

Türkiye- Industrial Production

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May 2025 – IP grows moderately on yoy, slightly on 3-months avg.

In May, calendar-adjusted industrial production (IP) rose by 4.9% yoy. On a 3-month average basis, 1.3% yoy growth in April accelerated to 3.5% in May. IP increased by 3.2% mom. The 3-month (based on mom data) contraction trend in April (0.5%) turned to 0.3% growth in May. Even though yoy IP growth accelerated due to low base effect, 3-month seasonally adjusted growth trend remained weak in May.

In May, the trend of headline IP accelerated compared to the previous month. Among main groups, the trend strengthened significantly in capital goods, moderately in intermediate goods and durable consumption goods. The strongest momentum was still in the energy and capital goods groups. Among the sectors, only electricity&gas production sector lost momentum relative to April. Relative to the previous month, mining, other minerals (glass, cement etc.) recovered remarkably and clothing, chemicals, metal products, transportation vehicles expecting automotive and furniture strengthened moderately. As of May, textile was the weakest sectors for IP, while the trend in mining, other minerals (glass, cement etc.) and automotive was the strongest.

The World Bank lowered its global growth forecast for 2025 to 2.3% from 2.7%. The growth forecast for developed countries was announced as 1.2% and 3.8% for emerging and developing countries. The institution revised its 2025 growth forecast for Türkiye upwards from 2.6% to 3.1%.

Leading indicators for 2Q25 point to a slowdown compared to 1Q25 due to increased global uncertainties, volatility in financial markets and the CBRT's additional monetary tightening. Our growth forecast for 2025 is 3.5%. Global uncertainties and the CBRT's tight monetary policy pose downside risks to our growth forecast. On the other hand, we underline that restoring the balanced growth trend in the coming quarters is important for the sustainability of macro policies.

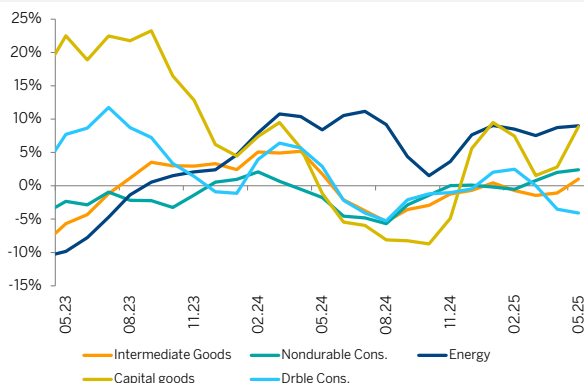
Industrial Production (calendar adjusted)

yoy change (calendar adj.)	May.25	1Q24	2Q24	3Q24	4Q24	1Q25
Total Industry	4,9%	5,4%	-2,0%	-3,7%	2,1%	0,7%
Intermediate Goods	3,1%	4,9%	-2,1%	-3,6%	-0,7%	-1,4%
Durable Consumer Goods	-1,7%	6,4%	-2,2%	-2,1%	-0,5%	0,0%
Non-Durable Consumer Goods	1,8%	0,7%	-4,6%	-2,8%	0,1%	0,8%
Energy	8,8%	10,8%	10,5%	4,4%	7,6%	7,5%
Capital Goods	12,0%	9,5%	-5,5%	-8,3%	5,6%	1,5%

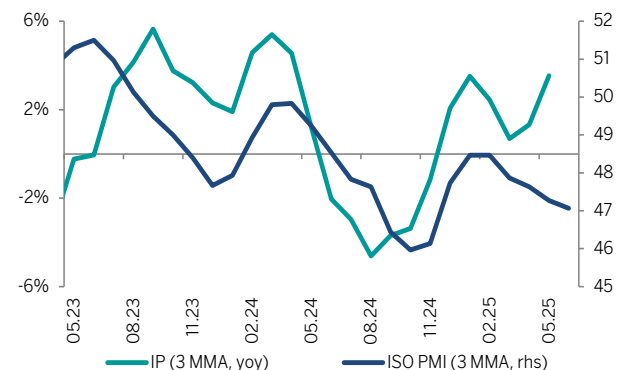
Industrial Production (calendar adjusted)



