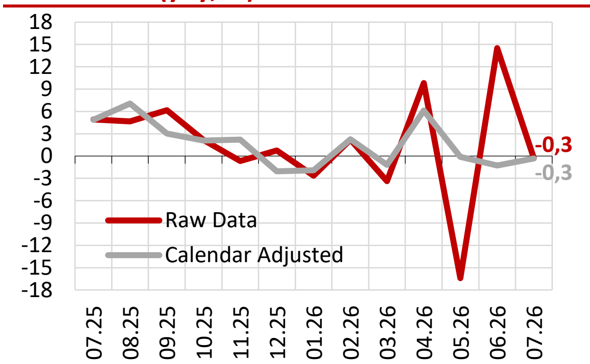
Macro: Weak start from industrial production to third quarter

The Industrial Production Index (IPI) got off to a poor start in the second half of the year, declining by 1.0% month-on-month and 0.3% year-on-year in July. Monthly declines in the "other transport equipment" sector—which exhibits high month-to-month volatility—and in the food and motor vehicle sectors—which had recorded strong production growth in the second quarter—dragged down the overall IPI by 1.3 points. Meanwhile, although construction-related sectors were the largest contributors to total industrial production with a 1.2% monthly increase in July, this growth was insufficient to offset the 4.3% drop in June. The monthly changes across the remaining sectors largely reflect a correction of the base effects that had emerged in June.

Leading indicators for August—such as the Business Tendency Survey, capacity utilization rate, PMI, and Export Climate Index—signal that the improvement in external demand conditions is being sustained, while the weak trend in the overall outlook for manufacturing activity, driven by domestic demand, persists.

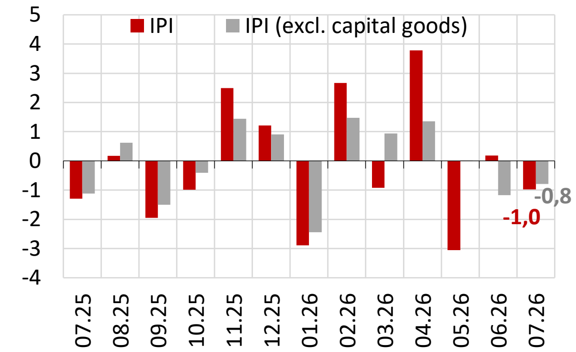
In July, Industrial Production Index (IPI) declined by 1.0% month-on-month in seasonally and calendar adjusted terms (s.a.) and by 0.3% year-on-year (Charts 1, 2 and 3). As of July, IPI (s.a.) stood 1.9% below its second-quarter average, effectively reversing nearly all of the gains recorded throughout the second quarter (Chart 4). The monthly and quarterly contractions in IPI (s.a.) were somewhat more limited when capital goods were excluded (Charts 2 and 4).

Chart 1. IPI (yoy, %)



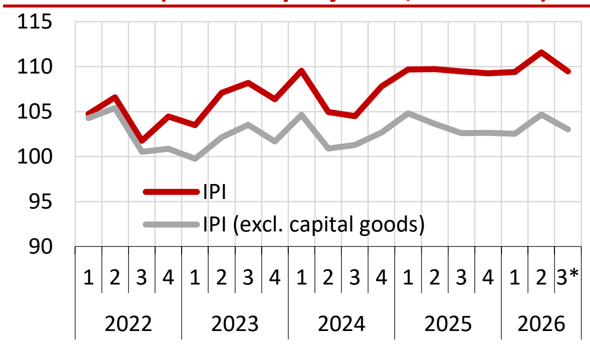
Source: Turkstat

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



Source: Turkstat, Akbank

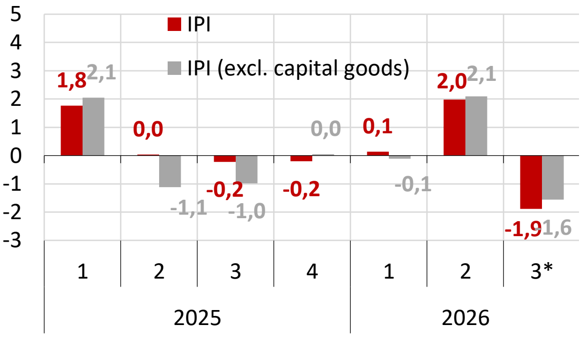
Chart 3. IPI (seasonally adjusted, 2021=100)



