Macro note – 2025 4th Quarter GDP

The Turkish economy recorded annual growth of 3.6% in 2025. Services and construction made a significant positive contribution to growth, while the agricultural sector contracted. Consumption expenditure continues to be the driving force behind growth.

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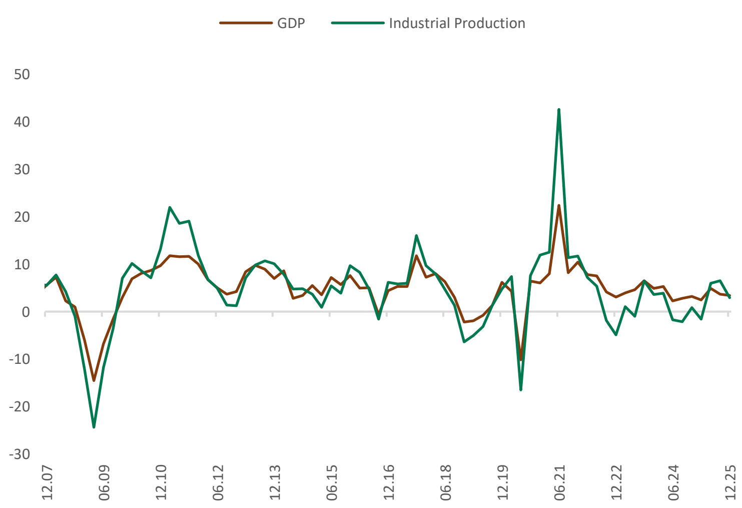
According to growth data released by TUİK, the Turkish economy grew by 3.4% in the fourth quarter of the year compared to the same period of the previous year. (Market expectation was 3.6% and Seker Invest expectation was 3.5%). The seasonally and calendar-adjusted chained volume index of GDP increased by 0.4% compared to the previous quarter. The calendar-adjusted chained volume index of GDP increased by 3.4% in the fourth quarter of 2025 compared to the same quarter of the previous year. The annual GDP obtained by the production method, based on the sum of four quarters, increased by 3.6% in 2025 compared to the previous year as a chained volume index. GDP at current prices, calculated using the production method, increased by 41.3% in 2025 compared to the previous year, reaching 63 trillion 20 billion 906 million TL. Per capita GDP in 2025 was calculated at 712,200 TL at current prices and 18,040 US dollars. The share of labor payments in gross value added at current prices was 37.0 per cent last year, while this ratio was 36.9 per cent in 2025. The share of net operating surplus/mixed income was 43.1 per cent, while it was 44.1 per cent in 2024. When examining the activities that make up GDP, in 2025, compared to the previous year, as a chained volume index; the total value added of the construction sector was 10.8%, information and communication activities 8.0%, taxes on products minus subsidies 6.9%, trade, transport, accommodation and food services 4.6%, other service activities by 4.3%, professional, administrative and support service activities by 4.0%, finance and insurance activities by 3.8%, industry by 2.9%, real estate activities by 2.7%, and public administration, education, human health and social service activities by 1.0%. The agriculture sector, on the other hand, decreased by 8.8%. The marked improvement in the construction sector is striking. We can say that we have grown specifically in the service and construction sectors. On the other hand, the 8.8% contraction in the agriculture sector can be seen as a seasonal effect. We estimate that this is due to frost damage and will have a temporary impact on economic activity. Industrial production, which we closely monitor as a production-oriented growth indicator, continues to recover at a steady pace below headline growth figures. The output gap remains in negative territory.

Graph 1: Growth and Industrial Production (YoY %)



Looking at the components of growth, final consumption expenditure recorded a 5.2 per cent annual increase in the last quarter. With a 55 per cent share in total output and a strong trend, consumption expenditure continues to be the main driver of growth. Government expenditure recorded a 0.9 per cent annual decline. When we evaluate the budget deficit trend and the annual trend in public spending together, we see that the coordination between monetary policy and fiscal policy continues to increase. We saw a significant annual increase of 5.4% in investment spending, which was the largest contributor to growth in this period. In the last quarter, consumption expenditure contributed 3.7 points, government expenditure -0.1 points, investments 1.4 points, net exports -1.3 points, and inventories -0.3 points to growth. Considering the negative contribution of net exports and the exchange rate trend in particular, 2025 was a period of negative divergence for export-oriented companies.

In summary, while the Turkish economy grew by 3.4% annually in the last quarter, it recorded 3.6% growth overall in 2025. Annual growth figures are more positive than expectations at the beginning of the year. This shows that domestic demand is still buoyant despite tight monetary policy. In this context, the output gap is not as negative as predicted. Considering the continuation of the current situation and geopolitical tensions, we will see a continuation of tight monetary policy throughout 2026. While consumption is in line with expectations, investment spending has improved significantly. In addition, while the construction sector stands out positively, agriculture has contracted sharply due to frost damage. Continued interest rate cuts, albeit cautious, are reflected in growth indicators. The recovery in production activities brings both healthy and sustainable growth and contributes to the disinflation process. We would like to emphasise that any new data and policies announced will lead to updates in our forecasts. Due to production dynamics below expectations, we are maintaining our 2026 GDP growth forecast at 4.2%.

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