Macro note – 2026 2nd Quarter GDP

The Turkish economy recorded growth of 2.3 per cent year-on-year and 1.1 per cent quarter-on-quarter in the second quarter of 2026. Whilst public expenditure and inventories acted as drag on growth, household consumption remained the driving force behind growth.

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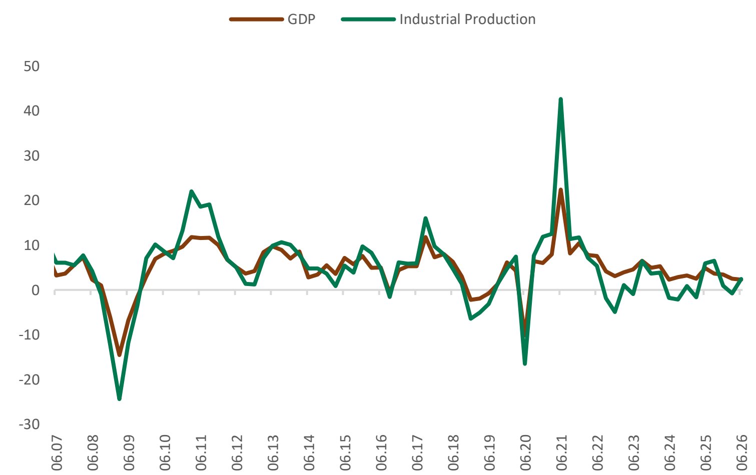
According to growth figures released by TUİK, the Turkish economy grew by 2.3 per cent in the second quarter of the year compared with the same period of the previous year. (Market expectations were 2.9 per cent and Şeker Invest forecast was 2.5 per cent.) The seasonally and calendar-adjusted chained volume index of GDP rose by 1.1 per cent compared with the previous quarter. The calendar-adjusted chained volume index of GDP rose by 2.3 per cent in the second quarter of 2026 compared with the same quarter of the previous year. The Gross Domestic Product estimate based on the production method rose by 36.0 per cent at current prices in the second quarter of 2026 compared with the same quarter of last year, reaching TRY 19 trillion 869 billion 747 million. The second-quarter GDP figure, at current prices and in US dollars, stood at USD 438 billion 347 million. The share of labor compensation in Gross Value Added at current prices was 38.3 per cent in the second quarter of last year, whilst this ratio stood at 38.1 per cent in the second quarter of 2026. The share of net operating surplus in mixed income, meanwhile, stood at 41.3 per cent in the second quarter of last year, rising to 41.6 per cent in the second quarter of 2026. When examining the activities that make up GDP, the chained volume index for the second quarter of 2026 compared with the previous year showed the following changes: the agriculture, forestry and fishing sector increased by 13.3 per cent; information and communication activities by 8.6 per cent; public administration, education, human health and social work activities by 4.0 per cent; taxes on products less subsidies by 3.3 per cent, other service activities by 3.2 per cent, the manufacturing sector by 2.4 per cent, financial and insurance activities by 2.1 per cent, real estate activities by 2.1 per cent, professional, administrative and support service activities by 2.0 per cent, and trade, transport, accommodation and food services by 0.5 per cent. The construction sector, however, fell by 1.9 per cent. Final consumption expenditure by resident households rose by 3.5 per cent in the second 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 fell by 1.8 per cent, whilst gross fixed capital formation rose by 0.6 per cent. Exports of goods and services fell by 3.4 per cent in the second quarter of 2026 compared with the same quarter of the previous year, as measured by the chained volume index, whilst imports fell by 6.4 per cent.

Looking at the sub-components of growth, final consumption expenditure contributed 2.3 percentage points to growth in the second quarter and remains the key driver of growth. Government expenditure had a negative downward impact on growth of -0.2 percentage points. Public finances are following a path that acts as a drag on growth whilst contributing to disinflation. In this area, budget dynamics are consistent with monetary policy when interest expenditure is excluded. The contribution to growth from investment expenditure stands at 0.2 percentage points, and we are observing a composition that is far from investment-led growth. This area is the most critical indicator for sustainable growth and continues to trend at a low level. There was a marked decline in foreign trade figures in the second quarter. Both exports and imports have contracted. However, as the contraction in imports exceeded that of exports, net exports appear to have made a positive contribution to growth. Finally, inventories exerted a downward pull on growth of -0.5 percentage points. A notable detail in the expenditure-based GDP calculation is that a cooling-off and slowdown are evident across almost all expenditure categories. This is the result of policies aimed at reining in demand-side inflationary pressures, in line with the tight monetary stance. We expect this cooling-off to continue gradually until the end of the year.

The divergence in the growth data and its components is striking. Firstly, the economy has shifted to growth below its potential, and the efforts to cool the economy continue to bear fruit. The subdued trend in quarterly growth and the slowdown in annual growth due to base effects are consistent with the disinflationary process. Unless stimulus mechanisms or policies designed to trigger expenditure are introduced, the trend supporting disinflation in the demand, growth and expenditure channels will continue. Looking at the composition of growth, almost all sub-sectors recorded growth, with the exception of the construction sector. The contraction in construction appears to be the combined effect of both financing costs and the expectations channel. In particular, the fact that growth performance has aligned with that of industrial production is a result of the slowdown in both industrial output and GDP figures. The sharp growth in agriculture stems from the base effect caused by the impact of frost in the previous period, whilst growth in the sectors we refer to as services continues. In summary, agriculture and services appear to have taken the lead in the second quarter, rather than manufacturing (industry).

Graph 1: Growth and Industrial Production (YoY %)



In summary, whilst the Turkish economy grew by 2.3 per cent year-on-year in the second quarter, quarterly growth remained at 1.1 per cent. The economic slowdown is continuing noticeably. Whilst the services and agriculture sectors are making a significant contribution to growth, the construction sector is dragging growth down. Industrial production, meanwhile, has once again regained its correlation with growth figures in the second quarter. Signals of a limited easing of monetary policy could generate momentum in growth from the final quarter of the year onwards. Both imports and exports have slowed, and we are seeing a marked pullback in both domestic and external demand. The slowdown in economic activity will contribute to the disinflationary process in production-oriented economic indicators. Given the current tight stance, and in light of geopolitical developments, we are revising our 2026 growth forecast down to 3.2 per cent. We would like to emphasize that any new data or policy announcements may prompt updates to our forecasts.

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