

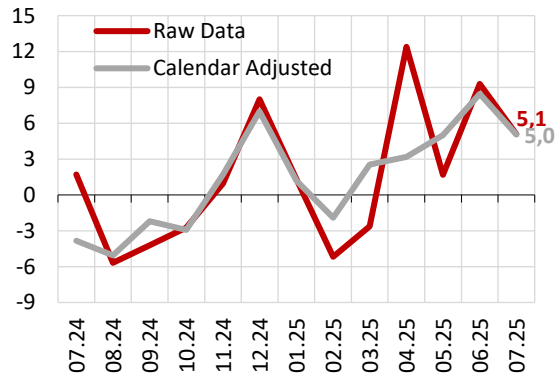
Macro: Divergence across sectors and weakening in industrial production become more pronounced

In July, Industrial Production Index (IPI) decreased by 1.8% month-on-month (mom) in seasonally and calendar adjusted (s.a.) terms, and increased by 5.1% year-on-year (yoy). While the monthly decline was widespread across most sectors, the main driver was the weakening in non-durable consumer goods, led by the clothing, food, and textile sectors. In capital goods, there was a partial correction to the recent increase, which was driven by sectors linked to the defense industry. The relatively positive outlook continued in construction-related sectors.

Year-to-date, IPI (s.a.) has contracted by 2.1% in total, with a clear divergence across sectors. The apparel, textiles, machinery and equipment, and leather sectors were the most severely contracting during this period. We have seen sharp declines in capacity utilization rates in these sectors. Meanwhile, the tobacco products, non-metallic mineral products, and petroleum products sectors recorded the highest increases. Overall, energy, construction-related and defense industry-related sectors performed relatively well, while production declined significantly in labor-intensive sectors and sectors with weakening competitiveness in foreign markets.

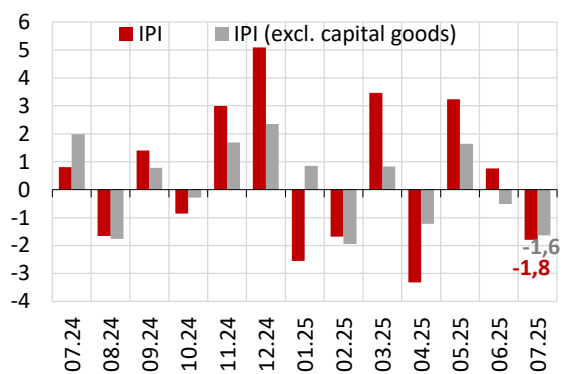
In July, Industrial Production Index (IPI) decreased by 1.8% month-on-month (mom) in seasonally and calendar adjusted (s.a.) terms and increased by 5.1% year-on-year (yoy) (Charts 1, 2, and 3). The calendar-adjusted annual increase was 5.0%. The production in July was 0.3% below the second quarter average (Chart 4).

Chart 1. IPI (yoy, %)



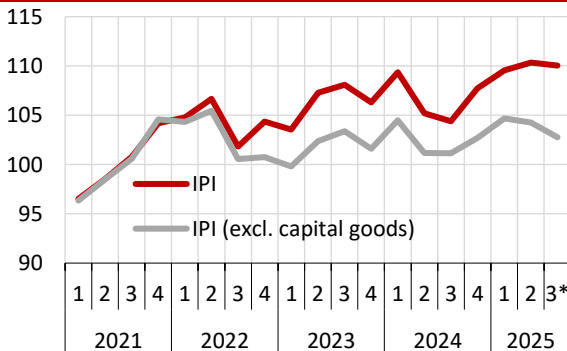
Source: Turkstat

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



Source: Turkstat, Akbank

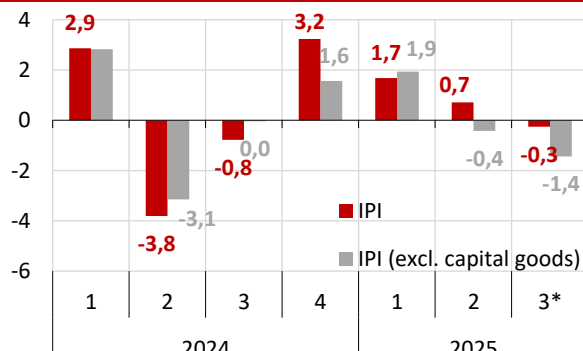
Chart 3. IPI (seasonally adjusted, 2021=100)



