

Macro: Growth driven by consumption and services, but weighed down by exports and industry

GDP grew by 2.5% year-on-year in the first quarter, close to both the market expectation (2.7%) and our model forecast (2.3%). Seasonally adjusted quarterly growth came in at 0.1%, in line with our expectation of below-potential growth. From the production side, all sectors except industry contributed positively to annual growth, with the services sector standing out as the main contributor. Reflecting this services-driven growth, private consumption (and domestic demand) remained the primary driver of annual growth on the expenditure side. Meanwhile, net exports continued to make a negative contribution for the sixth consecutive quarter.

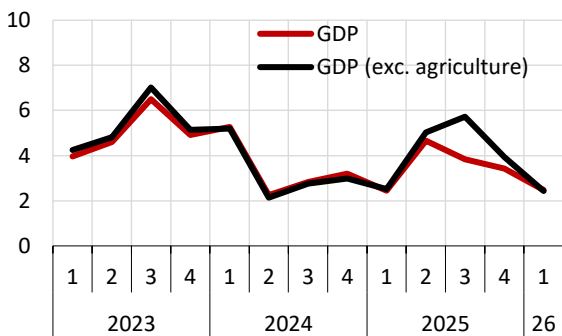
Although the services and agriculture contributed positively to quarterly growth, manufacturing, construction, and net taxes acted as drags. The negative contribution of manufacturing value added for a second consecutive quarter was notable, while the agricultural sector continued to recover from last year’s adverse effects of frost and drought. On the expenditure side, despite the contraction in exports for the second consecutive quarter, the increasing contribution of public consumption stood out. Indeed, excluding public consumption, GDP would have contracted by 0.3% quarter-on-quarter.

In summary, growth showed weak quarterly momentum, partly due to the negative impact of the war on exports in March. We expect economic activity, which is already on a cyclical cooling trend, to remain weak in the second quarter as a result of additional financial tightening (higher effective funding costs and lower credit growth limits). Under this outlook, our estimated output-gap indicators suggest that aggregate demand may have converged toward its potential level—or even fallen below it—by the second quarter. Accordingly, we believe the current picture is consistent with the CBRT communication during the August–October 2024 period.

Looking ahead, the course of the war and the magnitude of the positive contribution expected from the agricultural sector will be key determinants of growth during the year. While downside risks remain somewhat more pronounced, we maintain our 2026 growth forecast at 3.0%.

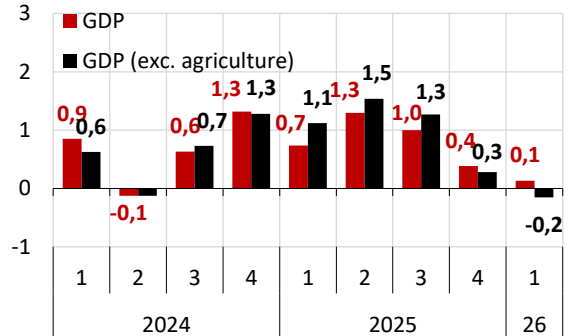
In the first quarter of 2026, annual GDP growth of 2.5% was in line with our model forecast (2.3%) and the market expectation (2.7%) (Chart 1). Calendar-adjusted annual growth was 2.6%. In seasonally and calendar-adjusted (s.a.) terms, GDP increased by only 0.1% quarter-on-quarter, indicating that the slowdown in quarterly growth that began in the second half of 2025 continued (Chart 2).

Chart 1. GDP (yoy, %)



Source: TURKSTAT, Akbank

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



Source: TURKSTAT, Akbank

Production Side:

In the first quarter of 2026, industrial value added declined compared with the previous year, while all other sectors contributed positively to annual growth (Table 1). The near-flat quarterly performance was largely driven by the positive contributions of agriculture and services being offset by declines in construction, industry, and net taxes.

Agricultural value added, after contracting significantly throughout 2025 due to supply-side problems (agricultural frost, drought, etc.), returned to annual growth of 4.6% in the first quarter. As a result, GDP growth excluding agriculture reached 2.4%, again close to overall GDP growth (Chart 1). On a seasonally adjusted basis, the increase recorded in the final quarter of 2025 (2.6%) accelerated further in the first quarter to 5.9%. Nevertheless, the cumulative recovery of the last two quarters has not yet fully offset the cumulative decline of previous quarters. An additional 5.7% increase is needed to return to the level reached in the final quarter of 2024. Preliminary estimates for crop production suggest that the decline in agricultural output seen in 2025 may be reversed this year. Therefore, agricultural production appears to present upside risks to growth, particularly in the third quarter. Excluding agriculture, quarterly GDP growth (s.a.) was limited to 0.2%, indicating that the slowdown in core economic activity has become somewhat more pronounced.