* as of July

Source: Turkstat, Akbank

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



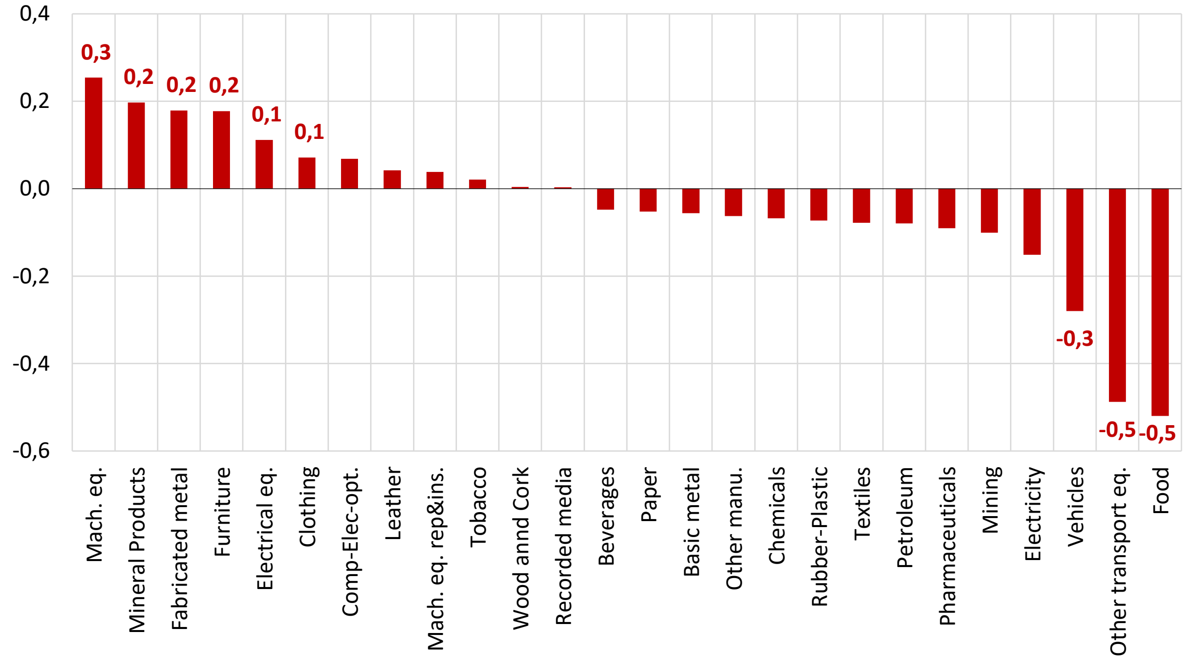
* as of July

Source: Turkstat, Akbank

Regarding sub-sectors, the production of **other transport equipment** (s.a.) declined by 11.6% in July—following a 50.4% monthly increase in June—accounting for half of the IPI contraction (Chart 5). Meanwhile, the indices excluding capital goods and excluding transport equipment—calculated to provide a clearer picture of the underlying trend—fell by 0.8% and 0.5% respectively on a monthly basis; while this points to a broad-based decline in manufacturing production, specific sectors that had recorded high production growth in the second quarter stand out as the primary drivers. Indeed, the monthly contractions of 3.8% and 4.2% in the **food** and **motor vehicle** sectors, respectively, dragged down total industrial production growth by a combined 0.8 percentage points (Chart 5). Excluding these three sectors, industrial production rose by 0.3% month-on-month. The capacity utilization rate for the automotive sector fell to 65.9% in August, signaling that the decline in production persisted into the following month. This movement in the motor vehicle sector appears likely to be a temporary, sector-specific fluctuation.

