

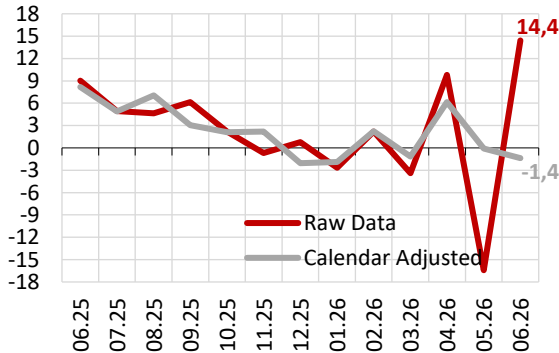
Macro: The headline shows a positive outlook for second-quarter growth, but the overall trend remains weak

The industrial production, which fluctuated in May and June due to holiday-related calendar day effects, signaled a stronger contribution to GDP growth in the second quarter compared to the previous quarter, increasing by 2% quarter-on-quarter and 1.9% year-on-year (Q1 2026: -1.4%). Looking at the quarterly developments of the sectors, the strong growth in total industrial production in the second quarter was primarily driven by the defense industry-related other transport equipment production, contributing 1 percentage point. Despite developments in the Middle East, export-intensive sectors recorded 5.1% quarter-on-quarter growth, and the construction-related sectors, which contracted by 1.3% in the first quarter due to the decreasing impact of additional demand from the earthquake, returned to production growth with a 0.6% increase this quarter.

Despite the favorable bridge-day effects in June, the monthly change in industrial production (s.a.) remained limited to 0.1%, indicating a weak overall trend. Leading indicators for July, such as the Business Tendency Survey, capacity utilization rate, PMI, and Export Climate Index, signal an improvement in external demand for manufacturing activity, but the overall outlook remains weak, primarily driven by domestic demand.

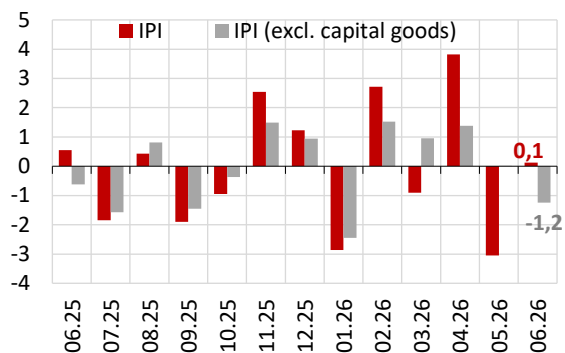
In June, while the Production Index (IPI) showed a strong year-on-year increase due to calendar effects, as highlighted in our note last month, it remained flat on a monthly basis despite strong growth in other transport equipment production. The IPI increased by 0.1% month-on-month on a seasonally adjusted (s.a.) basis and by 14.4% year-on-year (Charts 1, 2 and 3). The increase in the number of working days (+4.5 days), due to the shift of the Eid al-Adha holiday to May this year, unlike in 2025, was the key factor behind the year-on-year growth. Indeed, when adjusted for calendar effects, production pointed to a 1.4% year-on-year contraction (Chart 1). From July onwards, with the normalization in the number of working days, the raw and calendar-adjusted year-on-year changes will converge.

Chart 1. IPI (yoy, %)



