

In summary, the data presented an inconsistent picture with the CBRT's assessment in its latest Inflation Report that activity cooled down in the second quarter and demand conditions remained disinflationary (negative output gap). This significant development would be reflected to the CBRT's inflation forecast and support tighter stance.

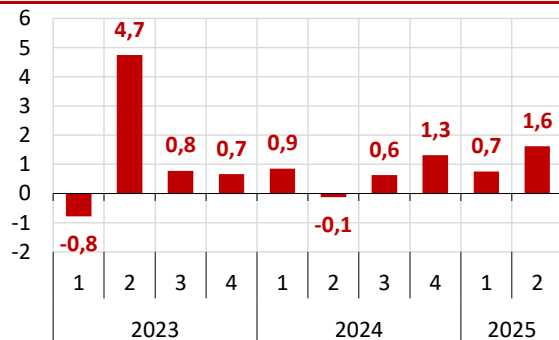
In the second quarter of 2025, GDP grew by 4.8% yoy, exceeding market expectations (4.1%) and close to our forecast (5.0%) (Chart 1). Thus, the Turkish economy grew by 3.6% yoy in the first half of the year. In seasonally and calendar adjusted (s.a) terms, GDP grew by 1.6% qoq (Chart 2).

Chart 1. GDP (yoy, %)



Source: TURKSTAT

Chart 2. GDP (seasonally adjusted, qoq, %)



Source: TURKSTAT

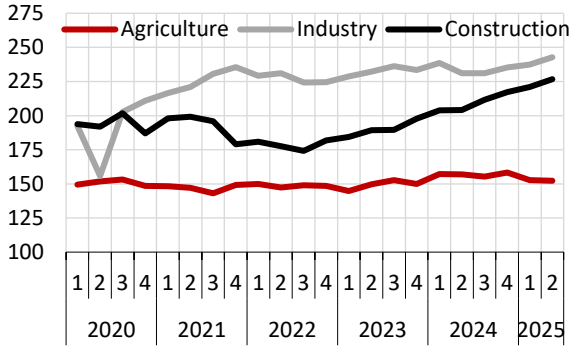
TURKSTAT has conducted a comprehensive revision of GDP data. The main revision refers to changes in the base year, classification, definition and scope, changes in methodology, application and question structure, changes in source data, and updates resulting from legal regulations. Within the scope of the revision, GDP data for the period 1995-2025 has been updated. Details regarding the update are provided in the Appendix.

Production Side:

In the second quarter of 2025, annual and quarterly growth spread across sectors other than **agriculture** (Table 1). Due to the impact of reconstruction efforts in the earthquake-stricken zone and urban transformation projects, **construction** value-added was the main sector with the highest growth both annually (10.9%) and quarterly (s.a. 2.5%) (Chart 3). Quarterly growth in the **services sector** value added (s.a.) rose to 1.7% (Chart 4), led by wholesale-retail trade, transportation-storage, and accommodation-catering services (core services). All service subgroups except public services grew on a quarterly and annual basis.

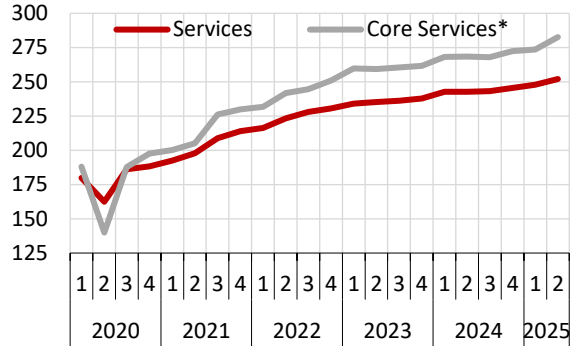
The **industrial sector's** added value grew by 6.1% yoy and contributed 1.2 points to annual growth (Table 2). Quarterly growth in the industrial sector was also strong at 2.3%. The annual increase in industrial value added was lower than the annual increase in the Industrial Production Index ([Macro: Industrial Production – June 2025](#)). Meanwhile, the annual increase in **net taxes** fell from 4.5% to 3.0%, while the quarterly increase was 1.2%.

