

## Macro-note – Industrial Production

**Industrial production (IP) increases by 0.7% month-on-month and 8.3% year-on-year in June. We continue to expect a gradual rise in IP momentum following interest rate cuts...**

**Abdulkadir DOGAN**

Chief Economist

[adogan@sekeryatirim.com.tr](mailto:adogan@sekeryatirim.com.tr)

(+90) 212 334 33 33/313

According to industrial production index data, seasonally and calendar-adjusted production increased by 0.7% in June compared to the previous month. Thus, annual production rose by 8.3% (previously 5%). Since the beginning of the year, our base scenario for industrial production data has been for a strong recovery accompanied by interest rate cuts. Although local and global developments in the March-April period disrupted this expectation, the momentum of production remains strong. In the same baseline scenario, we expected the recovery in production data to become more pronounced in the second quarter of the year. Due to the impact of these external shocks, we have revised our expectations for production data by one quarter. Given the current outlook, monthly data continues to fluctuate and remain flat. However, positive stability is an indication that the worst is behind us in terms of production. On the other hand, annual data has risen steadily since February due to base effects, reaching 8%. If the monthly data remains flat, we believe that we are testing the peak levels of the annual data. The annual data for industrial production is at the 10-year average of 5%. The negative outlook in the output gap was a result of tight monetary policy. For the rest of the year, we expect a calm monthly trend and a negative output gap in annual production. The interest rate cuts that began in July have had a tolerable effect on companies' financing costs. We expect this outlook to prevail for the rest of the year, and companies with high TL debt burdens to be positively affected by this process. As developments in monetary policy will indirectly impact on industrial production expectations, we expect the momentum in production data to remain on a positive trajectory, with interest rate cuts expected to continue until the end of the year.

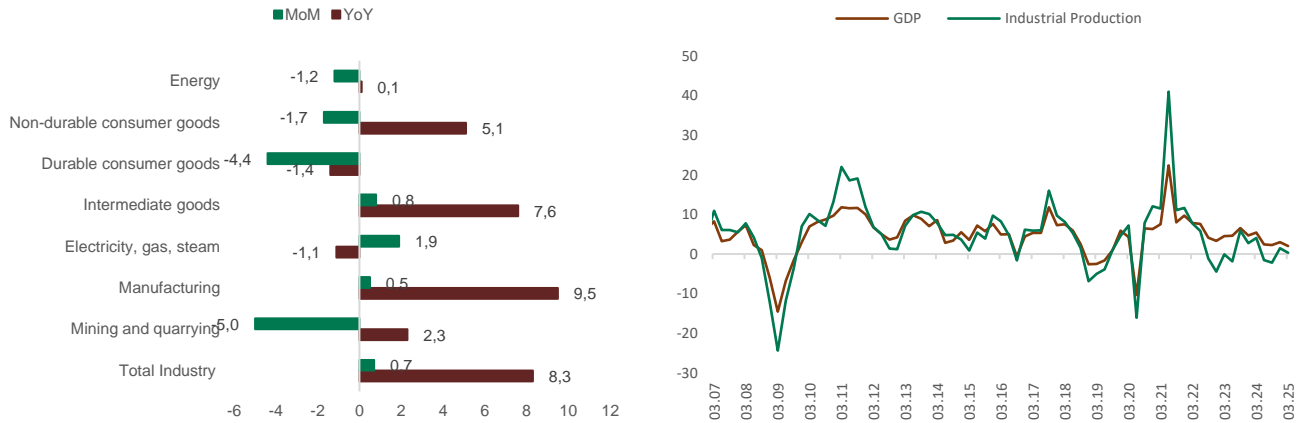
The CBRT, which began its interest rate cut cycle in July, gave the real sector a much-needed breath of fresh air. Positive developments in the inflation outlook are opening up room for maneuver for the central bank. Although the fact that interest rate cuts are inflation-focused and meeting-based indicates that risks persist, developments on the price side are limiting these risks. The inflation outlook for the last three months shows that significant progress has been made toward the disinflation target and that there is room for a total of 1,000 basis points of interest rate cuts by the end of the year. If the CBRT narrows the real interest rate spread, this reduction could be even more enthusiastic. Interest rate cuts from the European Central Bank could also boost production for the main export market. The resolution of global concerns and the improvement in the inflation outlook could prompt updates to our expectations. A negotiated solution to the tariff wars seems imminent. We see this expectation strengthening in global markets and production data. If there is no supply-side pressure from this area, domestic production data will also adapt to this new situation over time. We expect economic activity to take on a more vibrant appearance in the remainder of the year.