After contracting for two consecutive months, **machinery and equipment** production rose by 6.5% month-on-month in July, becoming the sector that contributed the most—0.3 percentage points—to overall industrial production growth. Meanwhile, construction-related sectors such as **mineral products** (+0.2 points), **fabricated metal** (+0.2 points), and **furniture** (+0.2 points) were among the other sectors that helped limit the contraction in IPI. However, the 1.8% monthly increase in **clothing** sector production was quite limited in terms of offsetting the 7.4% contraction in June.

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



Source: Turkstat, Akbank

By main industrial groupings, the monthly decline was widespread, with the exception of d**urable consumer goods** (+3.3%) (Charts 6-8, Table 2). Despite a positive outlook in the machinery sector, production of **capital goods** fell by 1.6% month-on-month, driven by the "other transport equipment" and vehicle sectors. Meanwhile, consistent with the weak trend across manufacturing sectors, **intermediate goods** production contracted by 0.3% in July—following a 1.5% drop in June—bringing production volumes back to March levels. Production of **non-durable consumer goods** declined by 2.0% month-on-month, led by the food (-3.8%) and textile (-1.8%) sectors.

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

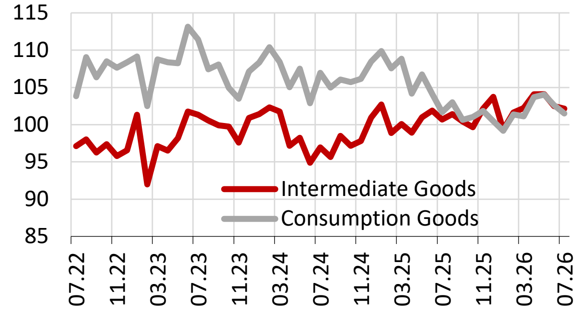


Chart 7. Consumption Goods (seasonally adjusted, 2021=100)

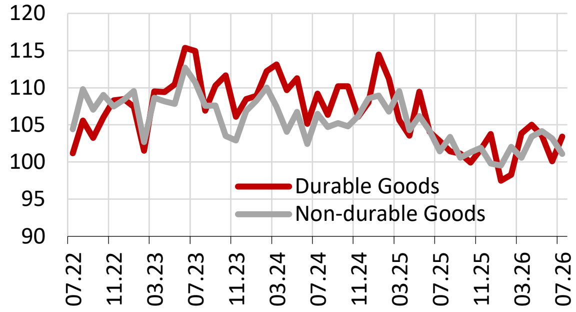
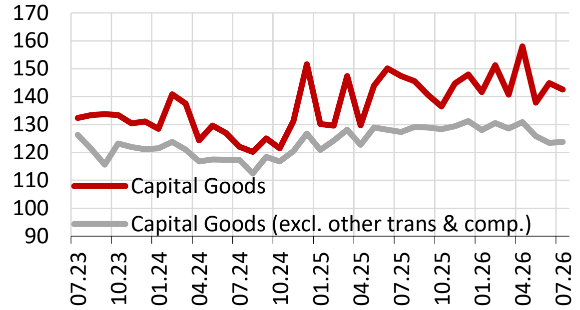
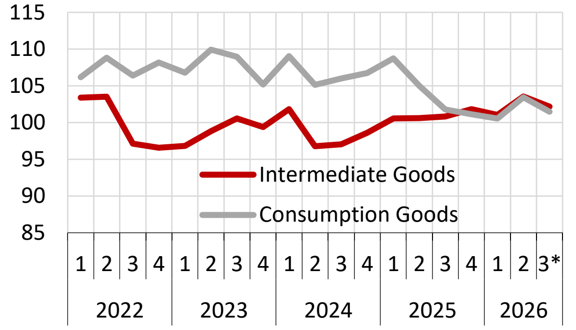