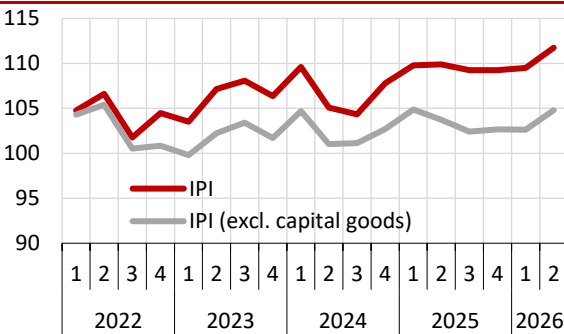
Source: Turkstat

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



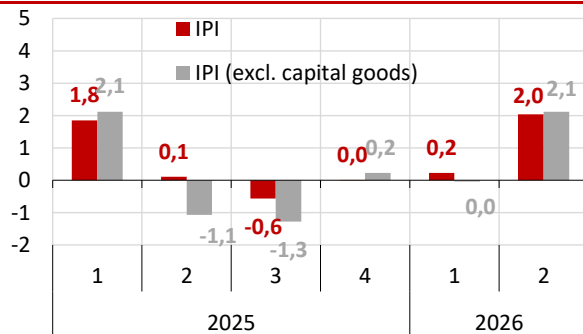
Source: Turkstat, Akbank

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



Source: Turkstat, Akbank

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

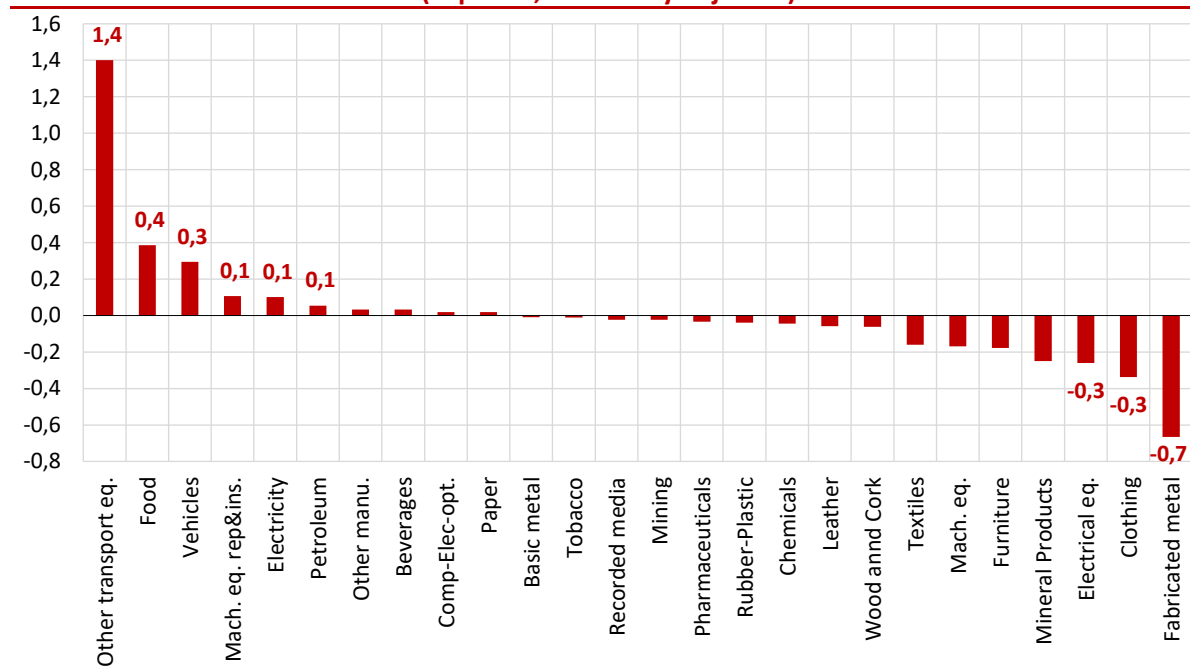


Source: Turkstat, Akbank

Despite the moderate monthly increase in the IPI (s.a.), when viewed on a quarterly basis, production growth in the second quarter was strong at 2%, compared with the first-quarter's average of 0.2% (Chart 4). While the low base in the first quarter made a significant contribution to this increase, the fact that production growth was not driven solely by capital goods and that groups other than energy also made balanced contributions is positive in terms of signaling that production growth was broad-based across sectors (Table 2).