The contribution of **construction** value added to growth weakened significantly in the first quarter compared with previous quarters (Chart 3). Reconstruction efforts in the earthquake-affected region and urban transformation projects had been key drivers of construction growth over the past three years. As spending related to earthquake reconstruction has largely been completed, the expected slowdown in construction value added has begun to emerge. Annual growth slowed to 3.2%, while quarterly growth (s.a.) turned negative (-1.7%) for the first time since 2022-Q3 (Chart 3).

In the **services sector**, annual value-added growth was 3.5%, with all subsectors contributing to annual growth, as in the previous two quarters (Table 1). Quarterly growth (s.a.) accelerated to 0.9% from the previous quarter and was broadly based across service industries (Table 2, Chart 4). While **core services** which are more closely linked to industrial activity, showed a relatively weaker performance, **information and communication, finance and insurance, and other services** recorded strong growth.

Industrial value added (s.a.) declined in the first quarter, as it had in the previous quarter (Chart 3). On an annual basis, the contraction was limited to 0.8%, smaller than the 1.4% decline in the Industrial Production Index (IPI) (Table 1). Lastly, annual growth in **net taxes** slowed to 2.0%, while the 3.8% quarterly contraction (s.a.) reduced quarterly GDP growth by 0.5 percentage points (Table 2).

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

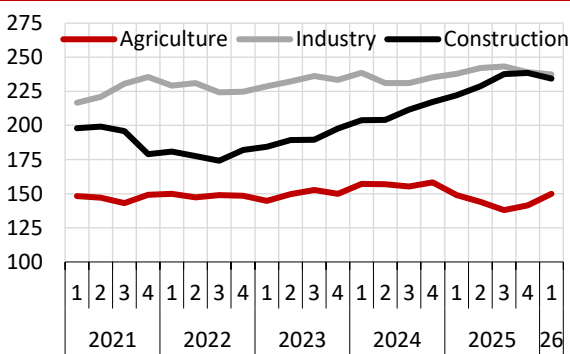
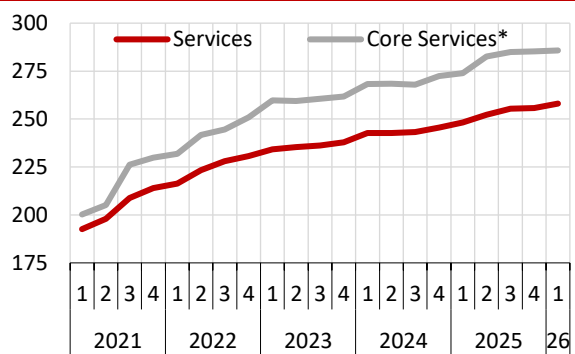


Chart 4. Value Added by Sectors (seasonally adjusted, 2009=100)



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

Source: TURKSTAT

Source: TURKSTAT

Due to the chain indexing method used in calculating national income, the quarterly and annual growth rates derived from totalling the sectors may differ from the headline quarterly and annual growth for GDP. However, the annual and quarterly growth rates we obtained from the total of the sectors in the first quarter are similar to the reported values, at 2.5% and 0.1% respectively.