Main Groups (CA, 3month MA yoy change)



Growth Indicators (3MMA, yoy)



Source: Turkstat, Markit, Garanti BBVA Securities

Leading indicators point to a qoq growth deceleration in 2Q25

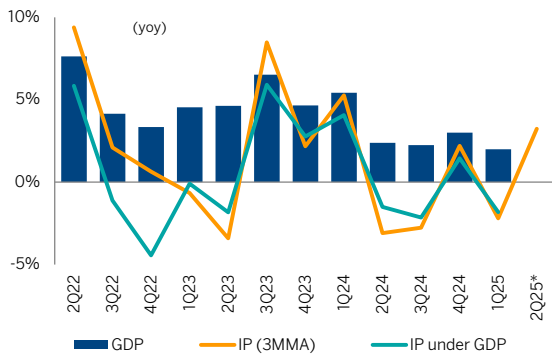
- The global PMI index rose by 0.5 pps to 51.7 in June. Activity picked up significantly in the manufacturing sector, shifting from contraction to growth, while there was no significant change in the services sector. According to PMI data, growth weakened in China, the US and the Euro Area on a 3-month basis.
- In June, ISO manufacturing industry PMI in Türkiye fell by 0.2 pps to 47.1 on a 3-month basis. The trend indicates that the contraction deepened. Weakness in the manufacturing industry has been ongoing for 22 months.
- Türkiye's exports and imports rose by 6% and 10% yoy in June on a 3-month basis. The yoy rise in the foreign trade deficit accelerated to 21% from 10%. The number of tourists decreased on a yoy basis by 2% to 5.0 million visitors in May. Thus, the number of tourists, which increased yoy in the previous month, weakened again in May. If the foreign trade deficit continues to widen and tourism revenues contract, the contribution of external demand to GDP growth may remain negative.
- The 4-week avg. of loan interest rates decreased for auto and general purpose each by 2 pps, while increased for mortgage and commercial each by 1 pps. On a weighted average basis, loan interest rates were 58% for commercial and 66% for consumers. Compared to the previous month, the 13-week avg. total credit growth decelerated.
- In June, confidence indices signaled a deterioration in the outlook for all sectors. On a 3-month avg. basis, the trend deteriorated the most for real sector.
- Growth in the 3-month trend of the automobile and light commercial vehicle market continued to gain momentum in June. Sector production returned to the growth zone in May after 13 months of contraction in a row.
- In May, sales in the housing sector continued to increase moderately, while the upward trend in house prices strengthened slightly.
- Signals regarding the investment tendency have pointed to a limited recovery. The capacity utilization rate rose and growth of capital goods production gained pace.

Sectoral Production Evolution*

Months	2024							2025				
	6	7	8	9	10	11	12	1	2	3	4	5
IP												
1.Intermediate Goods												
2.Durable Cons. Goods												
3.Nondurable Cons. Goods												
4.Energy Goods												
5. Capital Goods												
A.Mining												
B.Manufacturing												
Food												
Textiles												
Clothing												
Chemical												
Plastic												
Other Minerals												
Basic Metal												
Metal Products												
Electrical Machine												
Machinery												
Automotive												
Other Traspor. Vehicles												
Furniture												
C.Energy Production												

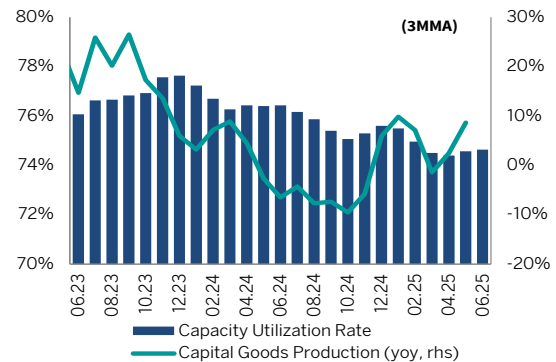
Source: Turkstat, Garanti BBVA Securities* Darker colors point to the worsening in the tendency