As noted in our previous reports, the sharp increase in other transport equipment production was decisive in keeping monthly production growth in positive territory. Production of **other transport equipment** (s.a.) rose by 50.2% in June as a correction following a 46.2% contraction in May, contributing 1.4 percentage points to the monthly change in the IPI (Chart 5). Excluding this volatility to obtain a clearer picture of the underlying trend, we calculate that the IPI excluding capital goods (s.a.) contracted by 1.2% month-on-month, while the IPI excluding other transport equipment contracted by 1.4% month-on-month. In our previous note, we had noted that the bridge-day effects (1.5 days) stemming from the extension of the holiday to nine days in May made it difficult to assess the underlying trend on a monthly basis, although the depressing effect of the bridge day may have been more limited than usual in May. Indeed, the fact that a significant portion of sectors contracted month-on-month in June also confirms that this effect was limited.

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



Source: Turkstat, Akbank

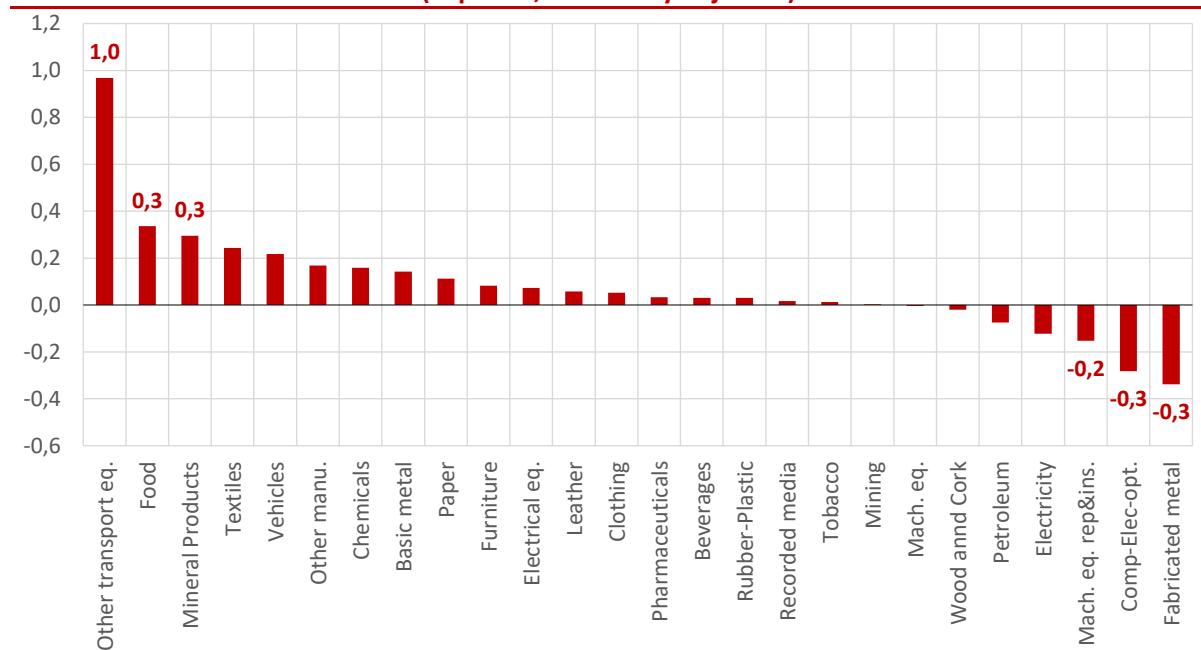
By sub-sector, following other transport equipment (+1.4 percentage points), the highest monthly contributions came from **food** (+0.4 percentage points), **motor vehicles** (+0.3 percentage points) and **electricity** (Chart 5). Although capital goods production (s.a.) increased by 5.1% month-on-month with the support of other transport equipment (+50.2%) and motor vehicles (+4.6%), monthly production declines in **fabricated metal products** (-9.3%), **electrical equipment** (-5.9%) and **machinery equipment** (-4.2%) pulled total industrial production growth down by 1.1 percentage points. Meanwhile, **textile and clothing manufacturing**, which had recorded positive growth in the previous two months, contracted by 2.7% and 7.8% month-on-month, respectively, in June. Production in construction-

related sectors, including **mineral products** (-4.0%), contracted by 4.4% month-on-month in June following four consecutive months of expansion.

