

Snap | 1 June 2026

TURKEY

Turkey's GDP growth loses momentum in first quarter

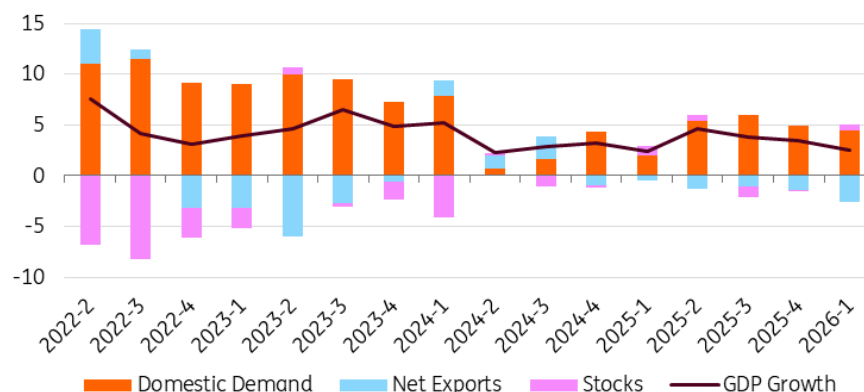
Turkey's economy grew by 2.5% in the first quarter of 2026, slowing from the previous period. This performance was mainly driven by net exports, reflecting the impact of the US-Iran war



The contribution from net exports has shifted further into negative territory, exerting a more pronounced drag on growth

In the first quarter of 2026, Turkey's GDP growth came in at 2.5% year-on-year, falling behind the market consensus of 2.7%. The data shows a significant moderation from previous quarters; the measure came in above 3% in the second half of 2025.

GDP growth (% YoY)



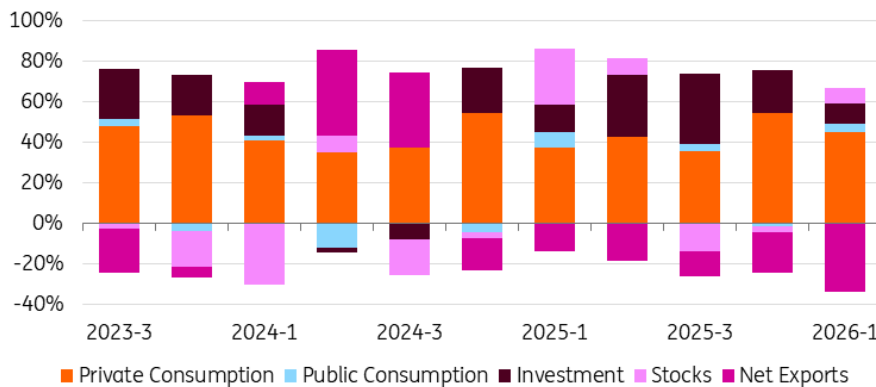
Source: TurkStat, ING

This year's first-quarter GDP translates into a quarter-on-quarter growth rate of a mere 0.1% after seasonal adjustments, the lowest since a sequential contraction in the second quarter of 2024. The slowdown was driven primarily by net exports, which contributed -0.7ppt to growth, followed by capital formation pulling the headline down by -0.6ppt. Private consumption was also weak with a mere 0.1ppt contribution, down from 2.8ppt a quarter ago. Inventory build-up (0.9ppt) and government consumption (0.4ppt) limited the extent of the weakening.

A year-on-year breakdown of expenditure components shows the following:

- Private consumption rose by 4.8% and contributed 3.4ppt to GDP. This reflects a slight deceleration from the previous quarter despite tightening financial conditions and deteriorating sentiment due to geopolitical tensions.
- Investments increased by 3.0%, adding 0.8ppt to growth. Construction investment increased by 3.3%, with the growth trend continuing at a slower pace than last year. Machinery and equipment investment also recorded a moderate increase of 3.0%.
- Public consumption increased by 2.1%, adding 0.3ppt to overall GDP, indicating stepped-up efforts to mitigate adverse effects from geopolitics.
- Inventories raised the headline growth by 0.5ppt.
- Net exports recorded the largest drag since late 2023 with 2.5ppt, extending the negative trend seen since the beginning of 2025 amid rising imports and soft export demand.

Drivers of growth (ppt contribution)



Source: TurkStat, ING

From a sectoral perspective, services provided the strongest support to growth, contributing 0.9ppt. Construction and communication added 0.2ppt and 0.4ppt, respectively. Industry, by contrast, pulled GDP down by 0.2ppt. Finally, the contribution from agriculture – where we saw a continued contraction throughout 2025 – turned positive, providing a slight 0.1ppt addition in the first quarter.

Overall, the contribution of net exports has shifted further into negative territory, exerting a more pronounced drag on growth. In contrast, domestic demand – despite a clear loss of momentum – has continued to serve as the primary driver of economic activity. Looking ahead, leading indicators for the second quarter, including PMI readings, capacity utilisation rates, and consumer and real-sector confidence indices, collectively point to a continued softening in growth dynamics.

Elevated borrowing costs, expectations that interest rates will remain higher for longer, and the Central Bank of Turkey's most recent step towards a stricter macroprudential framework by further reducing loan growth caps may translate into a more marked slowdown in the second half of the year. That said, a potential resolution of the Gulf conflict could help alleviate the current downside pressures on the economic outlook, providing some relief to growth prospects.

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