*As of July

Source: Turkstat, Akbank

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



*As of July

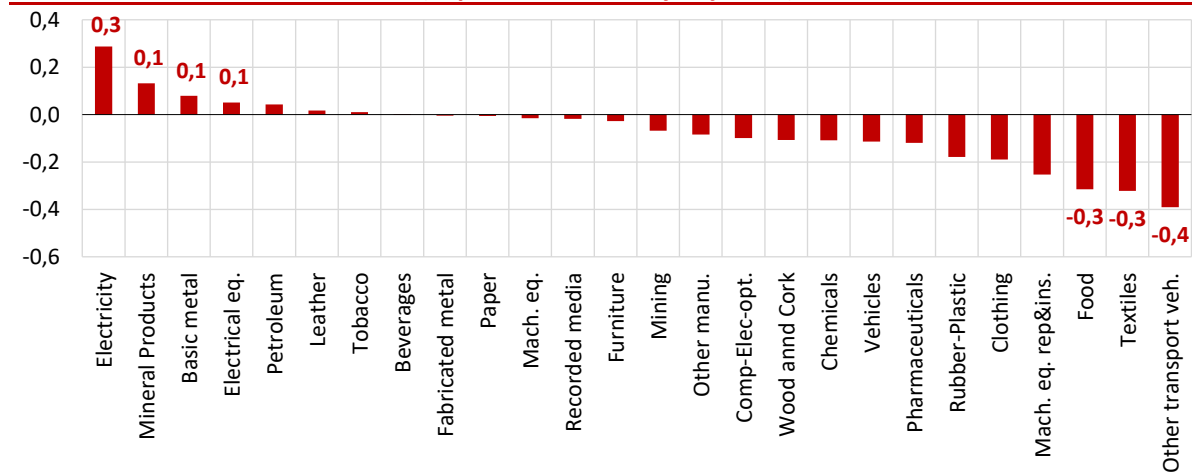
Source: Turkstat, Akbank

The monthly contraction spread across most sectors, with a continued significant weakening in non-durable consumer goods and a decline in capital goods, reflecting corrections to previous months' increase (Table 2). In the annual and quarterly changes in the IPI, capital goods continued to make a significant positive contribution. Excluding capital goods, the IPI (s.a.) contracted more sharply, falling by 1.4% on a quarterly basis (Graph 4) and recording an increase of just 1.3% on an annual basis.

Fluctuations in other transportation vehicles continued to influence changes in capital goods. The largest contribution to the monthly decline in the IPI came from **other transportation vehicles**, which includes defense industry products, by 0.4 pp (Chart 5). The production of the sector declined by 7.5% mom. As we noted previously, **manufacturing of computers, electronic, and optical equipment (s.a.)**, which also includes defense industry products, also contracted by 4.1% mom, pulling the headline index down by 0.1 pp. **Textiles and food** were the other two sectors contributing most to the monthly decline in IPI (each with -0.3 pp). Monthly declines in these sectors (s.a.) were 5.2% and 2.6%, respectively. The marked downward trend in the **clothing** sector continued in July at 4.7%. Production in the **basic pharmaceutical products**, another historically volatile sector, declined by 7.3% in July after growing by 6.4% monthly in June. **Rubber and plastic, wood and cork products** manufacturing showed significant declines of 4.5% and 8.2% monthly, respectively.

In July, the sectors that made a positive contribution to IPI were **electricity, gas, and steam; non-metallic mineral products**, which contains cement and ready-mix concrete; **basic metal** and **electrical equipment manufacturing** (Chart 5). As temperatures remained above seasonal norms, electricity consumption went beyond what economic activity would imply, thus the contribution from electricity production in July should not be considered as a part of the main trend in industrial production. We may see a similar contribution in August. The relatively positive outlook in the mineral products and basic metal industries is likely due to the strong construction sector activity. Indeed, the relatively strong performance of construction was also evident in the GDP data for the second quarter of 2025.

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



Source: Turkstat, Akbank

Across goods groups, the production of non-durable consumer goods (s.a.) decreased by 3.4% monthly due to weakness in the food, clothing, and textile sectors, while capital goods production decreased by 2.3% monthly due to volatility in the transportation and computer sectors (Chart 8). Excluding these sectors, the monthly decline in capital goods was more limited at 0.4%. Intermediate goods and durable consumer goods contracted by 1.7% and 1.3%, respectively (Charts 6 and 7).