By main industrial groupings, while capital goods (s.a.) production increased by 5.1% month-on-month and energy production by 0.6%, monthly declines in durable consumer goods (-3.3%), intermediate goods (-1.6%) and non-durable consumer goods (-1.1%) limited the growth in total industrial production (Charts 7-9, Table 2).

Looking at the quarterly developments of the sectors, the strong growth of 2,0% in total industrial production in the second quarter was primarily driven by the defense industry-related other transport equipment production, contributing 1 percentage point. Despite developments in the Middle East, export-intensive sectors recorded 5.1% quarter-on-quarter growth, and the construction-related sectors, which contracted by 1.3% in the first quarter due to the decreasing impact of additional demand from the earthquake, returned to production growth with a 0.6% increase this quarter. In addition, food (+2.5%), which is more domestic demand-oriented, and textiles (+4.2%), which have a high degree of indirect export exposure, together contributed 0.5 percentage points to the IPI in the quarter (Chart 6, Table 2).

Chart 6. Contributions to the Quarterly Change in IPI
(% points, seasonally adjusted)



Source: Turkstat, Akbank

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

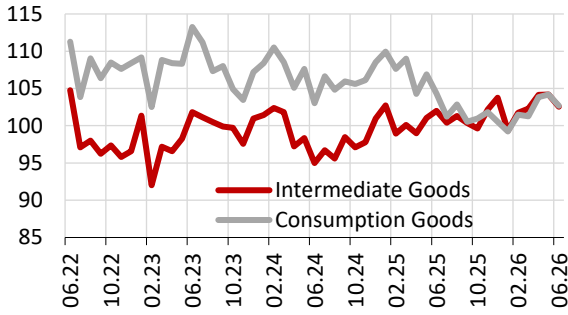


Chart 8. Consumption Goods (seasonally adjusted, 2021=100)

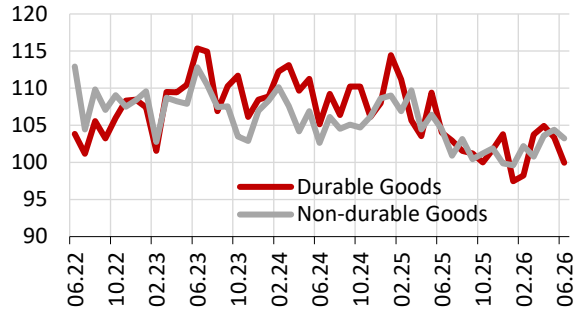
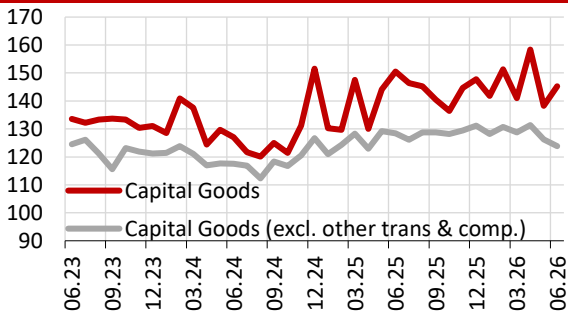
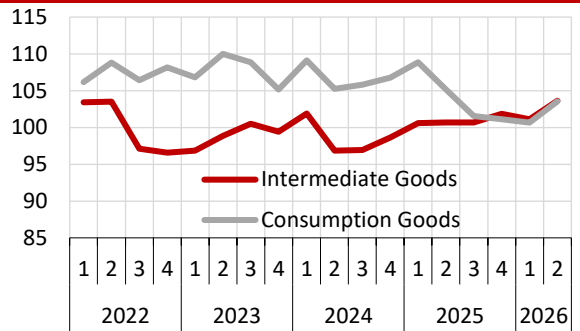