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

	Annual Growth				Quarterly Growth (seas. adj.)			
	2025-Q2	2025-Q3	2025-Q4	2026-Q1	2025-Q2	2025-Q3	2025-Q4	2026-Q1
GDP	4.7	3.8	3.4	2.5	1.3	1.0	0.4	0.1
Agriculture	-5.0	-12.4	-7.2	4.6	-3.3	-4.2	2.6	5.9
Industry	6.1	6.5	0.9	-0.8	1.8	0.5	-1.8	-0.7
Manufacturing	7.0	7.6	0.9	-1.4	2.1	0.9	-1.6	-1.6
Construction	11.3	14.1	8.6	3.2	3.0	3.9	0.4	-1.7
Services	3.6	6.0	4.0	3.5	1.6	1.3	0.2	0.9
Core Services*	5.9	6.5	4.2	3.7	3.2	0.8	0.1	0.2
Information and Communication	7.0	10.1	8.9	9.5	1.8	2.8	1.2	2.9
Financial and Insurance Activities	2.1	11.1	4.1	3.5	1.4	2.6	-1.4	2.2
Real Estate Activities	1.7	4.3	3.5	3.0	0.9	1.1	0.7	0.8
Profes. Adm. and Support Services	5.6	4.5	3.7	1.9	0.8	-0.2	1.0	0.7
Public Administration**	-1.6	2.4	1.7	1.8	-1.3	1.9	-0.2	1.2
Other Services	2.2	7.2	3.8	5.2	0.4	2.3	0.4	1.8
Net Taxes (Tax - Subsidies)	2.7	9.7	9.5	2.0	1.8	3.0	3.4	-3.8

* 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.)			
	2025-Q2	2025-Q3	2025-Q4	2026-Q1	2025-Q2	2025-Q3	2025-Q4	2026-Q1
GDP	4.7	3.8	3.4	2.5	1.3	1.0	0.4	0.1
Agriculture	-0.2	-1.3	-0.3	0.1	-0.2	-0.2	0.1	0.3
Industry	1.1	1.1	0.2	-0.2	0.3	0.1	-0.3	-0.1
Manufacturing	1.1	1.1	0.1	-0.2	0.3	0.1	-0.3	-0.3
Construction	0.6	0.7	0.4	0.2	0.2	0.2	0.0	-0.1
Services	2.2	3.4	2.4	2.2	0.9	0.8	0.1	0.5
Core Services*	1.5	1.6	1.1	0.9	0.8	0.2	0.0	0.0
Information and Communication	0.2	0.3	0.4	0.4	0.1	0.1	0.0	0.1
Financial and Insurance Activities	0.1	0.6	0.2	0.2	0.1	0.1	-0.1	0.1
Real Estate Activities	0.2	0.4	0.3	0.3	0.1	0.1	0.1	0.1
Profes. Adm. and Support Services	0.3	0.2	0.2	0.1	0.0	0.0	0.0	0.0
Public Administration**	-0.2	0.2	0.1	0.2	-0.1	0.2	0.0	0.1
Other Services	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.0
Net Taxes (Tax - Subsidies)	0.3	1.0	1.2	0.2	0.2	0.3	0.4	-0.5

* 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.

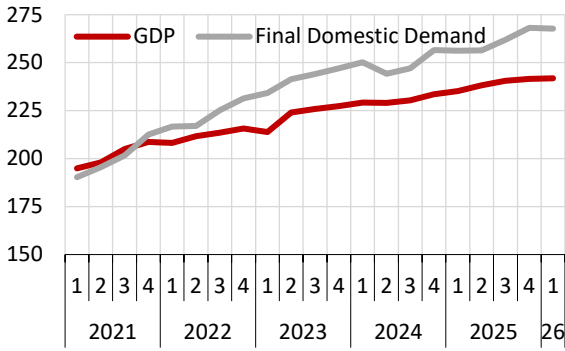
Source: TURKSTAT, Akbank

Expenditure Side:

As in the previous five quarters, domestic demand was the main driver of annual growth in the first quarter of 2026, while the negative contribution of net exports to growth intensified. Domestic demand contributed 5.0 percentage points to annual growth, while net exports contributed a negative 2.5 percentage points (Table 4). As a reflection of service-driven growth, private consumption continued to be the main driver of annual growth on the expenditure side (Table 3).

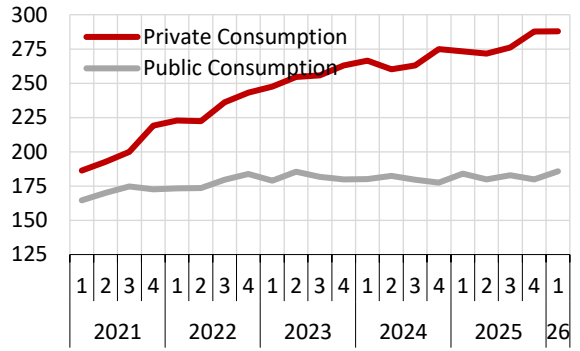
On the other hand, quarter-to-quarter changes (s.a.) indicate that final domestic demand remained relatively flat (Chart 5), consumption continued to contribute to growth through government spending (Chart 6), investment broadly limited growth (Chart 7), and net exports continued to make a high negative contribution to quarterly growth with strengthening weakness in exports (Chart 8, Table 4).