Chart 8. Capital Goods (seasonally adjusted, 2021=100)



Source: Turkstat, Akbank

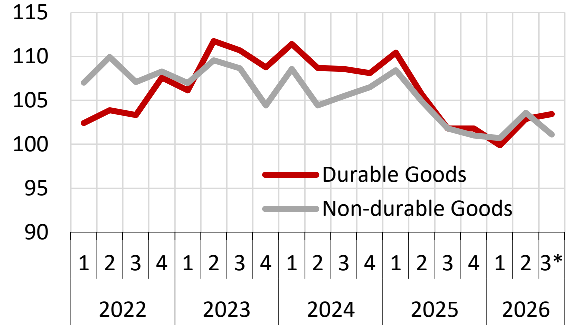
Chart 9. Intermediate and Consumption Goods (seasonally adjusted, 2021=100)



* as of July

Source: Turkstat, Akbank

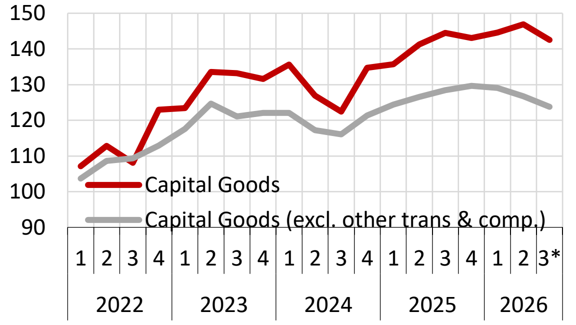
Chart 10. Consumption Goods (seasonally adjusted, 2021=100)



* as of July

Source: Turkstat

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



* as of July

Source: Turkstat, Akbank

Table 1. Industrial Production Index (Annual % Change)