Chart 3. Value Added by Sectors
(seasonally adjusted, 2009=100)



Source: TURKSTAT

Chart 4. Value Added by Sectors
(seasonally adjusted, 2009=100)



* The sum of retail and wholesale trade, transport and storage, accommodation and catering services
Source: TURKSTAT

Table 1. The Growth of GDP and Sub-Items from the Production Side (%)

	Annual Growth				Quarterly Growth (seas. adj.)			
	2024-Ç3	2024-Ç4	2025-Ç1	2025-Ç2	2024-Ç3	2024-Ç4	2025-Ç1	2025-Ç2
GDP	2.8	3.2	2.3	4.8	0.6	1.3	0.7	1.6
Agriculture	3.3	7.9	-2.1	-3.5	-1.1	1.9	-3.5	-0.3
Industry	-2.2	0.8	-1.7	6.1	0.0	1.8	0.9	2.3
Manufacturing	-3.3	1.2	-2.4	7.0	0.2	2.8	-0.1	2.5
Construction	11.4	10.3	8.6	10.9	3.7	2.7	1.8	2.5
Services	3.0	2.9	1.6	3.7	0.2	0.9	0.9	1.7
Core Services*	2.5	3.8	1.5	5.6	-0.2	1.7	0.4	3.3
Information and Communication	2.7	4.1	5.7	7.1	1.1	1.0	3.2	1.5
Financial and Insurance Activities	8.3	3.5	-0.1	2.6	2.4	-0.6	0.9	1.4
Real Estate Activities	4.2	4.5	2.0	2.6	0.3	1.4	0.3	1.2
Profes.. Adm. and Support Services	1.2	2.3	2.2	5.4	-0.4	1.7	2.9	1.1
Public Administration**	2.0	-1.6	-0.1	-1.2	0.0	-1.1	0.9	-1.1
Other Services	-0.8	3.3	4.1	2.1	0.2	1.5	0.9	0.5
Net Taxes (Tax - Subsidies)	4.2	9.8	4.5	3.0	0.1	4.4	-1.0	1.2

* Retail-Wholesale Trade, Transport-Storage, Accommodation-Catering

** Public Administration, Education, Human Health and Social Work Activities

Source: TURKSTAT, Akbank

Table 2. Contribution to GDP Growth from the Production Side (Percentage Point)

	Annual Growth				Quarterly Growth (seas. adj.)			
	2024-Ç3	2024-Ç4	2025-Ç1	2025-Ç2	2024-Ç3	2024-Ç4	2025-Ç1	2025-Ç2
GDP	2.8	3.2	2.3	4.8	0.6	1.3	0.7	1.6
Agriculture	0.3	0.3	0.0	-0.1	-0.1	0.1	-0.2	0.0
Industry	-0.4	0.2	-0.4	1.2	0.0	0.3	0.2	0.4
Manufacturing	-0.5	0.2	-0.4	1.1	0.0	0.4	0.0	0.4
Construction	0.5	0.5	0.4	0.6	0.2	0.1	0.1	0.1
Services	1.7	1.8	1.0	2.3	0.1	0.6	0.5	1.0
Core Services*	0.6	1.0	0.4	1.5	0.0	0.4	0.1	0.8
Information and Communication	0.1	0.2	0.2	0.2	0.0	0.0	0.1	0.1
Financial and Insurance Activities	0.4	0.2	0.0	0.2	0.1	0.0	0.0	0.1
Real Estate Activities	0.4	0.4	0.2	0.3	0.0	0.1	0.0	0.1
Profes. Adm. and Support Services	0.1	0.1	0.1	0.3	0.0	0.1	0.1	0.1
Public Administration**	0.2	-0.1	0.0	-0.1	0.0	-0.1	0.1	-0.1
Other Services	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Net Taxes (Tax - Subsidies)	0.4	1.1	0.5	0.3	0.0	0.5	-0.1	0.1

* Retail-Wholesale Trade, Transport-Storage, Accommodation-Catering

** Public Administration, Education, Human Health and Social Work Activities

Note: Totals may not sum up to GDP growth due to chain index method.