Chart 9. Capital Goods (seasonally adjusted, 2021=100)



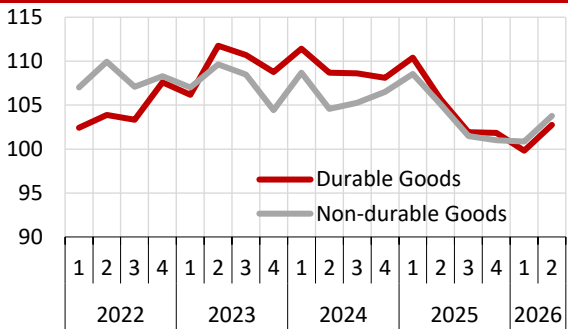
Source: Turkstat, Akbank

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



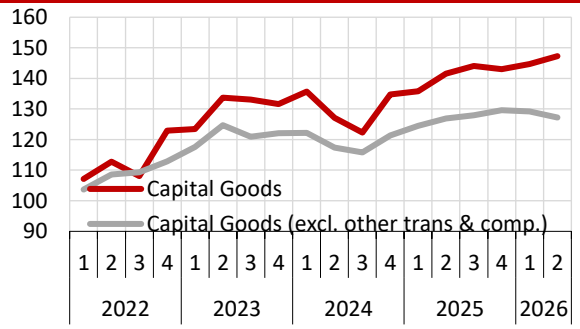
Source: Turkstat, Akbank

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



Source: Turkstat

Chart 12. Capital Goods (seasonally adjusted, 2021=100)



Source: Turkstat, Akbank

Table 1. Industrial Production Index (Annual % Change)