When we examine the sub-sectors, the mining and quarrying sector index increased by 2.3% in June 2025 compared to the same month of last year, while the manufacturing sector index increased by 9.5%, and the electricity, gas, steam, and air conditioning production and distribution sector index decreased by 1.1%. In terms of monthly changes, the mining and quarrying sector index decreased by 5.0% compared to the previous month, the manufacturing sector index increased by 0.9%, and the electricity, gas, steam, and air conditioning production and distribution sector index increased by 1.9%. Interest rate cut expectations will eventually reflect in production data, albeit with a delay. This situation, which has yet to reflect in price dynamics, actually increases the likelihood of an undesirable outcome for the economy. If there is no external shock to prices and production data, the fruits of the tight stance implemented since 2023 will be reaped. Although this will be

reflected in production data with a delay, we believe that the broken growth-production correlation will return to its previous state.

Table 1: Industrial Production Rate of Change (%)

Graph 1: Industrial Production and GDP Growth (YoY %)



In summary, industrial production rose by 0.7% month-on-month and 8.3% year-on-year in June. Uncertainty in key export markets and slowing demand remain other factors limiting the recovery in production. We expect the slowdown in both domestic and external demand to gradually feed through to inflation. The alternative cost of achieving price stability or at least a cooling cycle in an overheated economy will be to sacrifice growth targets. We believe it is too early to comment on the impact of recent domestic and global volatility. Year-end growth forecasts remain below potential growth, with the slowdown becoming more pronounced in some sectors. The weakening of production and recession concerns in global markets may mitigate the impact of the slowdown in domestic production. Coordinated tightening of monetary and fiscal policies will bring price stability and financial stability. We have lowered our expectations for recovery in production and industry in 2025, albeit modestly. We emphasize here that new decisions and implementations will bring about updates to our forecasts.

## ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.  
 Büyükdere Cad. No: 171 Metrocity  
 A Blok Kat 4-5 34330 SİSLİ /İST  
 TURKEY

TEL: +90 (212) 334 33 33  
 Fax: +90 (212) 334 33 34  
 E-mail: [research@sekeryatirim.com](mailto:research@sekeryatirim.com)  
 Web: <http://www.sekeryatirim.com/english/index.aspx>

For additional information, please contact:

#### Research

Kadir Tezeller	Head	+90 (212) 334 33 81	<a href="mailto:ktezeller@sekeryatirim.com">ktezeller@sekeryatirim.com</a>
Burak Demirbilek	Utilities, Defense Industry	+90 (212) 334 33 33-128	<a href="mailto:bdemirbilek@sekeryatirim.com">bdemirbilek@sekeryatirim.com</a>
Engin Değirmenci	Cement	+90 (212) 334 33 33-201	<a href="mailto:edegirmenci@sekeryatirim.com">edegirmenci@sekeryatirim.com</a>
A. Can Tuğlu	Food & Bev., Retail, Auto, Aviation, Oil&Gas	+90 (212) 334 33 33-334	<a href="mailto:atuglu@sekeryatirim.com">atuglu@sekeryatirim.com</a>
Başak Kamber	Glass	+90 (212) 334 33 33-251	<a href="mailto:bkamber@sekeryatirim.com">bkamber@sekeryatirim.com</a>

#### Economy & Politics

Abdulkadir Doğan	Chief Economist	+90 (212) 334 91 04	<a href="mailto:adogan@sekeryatirim.com">adogan@sekeryatirim.com</a>
------------------	-----------------	---------------------	--

#### Institutional Sales

Batuhan Alpman	Head	+90 (212) 334 33 70	<a href="mailto:balpman@sekeryatirim.com">balpman@sekeryatirim.com</a>
Deniz Keskin	Trader	+90 (212) 334 33 36	<a href="mailto:dkeskin@sekeryatirim.com">dkeskin@sekeryatirim.com</a>
M.Kerim Culum	Trader	+90 (212) 334 33 33-316	<a href="mailto:kculum@sekeryatirim.com.tr">kculum@sekeryatirim.com.tr</a>

## DISCLAIMER

I, Abdulkadir Dogan, hereby certify that the views expressed in this research accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

This report has been prepared by Şeker Yatırım Menkul Değerler A.Ş. (Şeker Invest, Inc.). The information and opinions contained herein have been obtained from and are based upon public sources that Şeker Invest considers to be reliable. No representation or warranty, express or implied, is made that such information is accurate or complete and should not be relied upon, as such. All estimates and opinions included in this report constitute our judgments as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Şeker Invest may, from time to time, have a long or short position in the securities mentioned in this report and may solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) for any company referred to in this report and may, to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis upon which it is based, before its publication. This report is for the use of intended recipients and may not be reproduced in whole or in part or delivered or transmitted to any other person without the prior written consent of Şeker Invest. By accepting this document you agree to be bound by the foregoing limitations.

Copyright © 2025 Şeker Invest, Inc.