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

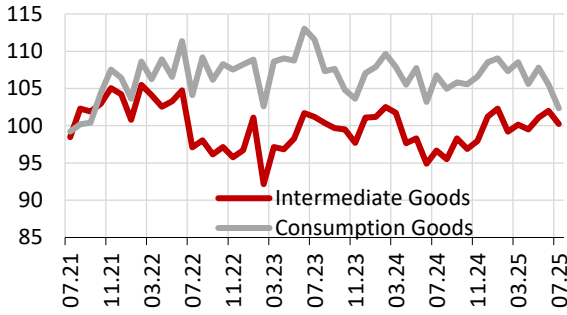


Chart 7. Consumption Goods (seasonally adjusted, 2021=100)

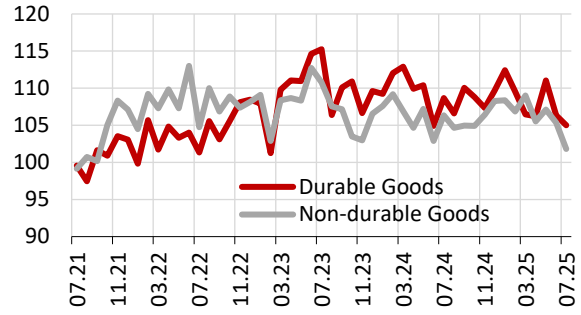
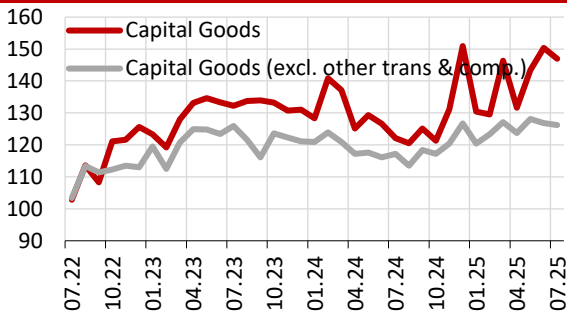
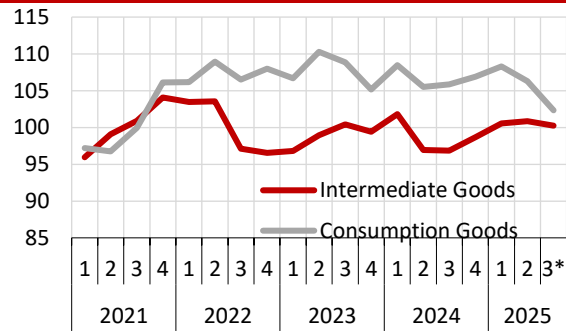


Chart 8. Capital Goods (seasonally adjusted, 2021=100)



Source: Turkstat, Akbank

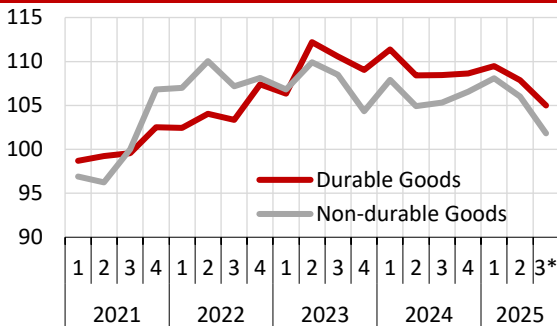
Chart 9. Intermediate and Consumption Goods (seasonally adjusted, 2021=100)



*As of July

Source: Turkstat, Akbank

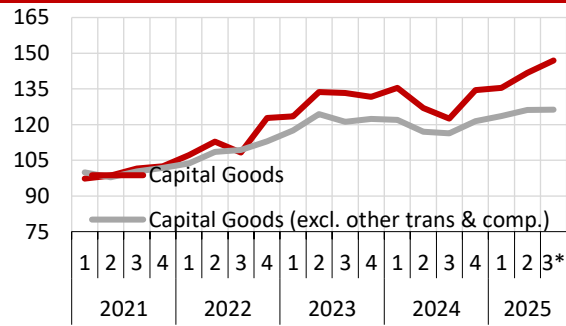
Chart 10. Consumption Goods (seasonally adjusted, 2021=100)



