Macro note – 2026 1st Quarter GDP

The Turkish economy recorded annual growth of 2.5% and quarterly growth of 0.1% in the first quarter of 2026. Whilst consumer spending remained the driving force, net exports acted as a drag on growth. The contribution from the services sector continued, whilst industrial production contracted, exerting a negative impact on growth.

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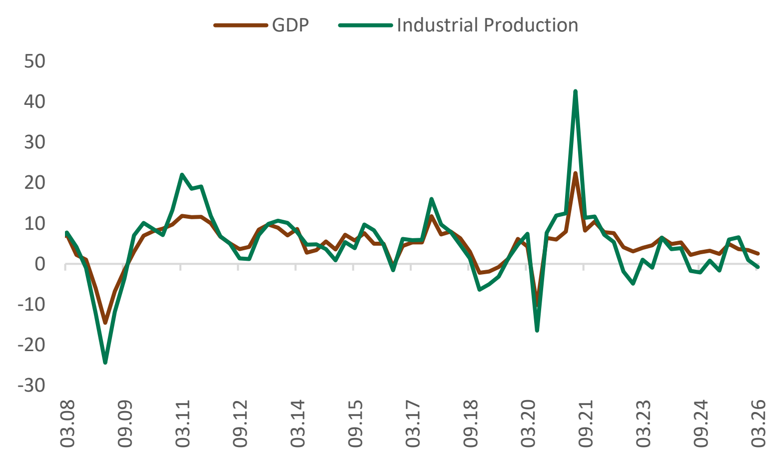
According to growth figures released by TUİK, the Turkish economy grew by 2.5% in the first quarter of the year compared with the same period of the previous year. (Market expectation was 2.7% and Seker Invest forecast was 2.6%). The seasonally and calendar-adjusted chained volume index of GDP rose by 0.1% compared with the previous quarter. The calendar-adjusted GDP chained volume index rose by 2.6% in the first quarter of 2026 compared to the same quarter of the previous year. The Gross Domestic Product estimate calculated using the production method rose by 35.7% at current prices in the first quarter of 2026 compared to the same quarter of the previous year, reaching 16 trillion 999 billion 977 million TL. The first-quarter GDP value, at current prices and in US dollar terms, stood at 389 billion 598 million. The share of labor compensation in Gross Value Added at current prices was 42.7% in the first quarter of the previous year, and this ratio remained at 42.7% in the first quarter of 2026. The share of net operating surplus/mixed income stood at 36.3% in the first quarter of the previous year, whilst it was 35.8% in the first quarter of 2026. When examining the activities that make up GDP; in the first quarter of 2026, compared to the previous year, the chained volume index showed that the total value added of information and communication activities was 9.5%, other service activities 5.2%, the agricultural sector 4.6%, trade, transport, accommodation and food services 3.7%, financial and insurance activities by 3.5%, the construction sector by 3.2%, real estate activities by 3.0%, taxes on products minus subsidies by 2.0%, professional, administrative and support service activities by 1.9%, and public administration, education, human health and social service activities by 1.8%. The industrial sector, however, decreased by 0.8%. Final consumption expenditure by resident households increased by 4.8% in the first quarter of 2026 compared with the same quarter of the previous year, as measured by the chained volume index. Final consumption expenditure by the government increased by 2.1%, whilst gross fixed capital formation increased by 3.0%. Exports of goods and services fell by 12.7% in the first quarter of 2026 compared with the same quarter of the previous year, as measured by the chained volume index, whilst imports fell by 2.0%. Whilst the growth momentum in services continues, agriculture is recovering, but the outlook for industrial production remains distinctly negative.

Graph 1: Growth and Industrial Production (YoY %)



Looking at the sub-components of growth, final consumption expenditure rose by 4.8% year-on-year in the first quarter. With a 72% share of total output and a strong upward trend, consumption expenditure remains the main driver of growth. Government expenditure rose by 2.1% year-on-year. Public expenditure, which is converging with headline growth figures, is both triggering the budget deficit and continuing to create inflationary pressure. Signals of a slowdown in this area are crucial for the successful continuation of the disinflation process. Investment expenditure is recovering at an annual rate of 3%, exceeding the headline figures. The most pronounced decline in the first quarter was in net exports. Currency movements and concerns over the recovery in key export markets are dragging down net exports. In the first quarter, consumption expenditure contributed 3.4 percentage points, government expenditure 0.2, investment 0.8, net exports -2.5 and inventories 0.5 to growth.

In summary, whilst the Turkish economy grew by 2.5% year-on-year in the first quarter, quarterly growth remained at 0.1%. Tight monetary policy and developments in the global economy appear to have had a significant impact on growth figures this quarter. Whilst services, agriculture and construction maintained their growth momentum, the negative contribution from industrial production casts a negative outlook on the sustainability of growth. Considering the continuation of the current situation alongside geopolitical tensions, we expect tight monetary policy to persist throughout 2026. Whilst consumption followed expectations, investment expenditure has improved significantly. The slowdown in economic activity will contribute to the disinflationary process in production-oriented economic indicators. Given the current tight stance, alongside geopolitical developments, we are revising our 2026 growth forecast down to 3.4%. We would like to emphasise that any new data or policies announced may necessitate updates to our forecasts.

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