

Macro: Signals for demand continue to strengthen

Data for January and February indicate that demand conditions in manufacturing industry continue to improve, both driven by domestic and external demand, while production is responding more moderately to this improvement. Although responses to the production volume question reached the highest level since the end of 2023, weakness in capacity utilization persists. Meanwhile, sectoral divergences continue. The weakest outlook in production volume and orders is observed in non-durable consumer goods. We believe that the trend in labor-intensive exporting sectors, especially textiles and clothing, is influential in this. The outlook is relatively stronger in capital goods, including the automotive sector. Firm-size-based data are consistent with this picture: small and medium-sized enterprises are relatively weak, while large firms' domestic and export orders are above average.

Confidence Indices

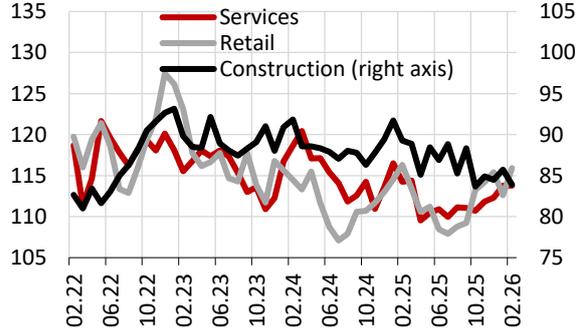
**Real Sector Confidence Index (RSCI):** The decline in January proved temporary, and the seasonally adjusted (s.a.) index increased by 1.1 points in February to 104.1, reaching the highest level since October 2023. Thus, rising again above its long-term average, the RSCI signals that the improvement trend in manufacturing is becoming more evident (Chart 1). The recovery in demand-related indicators (current orders and order expectations) is the main driver of the improvement in the RSCI.

Chart 1. Real Sector Confidence Index (seasonally adjusted)\*



\* Dashed line shows 2007-2019 average.  
Source: CBRT

Chart 2. Sectoral Confidence Indices (seasonally adjusted)



Source: TURKSTAT

**Sectoral Confidence Indices (SCI):** In February, sectoral confidence increased in retail, declined in construction, and remained flat in services (Chart 2). Levels in all sectors remain clearly below their long-term averages.

**Services SCI:** The upward trend observed over the past three months paused in February. The deterioration in recent assessments of demand and business conditions was offset by improved expectations for the future.

**Retail SCI:** Excluding January, the upward trend continues since August. With a monthly increase of 3.3 points, the index reached 115.9, the highest level in the past year. Improvements in demand expectations and increases in business volume over the last three months were the main drivers.

**Construction SCI:** After the increase in January, the index declined by 1.8 points in February. Weakening demand expectations contributed to the decline, while assessments of construction activity over the last three months reached the highest level since April 2025.

**Capacity Utilization Rate (CUR)**

CUR (s.a) declined by 0.4 points in February to 74.0% following five months of increases (totaling 0.8 points). Remaining 2.3 points below the 2007–2019 average, CUR signals weak production (Chart 3).

The decline was widespread across **firm sizes** (Chart 4). In small-scale firms, the gradual decline continued, with CUR falling to 67.6%, the lowest level since August 2020. In medium-sized firms, CUR followed a more volatile path, returning to its December 2025 level at 70.9%, still slightly above the 2025 average. Deviations from the long-term average indicate a weaker outlook for small and medium firms by 3.3 and 4.0 points, respectively. In large firms, CUR stood at 77.6%, 1.2 points below its long-term average.

Across **main industrial groups**, CUR declined in all groups except durable consumer goods (Charts 5 and 6). The most notable decline was in capital goods (0.7 points), followed by intermediate goods (0.3 points) and non-durable consumer goods (0.2 points).

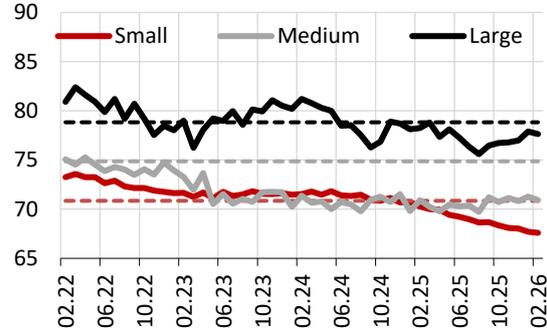
Sectorally, the most pronounced increase (3.3 points) was in **computers, optical and electronic equipment**. In **food**, the gradual recovery that started after the sharp decline in September and October continued in February. In **textiles**, the sharp increase in January was corrected. CUR declined in construction-related sectors such as **basic metals, rubber-plastics, and fabricated metal products**. On the other hand, it increased in durable goods sectors such as **electrical equipment and furniture**. CUR declined significantly in intermediate goods sectors such as **chemicals and paper**, as well as in capital goods sectors such as **vehicles, and other transport equipment**. The 3.4-point decline in vehicles production is thought to be driven by temporary factors (e.g., factory maintenance).