*As of July

Source: Turkstat

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

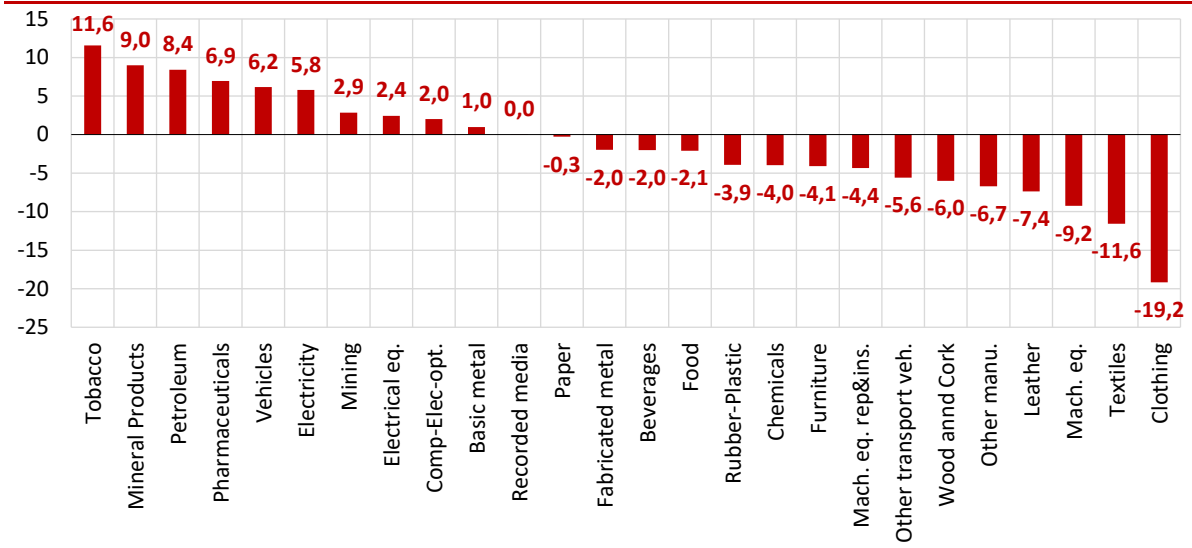


*As of July

Source: Turkstat, Akbank

Year-to-date, IPI (s.a.) has contracted by 2.1% in total, with a clear divergence across sectors. The apparel, textiles, machinery and equipment, and leather sectors were the most severely contracting during this period. We have seen sharp declines in capacity utilization rates in these sectors. Meanwhile, the tobacco products, non-metallic mineral products, and petroleum products sectors recorded the highest increases. Overall, energy, construction-related and defense industry-related sectors performed relatively well, while production declined significantly in labor-intensive sectors and sectors with weakening competitiveness in foreign markets.

Chart 12. January-July Cumulative Change
(%, seasonally adjusted)



Source: Turkstat, Akbank

Table 1. Industrial Production Index (Annual % Change)