	Apr.26	May.26	Jun.26	Jul.26	2025-Q4	2026-Q1	2026-Q2	2026-Q3*
IPI	**9.8**	**-16.4**	**14.5**	**-0.3**	**0.8**	**-1.4**	**1.9**	**-0.3**
Mining and quarrying	**-0.2**	**-17.1**	**9.7**	**-3.8**	**4.2**	**-2.5**	**-3.0**	**-3.8**
Mining of coal and lignite	16.0	-11.5	21.5	35.5	5.0	-1.3	7.2	35.5
Extraction of crude petrol. and n. gas	-3.7	-0.5	1.6	1.8	12.4	-1.3	-0.9	1.8
Mining of metal ores	-23.2	-29.7	-8.6	-32.5	-12.3	-11.8	-20.4	-32.5
Other mining and quarrying	17.3	-13.2	25.1	8.2	12.5	5.1	8.4	8.2
Manufacturing	**10.9**	**-17.2**	**15.4**	**0.3**	**0.5**	**-1.7**	**2.2**	**0.3**
Food products	4.4	-13.7	18.2	1.7	-4.1	-2.9	2.4	1.7
Beverages	0.1	-7.3	24.3	1.6	3.6	-6.0	5.6	1.6
Tobacco products	18.9	-21.7	13.3	1.1	5.5	9.0	1.7	1.1
Textiles	9.8	-18.5	24.6	4.3	-8.6	-5.9	3.8	4.3
Wearing apparel	-8.1	-30.7	3.4	-8.4	-25.6	-23.3	-13.2	-8.4
Leather and related products	3.0	-23.3	13.6	0.1	-11.2	-16.2	-3.6	0.1
Wood and cork products	5.3	-15.9	8.5	-0.2	8.9	-2.3	-1.1	-0.2
Paper and paper products	9.6	-11.6	21.1	2.2	-0.4	-0.5	5.6	2.2
Recorded media	3.7	-21.0	11.9	-1.3	-0.4	-8.5	-2.5	-1.3
Coke and refined petroleum prod.	-0.7	-1.1	4.1	-1.6	6.5	9.0	0.7	-1.6
Chemicals and chemical prod.	11.8	-10.2	18.5	4.4	4.1	0.5	6.2	4.4
Basic pharmaceutical products	14.7	-6.6	24.2	3.7	13.4	16.2	10.6	3.7
Rubber and plastic products	8.2	-22.1	18.6	-1.6	0.2	-2.6	0.2	-1.6
Other non-metallic mineral prod.	12.3	-13.3	19.7	3.9	12.4	-1.3	4.8	3.9
Base metals	9.9	-8.7	20.7	2.5	4.5	0.9	6.6	2.5
Fabricated metal products	17.8	-15.8	13.6	-3.7	12.6	10.4	4.1	-3.7
Comp., electronic and optical prod.	40.7	-12.3	5.2	4.4	14.5	23.4	8.0	4.4
Electrical equipment	15.5	-17.9	20.1	-1.3	9.8	0.3	4.8	-1.3
Machinery and equipment	2.2	-24.6	11.8	0.7	-8.1	-9.7	-4.6	0.7
Motor vehicles	8.7	-22.9	19.8	-1.8	8.8	1.6	0.7	-1.8
Other transport equipment	94.2	-22.4	5.0	-3.5	-0.2	-2.0	18.7	-3.5
Furniture	15.8	-15.3	21.1	9.5	2.5	-1.0	5.8	9.5
Other manufacturing	-1.7	-26.5	24.5	4.3	-14.6	-17.2	-3.5	4.3
Repair& instl. of mach. and eq.	1.1	-23.4	0.5	0.5	0.1	-2.1	-7.6	0.5
Electricity, gas, steam	**3.0**	**-4.5**	**6.9**	**-5.6**	**0.4**	**2.7**	**1.8**	**-5.6**
IPI	**9.8**	**-16.4**	**14.5**	**-0.3**	**0.8**	**-1.4**	**1.9**	**-0.3**
Intermediate Goods	9.3	-15.0	18.2	1.3	3.5	-0.6	3.3	1.3
Durable Consumer Goods	6.3	-24.9	16.0	0.9	-4.8	-12.0	-2.7	0.9
Non-durable Consumer Goods	3.1	-18.1	16.3	0.3	-7.4	-6.9	-0.4	0.3
Energy	2.0	-4.6	6.7	-1.5	2.6	3.6	1.3	-1.5
Capital Goods	23.4	-20.2	10.6	-2.7	4.4	3.7	3.5	-2.7
Low Technology	4.2	-18.3	17.1	1.1	-7.1	-7.5	0.0	1.1
Medium-Low Technology	7.1	-15.5	14.9	1.8	3.8	0.0	1.4	1.8
Medium-High Technology	19.8	-18.9	21.3	-0.8	10.0	2.9	6.2	-0.8
High Technology	42.5	-10.8	-7.1	-8.8	-1.1	8.8	3.9	-8.8