Source: TURKSTAT. Akbank

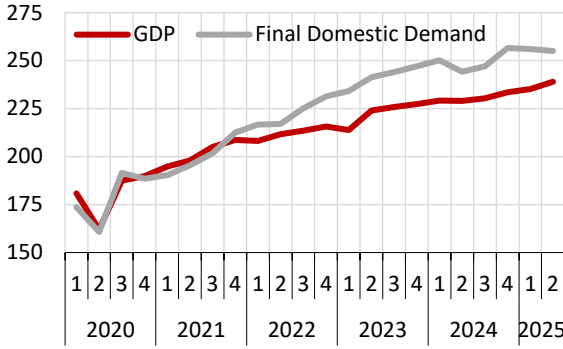
Expenditure Side:

In the second quarter of 2025, domestic demand was the main driver of both annual and quarterly growth, while net exports made a negative contribution (Tables 3 and 4, Chart 5). Domestic demand contributed 6.2 points to annual growth, while net exports decreased headline growth by 1.4 points (Table 4). Contributions to quarterly growth were 3.0 and -1.4 points, respectively.

We estimate that domestic demand increased by 3.1% on a quarterly basis and 6.3% on an annual basis in the second quarter (Table 3, Chart 9). While private consumption and investment were both important drivers of annual growth in domestic demand, the contraction in public consumption expenditure limited total consumption expenditure. On a quarterly basis, growth in domestic demand came largely from change in stocks.

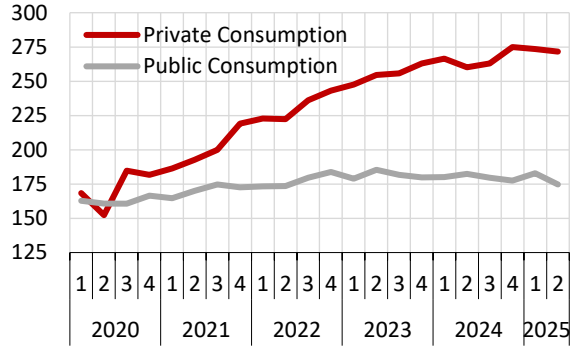
Stock changes contributed significantly to annual growth by 1.2 percentage points and to quarterly growth by 3.5 percentage points. It is not possible to interpret this data economically due to the statistical error it contains. **Final domestic demand excluding stock changes** increased by 4.7% yoy but contracted by 0.4% qoq. **Private consumption** expenditure, which is one of the components of final domestic demand, decreased by 0.7% qoq, but increased by 5.1% yoy (Chart 6). **Investment expenditure** recorded its highest growth in the last seven quarters, increasing by 2.4% qoq and 8.8% yoy. Both the quarterly and annual changes were balanced contributions from construction and machinery and equipment investments (Table 3, Chart 7). **Public consumption** expenditure fell by 4.4% compared to the previous quarter and by 5.2% yoy (Chart 6).