	Apr.25	May.25	Jun.25	July.25	2024-Q4	2025-Q1	2025-Q2	2025-Q3*	First 7 months
IPI	12.4	1.7	9.3	5.1	2.2	-2.2	7.4	5.1	2.8
Mining and quarrying	7.3	5.8	3.6	-0.3	-4.2	-2.1	5.6	-0.3	1.4
Mining of coal and lignite	-0.3	8.7	-14.9	-27.7	1.8	-0.6	-2.4	-27.7	-5.9
Extraction of crude petrol. and n. gas	42.1	30.4	25.3	21.0	68.9	42.8	32.3	21.0	34.6
Mining of metal ores	-0.5	-7.5	0.9	-2.3	-22.0	-8.6	-2.5	-2.3	-5.1
Other mining and quarrying	10.2	7.5	13.0	11.1	-8.1	-8.5	10.0	11.1	2.4
Manufacturing	12.7	1.2	10.6	5.5	1.8	-2.7	7.7	5.5	2.8
Food products	16.0	3.3	15.1	5.7	-1.9	0.1	10.9	5.7	5.2
Beverages	12.4	2.9	2.4	5.2	6.2	-3.8	5.6	5.2	2.1
Tobacco products	19.6	15.2	9.9	12.5	3.3	-7.2	14.7	12.5	5.0
Textiles	6.9	-7.7	-0.7	-7.5	3.4	-4.9	-1.1	-7.5	-3.7
Wearing apparel	6.9	-11.9	-12.6	-17.7	10.5	-0.4	-6.7	-17.7	-5.9
Leather and related products	1.9	-7.8	-0.6	-6.4	-4.6	-2.3	-2.6	-6.4	-3.0
Wood and cork products	23.8	4.2	31.2	11.3	-1.5	-1.1	18.1	11.3	8.4
Paper and paper products	11.2	-1.6	12.4	3.8	3.0	-3.3	6.7	3.8	1.8
Recorded media	2.9	-10.2	2.3	-12.1	-7.7	-5.6	-2.4	-12.1	-5.3
Coke and refined petroleum products	11.2	12.8	4.5	4.8	-10.2	4.4	9.4	4.8	6.6
Chemicals and chemical products	7.7	-2.0	7.0	0.9	1.5	-3.8	3.8	0.9	0.0
Basic pharmaceutical products	11.0	-5.0	24.6	4.6	-8.7	-12.9	8.7	4.6	-2.3
Rubber and plastic products	10.7	-2.7	10.8	1.8	-3.1	-8.4	5.4	1.8	-1.3
Other non-metallic mineral products	15.2	7.7	10.0	13.4	-2.2	-5.2	10.6	13.4	4.4
Base metals	11.5	0.7	7.0	5.8	3.7	-0.1	6.1	5.8	3.3
Fabricated metal products	19.9	11.4	15.5	14.3	12.3	4.3	15.3	14.3	10.4
Computer. electronic and optical prod.	4.9	27.6	51.6	51.4	-1.3	4.6	27.8	51.4	20.7
Electrical equipment	16.8	-4.5	3.7	-0.2	-1.9	-3.3	4.4	-0.2	0.3
Machinery and equipment	4.9	-8.9	-3.4	-5.7	-7.5	-8.8	-3.0	-5.7	-5.9
Motor vehicles	17.7	-0.2	11.0	7.1	-10.6	-12.3	8.6	7.1	-1.3
Other transport equipment	11.6	5.6	51.7	59.1	29.5	-5.8	23.0	59.1	14.8
Furniture	12.5	-0.9	7.0	2.5	4.0	-4.3	5.5	2.5	0.9
Other manufacturing	16.2	0.5	-1.7	-6.5	-3.1	-2.4	4.6	-6.5	-0.2
Repair and install. of mach. and equip.	13.6	14.1	24.5	6.9	9.1	9.0	17.3	6.9	12.2
Electricity, gas, steam	12.3	4.7	-1.1	5.8	10.0	5.0	4.9	5.8	5.1
IPI	12.4	1.7	9.3	5.1	2.2	-2.2	7.4	5.1	2.8
Intermediate Goods	11.6	-0.2	8.5	4.0	-0.7	-4.6	6.1	4.0	1.1
Durable Consumer Goods	5.8	-4.4	-1.1	-5.4	-0.2	-3.5	-0.2	-5.4	-2.4
Non-durable Consumer Goods	12.4	-2.3	6.9	-2.3	0.2	-2.2	5.0	-2.3	0.7
Energy	12.6	8.3	0.5	3.7	7.6	6.4	6.9	3.7	6.1
Capital Goods	16.2	8.2	21.5	20.1	5.9	-1.4	14.9	20.1	8.4
Low Technology	11.7	-2.6	5.5	-2.2	1.9	-2.1	4.3	-2.2	0.5
Medium-Low Technology	12.8	4.5	9.9	6.1	0.6	-1.8	8.8	6.1	3.8
Medium-High Technology	14.5	-1.6	3.4	7.0	-1.5	-4.0	4.8	7.0	1.3
High Technology	7.1	21.3	96.9	59.1	16.1	-6.9	40.0	59.1	18.6

