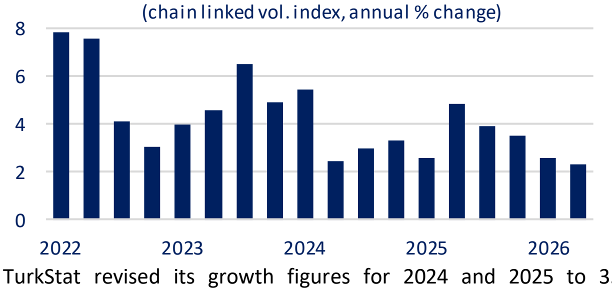
Turkish economy grew by 2.3% yoy in the second quarter.

In the second quarter of 2026, Turkish economy grew by 2.3% yoy, according to the chain linked volume index, falling below market expectations. While this 2.3% yoy growth marks the weakest performance since the second quarter of 2020, seasonally and calendar-adjusted data shows that economic activity gained momentum in the second quarter compared to the previous quarter. During this period, Turkish economy recorded its fastest quarterly growth since the second quarter of last year, at 1.1%. As of the second quarter, the annualized GDP of the Turkish economy, which grew by 2.5% yoy in the first half of the year, reached 73.0 trillion TRY at current prices and 1.7 trillion USD.

GDP Growth

(chain linked vol. index, annual % change)



TurkStat revised its growth figures for 2024 and 2025 to 3.5% (previous: 3.3%) and 3.7% (previous: 3.6%) respectively, while revising the annual growth figure for the first quarter of 2026 to 2.6% (previous: 2.5%), and the seasonally and calendar adjusted quarterly growth to 0.3% (previous: 0.1%).

Loss of momentum in consumption and investment expenditures...

Looking at the data via the expenditure approach, it is seen that the weakening in consumption and investments drove the loss of momentum in growth. In the second quarter of the year, private consumption expenditures expanded by 3.5% yoy (previous: 5.1% yoy), contributing 2.3 points to growth. Government consumption expenditures, on the other hand, declined by 1.8% yoy, pulling the GDP growth down by 0.2 points. Investment expenditures, which showed the weakest performance since the third quarter of 2024, increased by 0.6% yoy and made a limited contribution to the growth 0.2 points. Looking at the details of investment expenditures, we see that construction investments recorded an annual decline for the first time since the second quarter of 2023, while the upward trend in machinery and equipment expenditures continued, albeit losing momentum.

Contributions to Growth					(% points)
	2024	2025	2026		
	Annual	Annual	Q1	Q2	H1
Consumption	**3.1**	**3.0**	**3.7**	**2.1**	**2.9**
Private	3.2	2.9	3.6	2.3	3.0
Public	-0.1	0.1	0.1	-0.2	-0.1
Invetment	**0.7**	**1.9**	**0.8**	**0.2**	**0.5**
Stock Change	**-1.3**	**0.0**	**0.6**	**-0.5**	**0.0**
Net Exports	**1.0**	**-1.1**	**-2.5**	**0.6**	**-0.9**
Exports	0.1	-0.1	-2.9	-0.8	-1.8
Imports	0.9	-0.9	0.4	1.3	0.9
GDP (yoy, %)	**3.5**	**3.7**	**2.6**	**2.3**	**2.5**

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

Net exports made a positive contribution to the growth after six quarters of negative contribution.

Having made a negative contribution to the annual growth for six consecutive quarters starting from the final quarter of 2024, net exports became a key driver of growth in the second quarter of this year. During this period, net exports contributed 0.6 points to the annual growth, while exports and imports declined by 3.4% and 6.4% yoy, respectively. The contribution of net exports was more pronounced in seasonally and calendar-adjusted terms. Compared with the previous quarter, private consumption expenditure contracted by 1.3% and investment expenditure remained flat, while exports rose by 6.2% and imports fell by 1.8%.

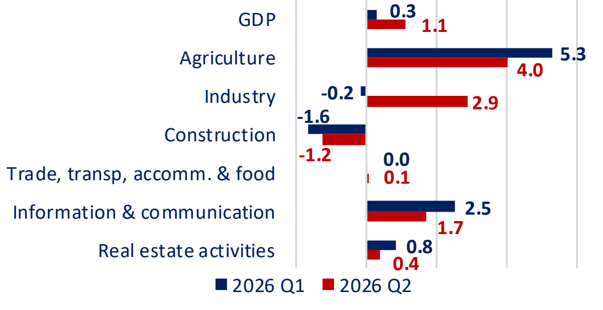
All major sectors except construction contributed positively to growth.

According to the GDP data by production approach, the industrial sector, which contracted by 0.5% yoy in the first quarter, expanded by 2.4% in the second quarter and added 0.5 points to GDP growth. Supported by last year's low base as well as improving production conditions, the agricultural sector grew by 13.3% yoy and made its largest contribution to GDP growth since the third quarter of 2020, at 0.5 points. During this period, services made the largest sectoral contribution to growth, at 1.2 points. The construction sector, meanwhile, contracted for the first time since the third quarter of 2022 and dragged the growth rate down by 0.1 point.

According to seasonally and calendar-adjusted data, the agricultural sector, which grew by 5.3% quarterly in Q1, maintained its strong performance with recording a growth rate of 4.0% in the second quarter. The construction sector, meanwhile, extended its contraction to a third consecutive quarter. Trade and tourism related activities, which account for 40% of services-sector value added, recorded a weak performance, whereas the information and communication sector, with a share of around 4%, displayed a favourable performance.

Quarterly Growth of Selected Sectors

(%, seasonally and calendar adjusted)



Expectations...

Second-quarter GDP data indicated a noticeable slowdown in domestic demand along with the tight financial conditions. Leading indicators suggest that the slowdown in domestic demand will continue in the third quarter of the year. In this context, geopolitical developments, the trend in energy prices and CBRT's monetary policy actions will be decisive in the growth performance in the coming period.

Economic Research Division

Alper Gürler
Division Head
alper.gurler@isbank.com.tr

H. Erhan Gül
Unit Manager
erhan.gul@isbank.com.tr

Gamze Can
Asst. Manager
gamze.can@isbank.com.tr

Büşra Ceylan
Asst. Economist
busra.ceylan@isbank.com.tr

Onuray Günaydın
Asst. Economist
onuray.gunaydin@isbank.com.tr

Our reports are available on our website https://ekonomi.isbank.com.tr