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



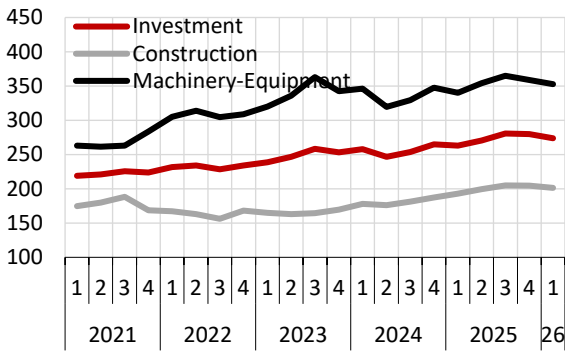
Source: TURKSTAT, Akbank

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



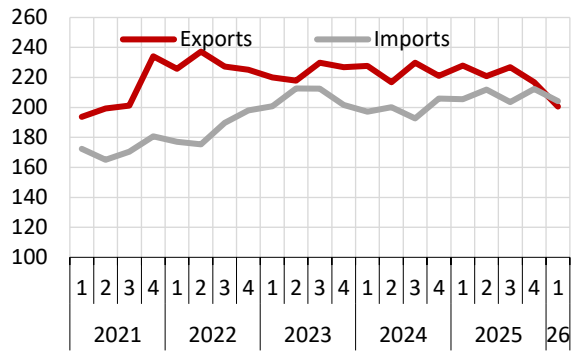
Source: TURKSTAT, Akbank

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



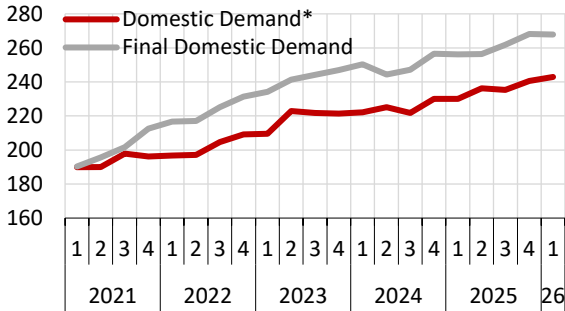
Source: TURKSTAT, Akbank

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



Source: TURKSTAT

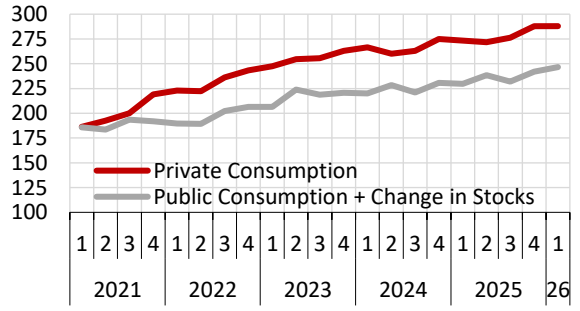
Chart 9. Domestic demand (Seasonally adjusted, 2009=100)



* 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

In summary, growth showed weak quarterly momentum, partly due to the negative impact of the war on exports in March. We expect economic activity, which is already on a cyclical cooling trend, to remain weak in the second quarter as a result of additional financial tightening (higher effective funding costs and lower credit growth limits). Under this outlook, our estimated output-gap indicators suggest that aggregate demand may have converged toward its potential level—or even fallen below it—by the second quarter. Accordingly, we believe the current picture is consistent with the CBRT communication during the August–October 2024 period.