	Mar.26	Apr.26	May.26	June.26	2025-Q3	2025-Q4	2026-Q1	2026-Q2
IPI	-3.4	9.8	-16.4	14.4	5.2	0.8	-1.4	1.9
Mining and quarrying	-6.4	-0.2	-17.1	9.4	3.8	4.2	-2.5	-3.1
Mining of coal and lignite	-1.2	16.0	-11.5	21.5	-13.6	5.0	-1.3	7.2
Extraction of crude petrol. and n. gas	-1.8	-3.7	-0.5	1.6	19.7	12.4	-1.3	-0.9
Mining of metal ores	-22.4	-23.2	-29.7	-8.7	2.6	-12.3	-11.8	-20.5
Other mining and quarrying	5.3	17.3	-13.2	24.4	8.2	12.5	5.1	8.2
Manufacturing	-3.8	10.9	-17.2	15.3	5.4	0.5	-1.7	2.1
Food products	-4.9	4.4	-13.7	18.2	5.5	-4.1	-2.9	2.4
Beverages	-6.4	0.1	-7.3	24.3	3.5	3.6	-6.0	5.6
Tobacco products	3.1	18.9	-21.7	13.3	12.1	5.5	9.0	1.7
Textiles	-6.6	9.8	-18.5	24.3	-7.2	-8.6	-5.9	3.7
Wearing apparel	-24.7	-8.1	-30.7	2.6	-20.1	-25.6	-23.3	-13.4
Leather and related products	-14.8	3.0	-23.3	13.1	-6.8	-11.2	-16.2	-3.7
Wood and cork products	-2.0	5.3	-15.9	8.1	11.7	8.9	-2.3	-1.3
Paper and paper products	0.4	9.6	-11.6	21.1	5.2	-0.4	-0.5	5.6
Recorded media	-2.9	3.7	-21.0	11.0	0.9	-0.4	-8.5	-2.8
Coke and refined petroleum prod.	14.8	-0.7	-1.1	4.1	14.1	6.5	9.0	0.7
Chemicals and chemical prod.	2.9	11.8	-10.2	18.2	4.7	4.1	0.5	6.1
Basic pharmaceutical products	20.5	14.7	-6.6	24.3	12.9	13.4	16.2	10.6
Rubber and plastic products	-2.8	8.2	-22.1	18.8	0.4	0.2	-2.6	0.3
Other non-metallic mineral prod.	-0.1	12.3	-13.3	19.6	11.7	12.4	-1.3	4.8
Base metals	0.2	9.9	-8.7	20.6	6.7	4.5	0.9	6.6
Fabricated metal products	9.0	17.8	-15.8	13.4	15.9	12.6	10.4	4.1
Comp., electronic and optical prod.	10.0	40.7	-12.3	5.1	27.0	14.5	23.4	8.0
Electrical equipment	3.8	15.5	-17.9	20.6	2.7	9.8	0.3	4.9
Machinery and equipment	-9.8	2.2	-24.6	12.8	-5.6	-8.1	-9.7	-4.3
Motor vehicles	-4.5	8.7	-22.9	19.6	9.4	8.8	1.6	0.6
Other transport equipment	-26.2	94.2	-22.4	5.1	46.7	-0.2	-2.0	18.7
Furniture	1.5	15.8	-15.3	20.9	3.4	2.5	-1.0	5.7
Other manufacturing	-8.8	-1.7	-26.5	24.1	-10.8	-14.6	-17.2	-3.6
Repair& instl. of mach. and eq.	-10.2	1.1	-23.4	0.1	9.2	0.1	-2.1	-7.7
Electricity, gas, steam	4.5	3.0	-4.5	6.9	5.7	0.4	2.7	1.8
IPI	-3.4	9.8	-16.4	14.4	5.2	0.8	-1.4	1.9
Intermediate Goods	-0.6	9.3	-15.0	18.1	4.3	3.5	-0.6	3.2
Durable Consumer Goods	-6.4	6.3	-24.9	16.0	-6.7	-4.8	-12.0	-2.7
Non-durable Consumer Goods	-7.7	3.1	-18.1	16.0	-1.4	-7.4	-6.9	-0.5
Energy	5.6	2.0	-4.6	6.7	6.7	2.6	3.6	1.3
Capital Goods	-6.5	23.4	-20.2	10.6	18.1	4.4	3.7	3.5
Low Technology	-7.7	4.2	-18.3	16.8	-2.2	-7.1	-7.5	-0.1
Medium-Low Technology	-0.5	7.1	-15.5	14.8	6.9	3.8	0.0	1.3
Medium-High Technology	-0.1	19.8	-18.9	21.4	10.2	10.0	2.9	6.2
High Technology	-10.4	42.5	-10.8	-7.1	31.9	-1.1	8.8	3.9

