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The Turkish economy grew by 2% year-on-year in the first quarter.

GDP with a chain linked volume index increased by 2.0% in the first quarter of 2025, compared to the same period the previous year. According to the Reuters survey, the expected growth rate for this period is 2.3%. As a result, the Turkish economy recorded its slowest annual growth rate since the second quarter of 2020, when the pandemic measures went into effect.

The calendar-adjusted annual growth rate of 2.7% suggests that the calendar effect, particularly in the industry sector, played a significant role in the loss of momentum in headline growth. Furthermore, in the first quarter of the year, seasonally and calendar-adjusted GDP with chain linked volume index increased by 1.0% compared to the previous quarter, indicating that the outlook remains relatively positive.

Contributions to Growth						(% points)
			2024			2025
	Q1	Q2	Q3	Q4	Annual	Q1
Consumption	**5.9**	**0.9**	**1.9**	**3.2**	**2.9**	**1.7**
Private	5.5	0.9	1.9	3.0	2.8	1.6
Public	0.4	0.0	0.0	0.2	0.2	0.2
Investment	**2.3**	**0.2**	**0.0**	**1.5**	**1.0**	**0.5**
Stock Change	**-4.6**	**-0.2**	**-1.9**	**-0.9**	**-1.8**	**0.3**
Net Exports	**1.9**	**1.5**	**2.2**	**-0.8**	**1.1**	**-0.6**
Exports	1.2	0.2	0.2	-0.5	0.2	0.0
Imports	0.7	1.3	2.0	-0.4	0.9	-0.6
GDP (yoy, %)	**5.4**	**2.4**	**2.2**	**3.0**	**3.2**	**2.0**

Note: Numbers may not add to total due to rounding.

Consumption weakened in the first quarter, stock change contributed positively to growth.

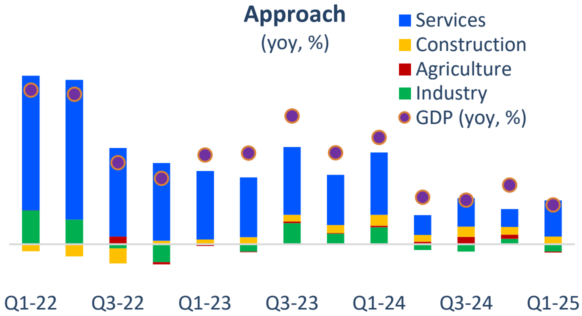
Private consumption expenditures grew at a relatively modest rate of 2.0% year-on-year in the first quarter of 2025, contributing 1.6 percentage points to annual growth, while the 1.2% increase in public consumption contributed 0.2 percentage points to growth. Thus, total consumption contributed 1.7 points to growth in the first quarter, compared to 2.9 points overall in 2024. During this period, the contribution of investments to annual growth declined to 0.5 points. Despite the decline in machinery and equipment and other investment expenditures, construction investments alone contributed 0.7 points to growth. Net exports, which contributed negatively to growth in the last quarter of 2024, also limited growth by 0.6 points in the first quarter of 2025. Imports increased by 3% during this time period, which slowed growth, while exports remained flat. Another notable development in the first quarter was that stock changes, which had been limiting growth since the last quarter of 2020, contributed 0.3 percentage points to growth on an annual basis.

In the first quarter, construction and services supported growth, while industrial and agricultural production contracted on an annual basis.

According to the numbers with the chain-linked volume index, the construction and services sectors contributed positively to annual growth in the first quarter of 2025. Although the annual increase in construction activity slowed to 7.3%, it contributed 0.4 percentage points to growth. The services sector, which expanded by 3.0% during this period, also contributed 1.8 points to economic growth.

In the first quarter, the industrial and agricultural sectors contracted by 1.8% and 2.0%, respectively, on an annual basis. During this period, industrial production reduced economic growth by 0.4 points, while calendar-adjusted data indicated that the calendar effect had a restrictive impact on industrial production. Indeed, calendar-adjusted industrial output was flat on an annual basis.

Contributions to Growth, Production Approach
(yoy, %)



Expectations…

Even though the first quarter of 2025 recorded lower-than-expected annual growth, the economy remained robust as evidenced by the 1% quarterly growth in seasonally adjusted GDP. On the other hand, the decline in consumption expenditures' contribution to growth during this period, as well as the positive change in stocks after a long negative run, highlight the effects of disinflationary policies. We estimate that the CBRT's recent monetary policy tightening measures may result in a noticeable slowdown in consumption and investment expenditures in the second quarter of the year. We believe that net exports, which have been limiting growth since the fourth quarter of 2024, will be critical to growth performance for the rest of the year.

Source: Datastream, Turkstat

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