* as of July
Source: Turkstat

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

	Monthly % Change				Quarterly % Change			
	Apr.26	May.26	Jun.26	Jul.26	2025-Q4	2026-Q1	2026-Q2	2026-Q3*
IPI	**3,8**	**-3,1**	**0,2**	**-1,0**	**-0,2**	**0,1**	**2,0**	**-1,9**
Mining and quarrying	**0,7**	**1,0**	**-0,4**	**-2,2**	**-3,0**	**0,9**	**0,0**	**-2,1**
Mining of coal and lignite	2,4	2,1	-10,8	9,4	13,5	0,3	5,4	2,0
Extraction of crude petrol. and n. gas	-0,4	2,7	0,2	-0,5	0,8	-3,8	2,9	0,5
Mining of metal ores	-1,1	-0,3	6,4	-12,2	-20,4	3,8	-6,9	-8,6
Other mining and quarrying	1,4	0,9	0,0	-0,5	3,2	2,6	2,0	-0,2
Manufacturing	**4,5**	**-3,4**	**0,1**	**-0,8**	**0,2**	**-0,1**	**2,4**	**-1,9**
Food products	3,8	-1,7	2,9	-3,8	1,0	-0,5	2,4	-2,5
Beverages	2,8	1,2	6,1	-8,4	3,0	-2,7	6,3	-4,4
Tobacco products	13,3	-4,5	-2,7	5,4	-3,7	1,2	3,3	1,9
Textiles	3,4	1,3	-2,5	-1,3	0,4	2,3	4,2	-2,6
Wearing apparel	1,4	2,8	-7,4	1,8	-5,8	0,0	1,4	-2,4
Leather and related products	8,0	3,5	-5,1	4,0	-1,6	-3,3	6,0	1,6
Wood and cork products	-0,2	-1,0	-3,7	0,3	4,4	-2,3	-1,2	-2,6
Paper and paper products	3,0	-1,3	0,8	-2,2	-2,0	2,2	5,0	-2,2
Recorded media	1,5	1,2	-2,5	0,5	-6,6	-2,5	2,4	-0,9
Coke and refined petroleum prod.	-6,8	-3,8	2,5	-3,7	-3,5	11,3	-3,3	-3,3
Chemicals and chemical products	3,1	-1,0	-0,8	-1,6	2,4	-0,8	3,8	-2,5
Basic pharmaceutical products	-4,1	3,7	-2,1	-5,4	2,2	1,1	1,6	-5,6
Rubber and plastic products	0,4	-1,2	-1,1	-1,8	0,7	0,8	0,6	-2,9
Other non-metallic mineral products	1,0	2,8	-4,0	3,3	3,0	-5,1	5,1	1,5
Base metals	3,1	-0,1	-0,1	-1,2	1,1	-1,1	3,1	-1,4
Fabricated metal products	-3,1	-0,8	-9,2	2,8	2,5	0,5	-4,8	-4,0
Computer, electronic and optical prod.	0,0	-3,6	0,8	3,5	-3,6	24,8	-12,5	2,8
Electrical equipment	2,9	-3,2	-6,3	2,7	4,2	-2,6	1,5	-2,7
Machinery and equipment	0,1	-0,2	-4,7	6,5	0,2	-2,7	-0,3	3,1
Motor vehicles	6,6	-6,3	4,7	-4,2	1,0	-1,9	3,2	-3,4
Other transport equipment	84,8	-46,3	50,4	-11,6	-7,3	-4,5	30,9	-8,7
Furniture	2,0	0,9	-5,8	6,2	2,2	0,0	3,1	2,4
Other manufacturing	0,0	2,5	1,8	-2,7	-4,2	0,5	8,2	-0,8
Repair and installation of mach. and equip.	2,7	-3,3	3,9	1,2	-2,4	4,4	-4,7	2,7
Electricity, gas, steam	**-3,0**	**-0,8**	**1,6**	**-2,2**	**-2,9**	**3,1**	**-1,8**	**-1,4**
IPI	**3,8**	**-3,1**	**0,2**	**-1,0**	**-0,2**	**0,1**	**2,0**	**-1,9**
Intermediate Goods	1,8	0,0	-1,5	-0,3	1,0	-0,8	2,5	-1,3
Durable Consumer Goods	1,1	-1,4	-3,3	3,3	0,0	-1,9	3,0	0,5
Non-durable Consumer Goods	2,9	0,7	-0,9	-2,0	-0,8	-0,3	2,9	-2,4
Energy	-3,3	-1,0	0,6	-1,5	-1,7	4,3	-1,3	-1,4
Capital Goods	12,2	-12,7	5,1	-1,6	-1,0	1,1	1,6	-3,0
Low Technology	3,1	-0,1	-0,9	-1,2	-0,4	-0,1	3,1	-1,8
Medium-Low Technology	0,0	0,1	-1,2	0,8	0,5	0,4	0,7	0,0
Medium-High Technology	11,8	-11,8	2,4	-1,0	0,5	-0,9	3,7	-3,7
High Technology	3,5	-2,5	3,8	-5,8	-0,3	3,0	0,4	-4,3

Source: Turkstat

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