**Chart 3. Capacity Utilization Rate (seasonally adjusted, %)\***



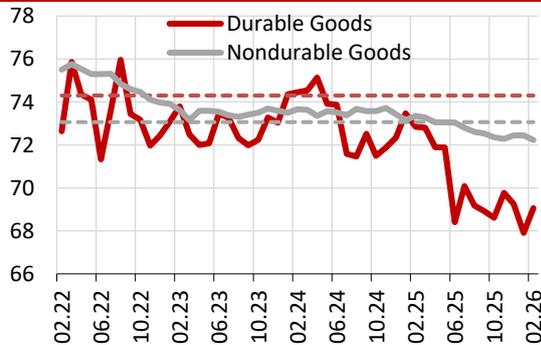
\* Dashed line shows 2007-2019 average.  
Source: CBRT

**Chart 4. Capacity Utilization Rate (by firm-scale, seasonally adjusted, %)\***

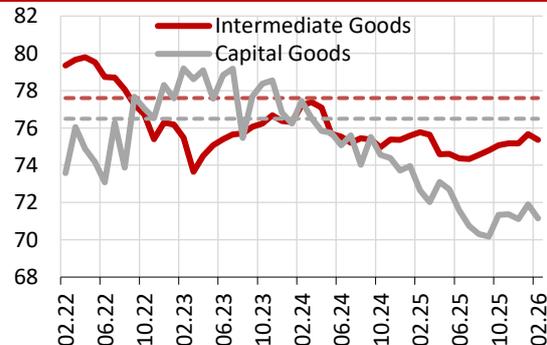


\* Dashed lines show 2007-2019 average of each series.  
Source: CBRT, Akbank

**Chart 5 CUR (by main industrial groups, seasonally adjusted, %)\***



\* Dashed lines show 2007-2019 average of each series.  
Source: CBRT, Akbank

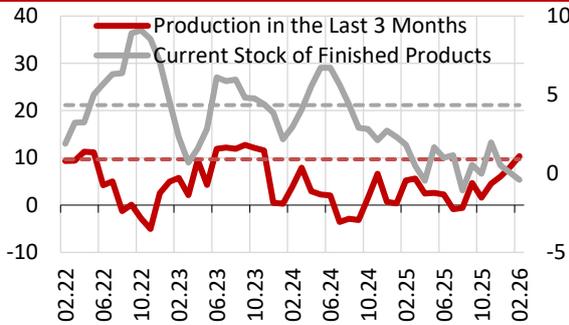


**Business Tendency Survey**

The increase in **production volume** over the past three months strengthened and reached its highest level since the end of 2023, returning to the long-term average (Chart 6). Meanwhile, **stocks of finished goods** declined. The increase in production alongside declining inventories may indicate strengthening demand. In questions related to registered orders, both export and domestic market orders remain above their long-term averages, confirming this assessment (Chart 7). This is also evident when examining the data quarterly.

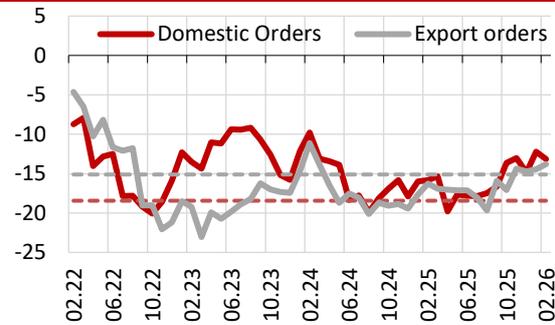
Sectoral divergences remain evident in the main industrial group breakdown. The weakest outlook in production and orders is observed in non-durable consumer goods. Although detailed sub-sector data are not available, we believe that weakness in labor-intensive exporting sectors, particularly textiles and clothing, is a key factor. On the other hand, capital goods, including the automotive sector, display a relatively stronger outlook. Firm size data are consistent with this: small and medium-sized firms remain relatively weak, while large firms' domestic and external orders are above average.