Source: Turkstat

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

	Monthly % Change				Quarterly % Change			
	Mar.26	Apr.26	May.26	June.26	2025-Q3	2025-Q4	2026-Q1	2026-Q2
IPI	-0,9	3,8	-3,0	0,1	-0,6	0,0	0,2	2,0
Mining and quarrying	-2,1	0,7	1,1	-0,5	-2,0	-2,6	1,1	0,1
Mining of coal and lignite	14,9	2,3	2,0	-10,5	-10,8	12,9	0,2	5,2
Extraction of crude petrol. and n. gas	2,1	-0,4	2,8	0,2	-1,2	1,1	-3,5	3,0
Mining of metal ores	-11,7	-1,0	0,0	6,2	0,7	-19,4	4,3	-6,5
Other mining and quarrying	-2,6	1,5	0,9	-0,4	-0,4	3,3	2,7	2,0
Manufacturing	-1,2	4,5	-3,4	0,0	-0,7	0,3	0,0	2,4
Food products	-2,4	3,8	-1,6	2,9	-2,6	1,5	-0,2	2,5
Beverages	-0,7	2,8	1,0	6,1	-3,5	3,9	-2,6	6,0
Tobacco products	-5,0	13,4	-4,5	-2,8	1,3	-4,0	1,1	3,3
Textiles	-0,4	3,4	1,3	-2,7	-3,6	0,5	2,4	4,2
Wearing apparel	-1,1	1,4	2,7	-7,8	-9,0	-5,8	0,0	1,3
Leather and related products	-4,9	8,0	3,3	-5,4	-3,9	-1,9	-3,5	5,7
Wood and cork products	-0,1	-0,2	-0,9	-4,0	-2,2	4,5	-2,3	-1,3
Paper and paper products	1,8	3,0	-1,3	0,8	-0,4	-1,9	2,3	5,0
Recorded media	0,2	1,5	1,2	-3,1	4,0	-6,6	-2,6	2,3
Coke and refined petroleum prod.	8,8	-6,8	-3,8	2,5	-3,3	-3,4	11,4	-3,3
Chemicals and chemical products	2,0	3,2	-1,0	-1,0	0,0	2,7	-0,7	3,8
Basic pharmaceutical products	3,9	-4,0	3,9	-2,0	3,3	2,9	1,4	1,9
Rubber and plastic products	0,4	0,4	-1,1	-1,0	-2,9	0,8	0,9	0,7
Other non-metallic mineral products	2,7	1,0	2,8	-4,0	2,1	2,8	-5,2	5,1
Base metals	-0,2	3,1	-0,1	-0,2	3,1	1,2	-1,0	3,1
Fabricated metal products	2,4	-2,9	-0,9	-9,3	5,6	3,1	0,8	-4,6
Computer, electronic and optical prod.	-13,8	0,3	-3,9	1,0	3,5	-3,7	24,5	-12,4
Electrical equipment	5,7	2,9	-3,1	-5,9	1,2	4,4	-2,6	1,7
Machinery and equipment	0,9	0,1	-0,2	-4,2	-1,2	0,0	-2,8	-0,1
Motor vehicles	-1,9	6,7	-6,3	4,6	-2,5	1,4	-1,7	3,4
Other transport equipment	-27,2	84,8	-46,2	50,2	4,8	-7,2	-4,4	31,0
Furniture	1,7	1,9	0,8	-5,9	1,0	1,7	-0,2	2,8
Other manufacturing	6,7	-0,1	2,5	1,5	-7,9	-4,1	0,6	8,1
Repair and installation of mach. and equip.	-8,6	2,7	-3,3	3,6	-5,3	-2,4	4,5	-4,7
Electricity, gas, steam	3,8	-2,9	-0,9	1,5	2,6	-2,5	3,1	-1,7
IPI	-0,9	3,8	-3,0	0,1	-0,6	0,0	0,2	2,0
Intermediate Goods	0,6	1,8	0,0	-1,6	0,0	1,1	-0,7	2,5
Durable Consumer Goods	5,6	1,1	-1,5	-3,3	-3,5	-0,1	-2,0	2,9
Non-durable Consumer Goods	-1,4	2,8	0,7	-1,1	-3,4	-0,5	-0,1	2,9
Energy	5,6	-3,2	-1,0	0,6	-0,2	-1,4	4,3	-1,3
Capital Goods	-6,9	12,3	-12,7	5,1	1,8	-0,7	1,2	1,8
Low Technology	-0,8	3,1	-0,1	-1,0	-3,4	-0,2	0,0	3,1
Medium-Low Technology	0,6	0,0	0,1	-1,3	-0,6	0,6	0,4	0,7
Medium-High Technology	-3,3	11,9	-11,7	2,4	2,8	0,8	-0,8	3,8
High Technology	-3,6	3,6	-2,4	3,8	0,2	0,0	3,0	0,6

Source: Turkstat

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