**Chart 5. GDP ve Final Domestic Demand
(Seasonally adjusted, 2009=100)**



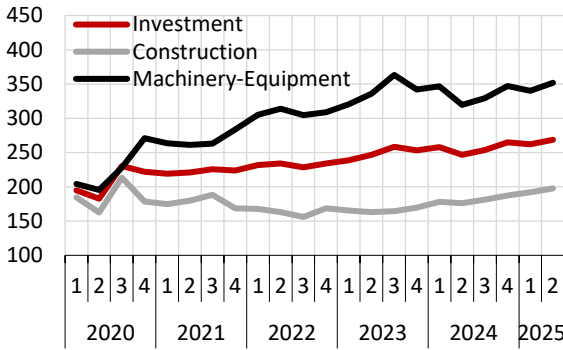
Source: TURKSTAT, Akbank

**Chart 6. Consumption Expenditures
(Seasonally adjusted, 2009=100)**



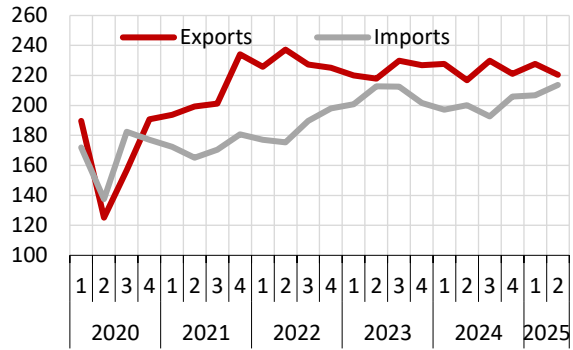
Source: TURKSTAT, Akbank

**Chart 7. Investment Expenditures
(Seasonally adjusted, 2009=100)**



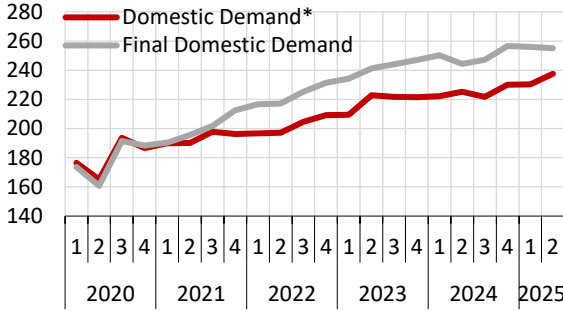
Source: TURKSTAT, Akbank

**Chart 8. Goods and Services Exports and Imports
(Seasonally adjusted, 2009=100)**



Source: TURKSTAT

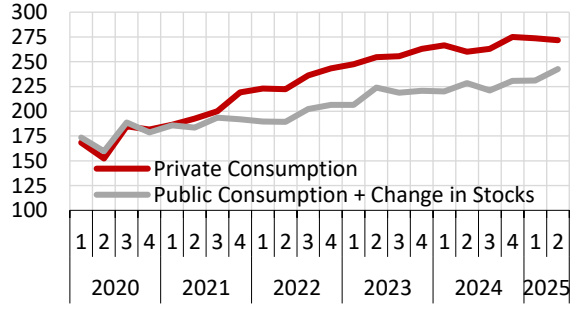
**Chart 9. Domestic demand
(Seasonally adjusted, 2009=100)**



* Domestic demand is the sum of final domestic demand and change in stocks.

Source: TURKSTAT, Akbank

**Chart 10. Private Consumption
(Seasonally adjusted, 2009=100)**



Source: TURKSTAT, Akbank

Table 3. The Growth of GDP and Sub-Items from the Expenditures Side (%)

	Annual Growth				Quarterly Growth (seas. adj.)			
	2024-Ç3	2024-Ç4	2025-Ç1	2025-Ç2	2024-Ç3	2024-Ç4	2025-Ç1	2025-Ç2
GDP	2.8	3.2	2.3	4.8	0.6	1.3	0.7	1.6
Total Consumption	2.7	3.6	1.6	3.5	0.7	3.6	0.0	-1.3
Private Consumption	3.3	4.7	1.6	5.1	1.1	4.5	-0.5	-0.7
Public Consumption	-0.2	-1.9	1.9	-5.2	-1.5	-1.2	2.9	-4.4
Investment	-1.7	5.2	1.8	8.8	2.7	4.5	-1.0	2.4
Construction	8.7	10.6	7.2	11.6	2.9	3.4	2.5	2.9
Machinery and Equipment	-10.2	2.1	-2.5	9.3	3.1	5.3	-2.0	3.5
Other Assets	-2.0	2.4	-1.0	-6.3	0.6	4.4	-6.7	-3.6
Exports	0.2	-2.4	0.1	1.7	6.0	-3.8	3.0	-3.1
Imports	-10.0	1.6	2.7	8.8	-3.7	6.8	0.4	3.4
Domestic Demand	0.7	4.1	2.9	6.3	-1.5	3.7	0.2	3.1
Final Domestic Demand	1.6	4.0	1.7	4.7	1.2	3.8	-0.2	-0.4

Source: TURKSTAT, Akbank

Table 4. Contribution to GDP Growth from the Expenditures Side (Percentage Point)

