

## Macro-note – Industrial Production

**Industrial production rose by 3.7% month-on-month and 6% year-on-year in April. While a significant base effect was evident in the year-on-year rise, the monthly momentum suggests we have started the second quarter on a positive note.**

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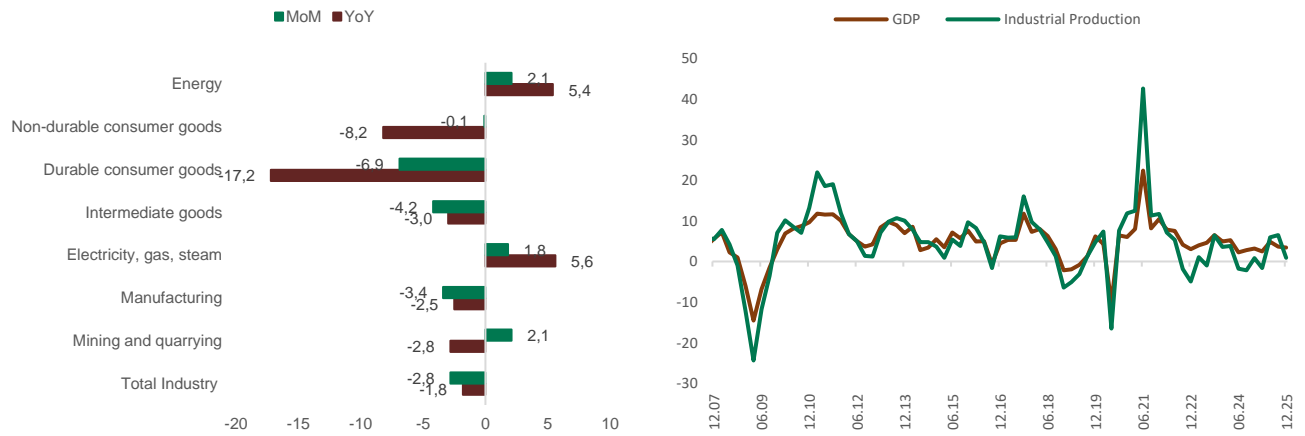
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According to industrial production index data, seasonally and calendar-adjusted production rose by 3.7% in April compared with the previous month. Year-on-year production grew by 6%. We had expected a modest recovery in April, but the data points to a more positive production climate. Production, which contracted by approximately 4% in April last year, gained momentum to grow by 6% year-on-year due to the base effect. While GDP growth saw a modest pullback in the first quarter, industrial production contracted. The economy's shift away from production-led growth towards services-led growth is bringing with it both demand and price shocks. In the current climate, where domestic demand and consumption are the drivers of growth, starting the second quarter on a positive note led by production will accelerate disinflation in price dynamics. Although it is difficult to forecast the entire second quarter at this stage, it is important that the current momentum continues, albeit to a limited extent. While tight monetary policy has a positive impact on services such as finance and insurance, its most pronounced negative effect is felt on production indicators. Negative supply shocks have created cost pressures on production indicators, particularly via the commodities market. This has both pushed inflation upwards and compelled central banks to take further measures. However, the easing of tension in the Middle East and the sharp fall in oil prices could reinvigorate production across all global economies. When recent developments are assessed alongside the effects of monetary policy, supply-side negative shocks are bringing with them effects that push inflation upwards while revising growth forecasts downwards. In our baseline scenario at the start of the year, we had anticipated that economic activity and industrial companies would begin to perform more positively from the first quarter onwards. The negative supply shock caused by unforeseen geopolitical developments has led to these expectations being postponed. We are therefore faced with a situation where scenarios such as interest rate cuts and positive performance by companies in the manufacturing sector have been pushed back by two quarters. Even in a scenario where the war were to end tomorrow, it would take time for infrastructure and confidence to be restored, and for energy flows and orders to return to their previous equilibrium. In such a scenario, we believe it is a sound decision for the CBRT to maintain its hawkish stance and support the long-standing fight against inflation through further tightening. Although the high trajectory of oil prices has deviated upwards from our forecasts, the pace of price declines has accelerated. Consequently, a year-on-year average of USD75–80 per barrel will bring inflation below the 30% level in the third quarter. Under this scenario, we anticipate that the CBRT will have more room to maneuver regarding interest rate cuts, with a potential reduction of approximately 500 basis points by year-end. Barring any unforeseen additional shocks to inflation, we expect a year-end close at around 27%, in line with the CBRT's forecasts. Positive developments abroad, particularly in production and orders, will support growth through industrial production. As this effect is production-driven, the impact on inflation is also quite limited. In this context, we expect the positive spillover effects on industrial production from the expected improvements in both domestic and global conditions to make a significant contribution to the disinflation program. In particular, the performance of industrial companies in financial markets will shift towards a positive atmosphere from the second half of the year onwards, driven by both geopolitical developments and expectations of interest rate cuts.

In April 2026, the mining and quarrying sector index fell by 2.8% compared to the same month of last year, the manufacturing sector index rose by 6.8%, and the electricity, gas, steam and air conditioning production and distribution sector index rose by 1.8%. In terms of monthly changes, the mining and quarrying sector index rose by 0.8% compared to the previous month, the manufacturing sector index rose by 4.4%, and the electricity, gas, steam and air conditioning production and distribution sector index fell by 2.8%. Although the shift from the long-standing negative cycle to a positive one in durable consumer goods signaled a turnaround, it was important for this to be confirmed by the April data. Production in sectors such as energy, electricity and gas reflects the conditions of war and has returned to a steady course following the easing of tension. The trend in the manufacturing sector actually reveals the true picture. It is important that manufacturing indicators, which entered the second quarter of the year in a positive atmosphere, continue this trend.

Table 1: Industrial Production Rate of Change (%)

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



In summary, industrial production grew by 3.7% month-on-month and 6% year-on-year in April. We can say that the second quarter has begun on a positive note. The momentum of the recovery in production will also make a positive contribution to the disinflation programme from the supply side. Positive developments in the geopolitical landscape will also contribute to production and orders. In the first quarter, growth figures diverged from production. We are entering a period where this gap is set to narrow in favor of industrial production. We emphasize here that any new decisions and measures taken will prompt updates to our forecasts.

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