**Chart 6. Production in the Last 3 Months (s.a.. increase-decrease) and Stocks of Finished Products (s. a.. above-below normal)\***



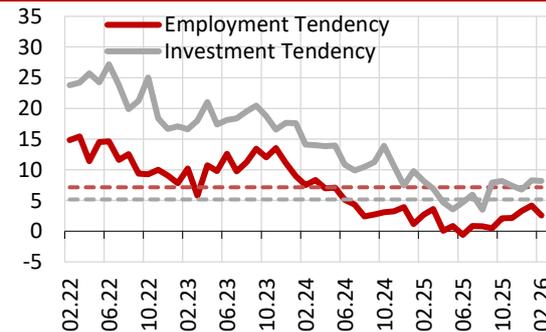
\* Dashed lines show 2007-2019 average of each series.  
Source: CBRT. Akbank

**Chart 7. Registered Orders (seasonally adjusted. above-below normal. %)\***



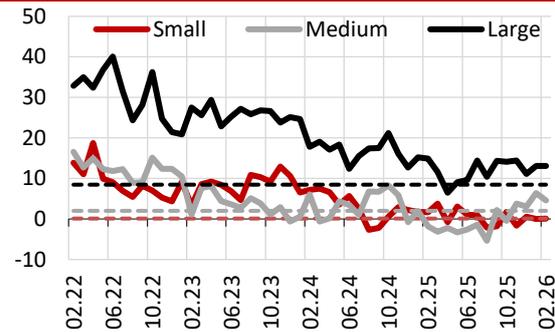
\* Dashed lines show 2007-2019 average of each series.  
Source: CBRT. Akbank

**Chart 8. Employment and Investment Tendency (seas. adj.. increase-decrease. %)**



\* Dashed lines show 2007-2019 average of each series.  
Source: CBRT. Akbank

**Chart 9. Investment Tendency (by firm-scale. seas. adj.. increase-decrease. %)**



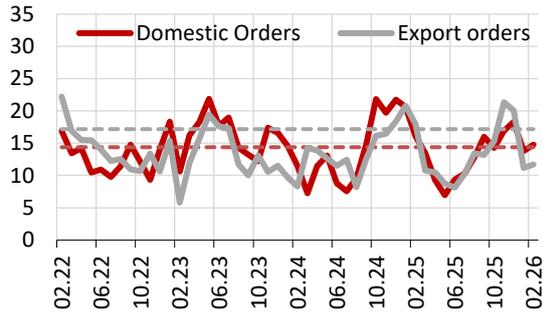
Source: CBRT. Akbank

The recovery in **employment tendency** that began in October paused in February (Chart 8). The weakening in investment tendency in the last quarter of 2025 has not continued into this year. While the overall trend is flat on a monthly basis, a negative divergence is observed in medium-sized firms due to the correction in the increase seen last month (Chart 9).

In manufacturing firms, after the sharp decline in November, **export order** expectations showed a limited increase in February, though levels remain below the long-term average. We observe that the relatively positive outlook in registered orders is not fully reflected in expectations. **Domestic order expectations, however, remain above the long-term average** (Chart 10). Therefore, expectations that domestic demand will continue to support manufacturing are preserved.

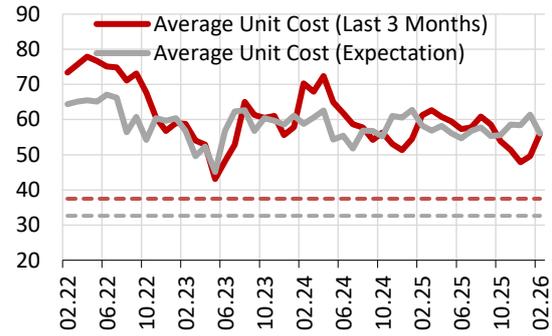
**Among cost-related questions**, the increase in average unit cost over the past three months continued in February. However, expectations for the next three months declined (Chart 11). The downward trend in 12-month ahead PPI inflation expectations in manufacturing has accelerated over the past two months. The expectation for 12 months ahead declined to 30.2%.

**Chart 11. Expectations for Orders in the next 3 Months (seas. adj., increase-decrease. %)\***



\* Dashed lines show 2007-2019 average of each series.  
Source: CBRT. Akbank

**Chart 12. Average Unit Labor Cost (seas. adj., increase-decrease. %)\***



\* Dashed lines show 2007-2019 average of each series.  
Source: CBRT. Akbank

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