	Annual Growth				Quarterly Growth (seas. adj.)			
	2024-Ç3	2024-Ç4	2025-Ç1	2025-Ç2	2024-Ç3	2024-Ç4	2025-Ç1	2025-Ç2
GDP	2.8	3.2	2.3	4.8	0.6	1.3	0.7	1.6
Total Consumption	2.1	3.0	1.4	2.8	0.6	2.9	0.0	-1.0
Private Consumption	2.2	3.3	1.1	3.4	0.8	3.1	-0.4	-0.5
Public Consumption	0.0	-0.3	0.2	-0.6	-0.2	-0.2	0.4	-0.6
Investment	-0.4	1.3	0.5	2.2	0.7	1.1	-0.3	0.6
Construction	0.7	0.9	0.7	1.1	0.3	0.3	0.2	0.3
Machinery and Equipment	-1.4	0.3	-0.3	1.1	0.4	0.7	-0.3	0.4
Other Assets	-0.1	0.1	0.0	-0.2	0.0	0.1	-0.2	-0.1
Changes in Stocks	-1.0	-0.2	0.9	1.2	-2.7	-0.5	0.4	3.5
Net Exports	2.2	-0.9	-0.5	-1.4	2.1	-2.2	0.6	-1.4
Exports	0.0	-0.6	0.0	0.4	1.3	-0.9	0.7	-0.7
Imports	2.1	-0.4	-0.5	-1.8	0.8	-1.3	-0.1	-0.7
Domestic Demand	0.7	4.1	2.8	6.2	-1.5	3.5	0.2	3.0
Final Domestic Demand	1.7	4.3	1.9	5.0	1.2	4.1	-0.3	-0.4

Source: TURKSTAT, Akbank

Appendix: Revisions in GDP data

- **TURKSTAT has carried out a comprehensive and planned major revision of its GDP data.** ([TURKSTAT Announcement](#))

The revision includes the following studies:

- The 2023 Supply and Use and Input-Output Tables have been prepared (the previous ones were for 2012).
- In parallel with the increased use of administrative records, many sub-account sets used in GDP calculations were recalculated and detailed using new data. The work carried out in this context can be listed as follows:
 - Development of the calculation method for indirectly measured financial intermediation services (FISIM)
 - Inclusion of own-account electricity generation and major repair and maintenance of own dwellings in the system,
 - Development of the non-observed economy account,
 - Developments in government accounts,
 - Updates in goods and services import and export accounts,
 - Implementing the results of the 2021 Population and Housing Census in imputed and actual rent estimations,
 - Development of accounts in the agricultural sector,
 - Development of the income account.
- In addition, Syrians residing in the country under temporary protection status have been included in the per capita GDP calculation (since 2013), alongside the population.

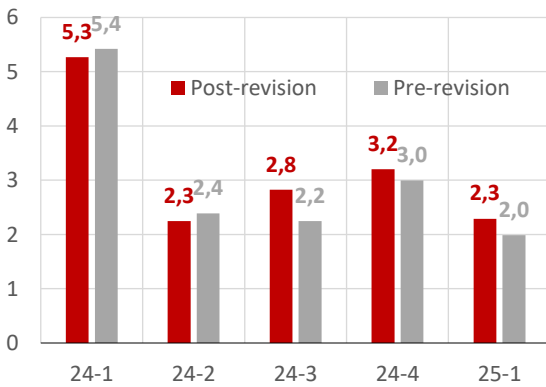
- Within the scope of the revision. GDP data for the period 1995-2025 has been updated (Table Appendix 1).

Table Appendix 1: GDP Revision

Year	GDP in current prices (Million TRY)				GDP Volume change(%)	
	Before Revision	After Revision	Revision Difference	Change in level (%)	Before Revision	After revision
1998	71 945	71 969	24	0.03%	-	-
1999	107 374	107 491	116	0.11%	-3.3	-3.1
2000	171 494	171 778	284	0.17%	6.9	7.0
2001	247 266	247 808	542	0.22%	-5.8	-5.5
2002	362 110	362 907	797	0.22%	6.4	6.4
2003	472 172	473 368	1 197	0.25%	5.8	5.8
2004	582 853	584 694	1 841	0.32%	9.8	9.9
2005	680 276	682 962	2 686	0.39%	9.0	9.1
2006	795 757	799 460	3 702	0.47%	6.9	7.1
2007	887 714	892 805	5 091	0.57%	5.0	5.1
2008	1 002 756	1 009 221	6 464	0.64%	0.8	0.9
2009	1 006 372	1 013 510	7 138	0.71%	-4.8	-4.9
2010	1 167 664	1 176 048	8 383	0.72%	8.4	8.5
2011	1 404 928	1 413 984	9 057	0.64%	11.2	11.0
2012	1 581 479	1 590 049	8 570	0.54%	4.8	4.8
2013	1 823 427	1 831 744	8 317	0.46%	8.5	8.5
2014	2 054 898	2 062 358	7 460	0.36%	4.9	4.6
2015	2 350 941	2 354 059	3 118	0.13%	6.1	5.8
2016	2 626 560	2 629 988	3 428	0.13%	3.3	3.3
2017	3 133 704	3 151 529	17 825	0.57%	7.5	7.8
2018	3 761 166	3 806 479	45 314	1.20%	3.0	3.5
2019	4 317 810	4 402 050	84 240	1.95%	0.8	1.3
2020	5 048 568	5 141 711	93 143	1.84%	1.9	1.8
2021	7 256 142	7 433 800	177 658	2.45%	11.4	11.8
2022	15 011 776	15 325 857	314 082	2.09%	5.5	5.4
2023	26 545 722	27 091 469	545 747	2.06%	5.1	5.0