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

	Annual Growth				Quarterly Growth (seas. adj.)			
	2025-Q2	2025-Q3	2025-Q4	2026-Q1	2025-Q2	2025-Q3	2025-Q4	2026-Q1
GDP	4.7	3.8	3.4	2.5	1.3	1.0	0.4	0.1
Total Consumption	3.9	4.0	4.3	4.4	-0.8	1.6	3.3	0.5
Private Consumption	4.7	4.3	5.2	4.8	-0.5	1.6	4.2	0.1
Public Consumption	-0.2	2.5	-0.9	2.1	-2.3	1.7	-1.7	3.3
Investment	8.9	11.5	5.4	3.0	2.8	3.7	-0.3	-2.2
Construction	11.9	13.5	8.7	3.3	3.4	2.8	-0.2	-1.6
Machinery and Equipment	9.4	11.1	2.8	3.0	4.2	3.1	-1.7	-1.6
Other Assets	-6.7	3.4	4.8	2.3	-4.6	10.0	5.2	-6.4
Exports	2.0	-0.8	-2.3	-12.7	-3.1	2.7	-4.5	-7.5
Imports	8.9	4.4	3.8	-2.0	3.1	-3.8	4.3	-3.9
Domestic Demand	6.1	5.1	4.8	5.2	2.7	-0.4	2.3	0.9
Final Domestic Demand	5.1	5.8	4.5	4.0	0.0	2.1	2.4	-0.1

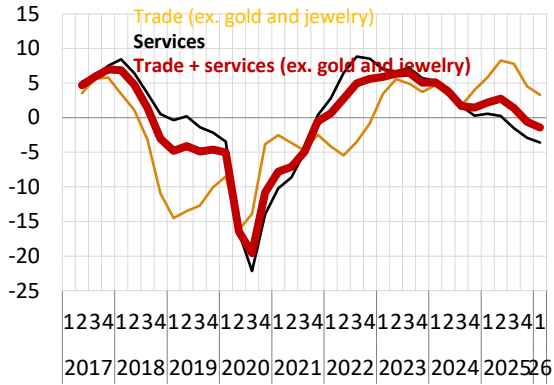
Source: TURKSTAT, Akbank

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

	Annual Growth				Quarterly Growth (seas. adj.)			
	2025-Q2	2025-Q3	2025-Q4	2026-Q1	2025-Q2	2025-Q3	2025-Q4	2026-Q1
GDP	4.7	3.8	3.4	2.5	1.3	1.0	0.4	0.1
Total Consumption	3.1	3.2	3.5	3.7	-0.7	1.3	2.7	0.4
Private Consumption	3.1	2.8	3.7	3.4	-0.4	1.1	2.9	0.1
Public Consumption	0.0	0.3	-0.1	0.3	-0.3	0.2	-0.2	0.4
Investment	2.3	2.8	1.4	0.8	0.7	1.0	-0.1	-0.6
Construction	1.1	1.2	0.8	0.3	0.3	0.3	0.0	-0.2
Machinery and Equipment	1.2	1.3	0.4	0.4	0.5	0.4	-0.2	-0.2
Other Assets	-0.2	0.1	0.2	0.1	-0.1	0.3	0.2	-0.2
Changes in Stocks	0.6	-1.1	-0.2	0.5	2.6	-2.7	-0.4	1.1
Net Exports	-1.3	-1.0	-1.4	-2.5	-1.3	1.4	-1.8	-0.8
Exports	0.4	-0.2	-0.5	-2.9	-0.7	0.6	-1.0	-1.6
Imports	-1.8	-0.8	-0.9	0.4	-0.6	0.8	-0.8	0.8
Domestic Demand	6.0	4.8	4.8	5.0	2.6	-0.4	2.2	0.9
Final Domestic Demand	5.4	5.9	5.0	4.5	0.1	2.3	2.6	-0.1

Source: TURKSTAT, Akbank

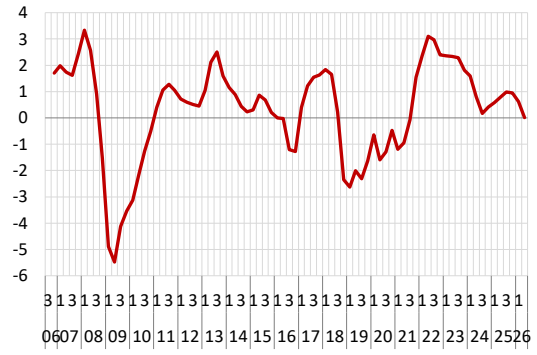
Chart 11. Output Gap in Services (% difference from log-linear trend)*



* Total services indicator is the weighted average of other two series with their 2024 weights

Source: TURKSTAT, Akbank

Chart 12. Output Gap (%)*



* Indicators created from the combinations of GDP, unemployment rate and net credit use that have the highest predictive power for core inflation (B).

Source: TURKSTAT, Akbank

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