*As of July

Source: Turkstat

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

	Monthly % Change				Quarterly % Change			
	Apr.25	May.25	Jun.25	July.25	2024-Q4	2025-Q1	2025-Q2	2025-Q3*
IPI	-3.3	3.2	0.8	-1.8	3.2	1.7	0.7	-0.3
Mining and quarrying	-2.5	5.1	-5.1	-1.5	-3.3	6.3	1.5	-3.3
Mining of coal and lignite	-9.9	20.2	-19.5	-12.3	-6.9	3.0	2.2	-19.7
Extraction of crude petrol. and n. gas	3.7	0.8	1.0	0.7	5.7	4.4	6.4	1.7
Mining of metal ores	-1.5	-3.6	-0.5	4.6	-7.1	8.3	-0.1	2.9
Other mining and quarrying	-1.9	7.1	-3.0	-2.4	-1.1	8.6	0.9	-2.2
Manufacturing	-3.6	3.4	1.0	-2.3	3.7	1.5	0.7	-0.5
Food products	-1.9	-0.9	-0.1	-2.6	1.7	4.5	-1.5	-2.9
Beverages	4.7	-4.8	-0.5	0.5	8.6	0.2	1.0	-1.5
Tobacco products	10.4	12.8	-5.4	2.6	1.7	-2.1	12.3	2.8
Textiles	-3.2	1.7	0.5	-5.2	2.4	-1.9	-3.4	-4.3
Wearing apparel	-9.1	4.2	-6.4	-4.7	0.2	-3.1	-8.2	-7.6
Leather and related products	-7.3	11.6	-9.5	2.1	0.5	0.8	-3.9	-1.0
Wood and cork products	0.2	-2.7	7.4	-8.2	7.7	7.2	-0.9	-4.7
Paper and paper products	1.4	-2.2	2.5	-0.3	2.9	0.7	1.8	0.6
Recorded media	-2.6	4.5	-2.1	-2.6	-11.0	5.2	-1.5	-2.6
Coke and refined petroleum products	5.1	-3.6	-2.4	1.7	3.7	12.5	2.0	-1.2
Chemicals and chemical products	-0.6	1.3	-0.7	-2.7	2.7	0.8	-0.2	-2.7
Basic pharmaceutical products	0.6	-0.4	6.4	-7.3	0.4	-3.0	8.2	-3.6
Rubber and plastic products	-1.3	3.0	2.4	-4.5	1.4	2.1	0.5	-2.1
Other non-metallic mineral products	-2.6	7.0	-3.0	2.1	2.2	5.3	2.0	2.3
Base metals	-0.3	-0.8	1.3	1.6	3.3	2.0	-1.6	2.2
Fabricated metal products	-5.4	7.0	-0.2	-0.1	7.2	0.3	1.2	2.0
Computer. electronic and optical products	-21.1	29.3	7.1	-4.1	2.4	19.6	1.3	8.4
Electrical equipment	2.2	0.6	-1.0	1.2	-0.7	2.0	1.8	0.7
Machinery and equipment	-3.8	1.3	-1.7	-0.4	1.9	-2.8	-3.3	-1.1
Motor vehicles	3.6	1.0	-0.7	-1.8	0.9	2.8	7.1	-1.9
Other transport equipment	-30.8	24.3	28.3	-7.5	36.9	-11.0	18.4	15.4
Furniture	-0.8	3.9	-1.5	-1.1	3.2	1.3	-1.1	-0.8
Other manufacturing	1.7	3.4	-5.3	-4.2	0.3	0.3	-2.0	-6.7
Repair and installation of mach. and equip.	-3.6	4.4	4.3	-7.4	4.3	4.0	3.6	-3.5
Electricity, gas, steam	0.3	-0.1	1.9	4.5	2.0	1.2	-0.3	5.8
IPI	-3.3	3.2	0.8	-1.8	3.2	1.7	0.7	-0.3
Intermediate Goods	-0.7	1.6	0.9	-1.7	1.9	1.9	0.3	-0.6
Durable Consumer Goods	-0.2	4.6	-4.2	-1.3	0.2	0.8	-1.5	-2.7
Non-durable Consumer Goods	-3.2	1.5	-1.6	-3.4	1.2	1.4	-1.9	-4.0
Energy	0.8	0.5	-1.2	2.3	1.8	3.9	0.8	1.7
Capital Goods	-10.1	8.9	5.0	-2.3	9.7	0.7	4.7	3.6
Low Technology	-2.4	1.1	-1.2	-3.1	1.8	1.2	-2.4	-3.5
Medium-Low Technology	-1.0	2.5	0.2	-1.6	3.0	3.1	1.0	-0.7
Medium-High Technology	-0.5	3.5	-3.4	3.5	3.3	0.9	3.2	2.3
High Technology	-33.2	26.2	38.2	-18.8	21.6	-1.4	9.4	6.0

*As of July

Source: Turkstat

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