Turkish economy grew by 2.0% yoy in 1Q25



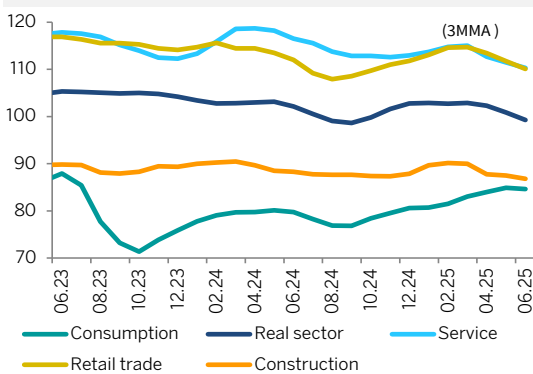
Source: Turkstat, Garanti BBVA Securities *past 3 months

Limited recovery signals in investment outlook



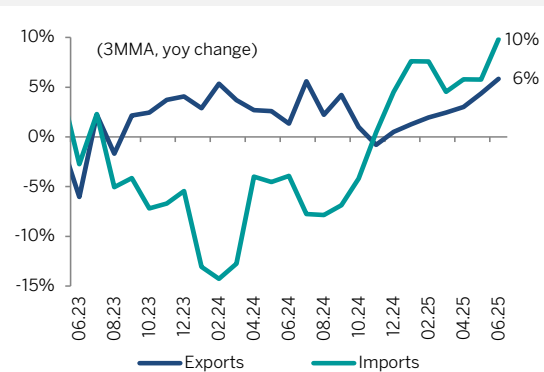
Source: CBRT, Turkstat, Garanti BBVA Securities

All confidence indices fell



Source: Turkstat, Garanti BBVA Securities

Imports growth accelerates



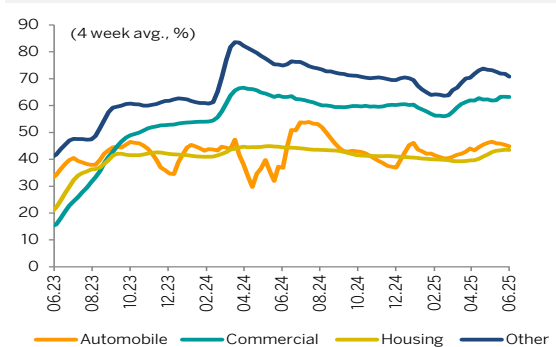
Source: Turkstat, Garanti BBVA Securities

Momentum loses pace in loan growth



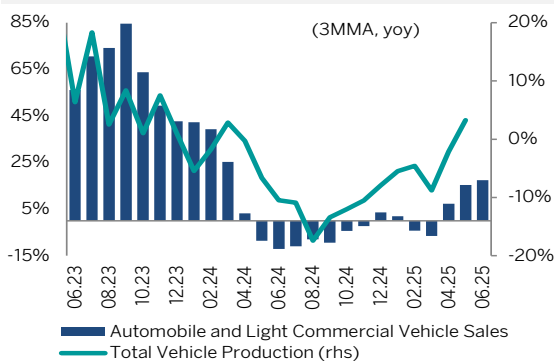
Source: BRSA, Garanti BBVA Securities

Mixed trend in loan interest rates



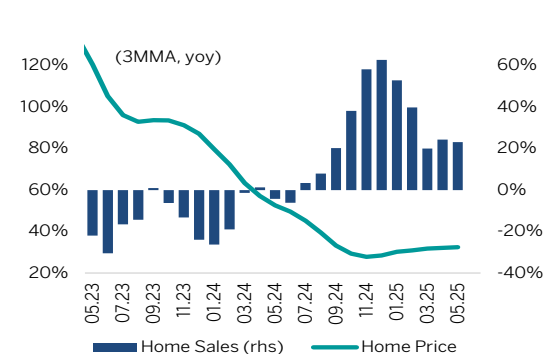
Source: CBRT, Garanti BBVA Securities

Auto production returns growth



Source: ODD, OSD, Garanti BBVA Securities

Moderate rise in house sales continues



Source: CBRT, Turkstat, Garanti BBVA Securities

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