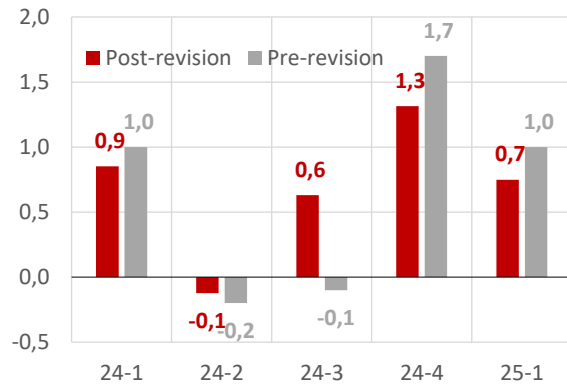
- Growth for 2024 has increased from 3.2% to 3.3%. Accordingly. annual and quarterly growth rates have also changed (Graphs Appendix-1 and Appendix-2).
- Compared to the previous data, the consecutive two-quarter contraction in the middle of last year has been replaced by a cumulative increase in the current data (Graph Appendix-2).
- The seasonally adjusted level of GDP is 0.7% above the previous data as of Q1 2025 (Chart Appendix-3).

Chart A-1. Annual GDP Growth Rates



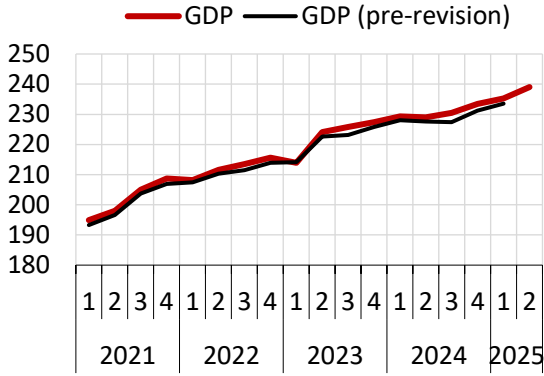
Kaynak: TÜİK, Akbank

Chart A-2. Quarterly GDP Growth Rates



Kaynak: TÜİK, Akbank

Chart A-3. GDP (Seasonally adjusted, 2009=100)



Kaynak: TÜİK, Akbank

- Per capita GDP data has been revised downward with the inclusion of Syrians.

Appendix Table 1: Revision of GDP per Capita

Year	Per Capita GDP (YTL)			Per Capita GDP (USA \$)			Change in level (%)
	Before Revision	After Revision	Difference due to Revision	Revizyon Öncesi	Revizyon Sonrası	Difference due to Revision	
2013	23 946	24 017	72	12 582	12 620	38	0.3
2014	26 624	26 422	- 202	12 178	12 086	- 92	-0.8
2015	30 056	29 341	- 715	11 085	10 822	- 264	-2.4
2016	33 131	32 094	-1 037	10 964	10 621	- 343	-3.2
2017	39 019	37 769	-1 250	10 696	10 354	- 343	-3.3
2018	46 202	44 803	-1 399	9 799	9 502	- 297	-3.1
2019	52 287	51 064	-1 223	9 208	8 992	- 215	-2.4
2020	60 545	59 116	-1 429	8 600	8 397	- 203	-2.4
2021	86 232	84 635	-1 596	9 601	9 424	- 178	-1.9
2022	176 651	172 922	-3 729	10 659	10 434	- 225	-2.2
2023	311 109	305 570	-5 540	13 243	13 008	- 236	-1.8
2024	507 615	503 076	-4 539	15 463	15 325	- 138	-0.9

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