

Snap | 2 March 2026

TURKEY

Turkey's growth slows in 4Q; domestic demand still the main engine

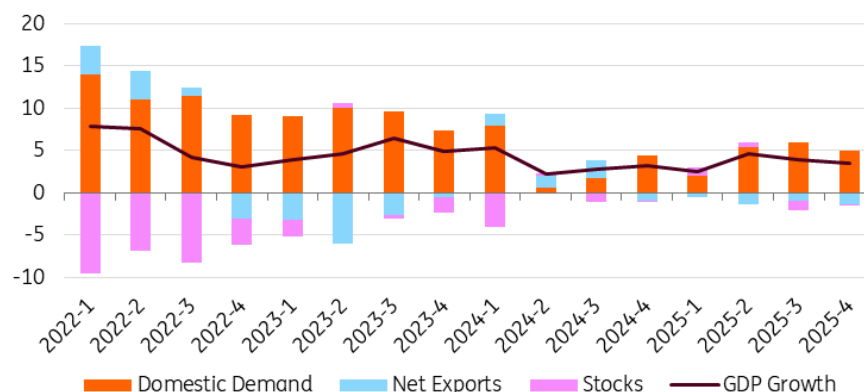
Turkey's economy grew by 3.4% in the final quarter of 2025, slowing from the previous period. Domestic demand driven growth, coupled with a continued negative contribution from net exports show that further progress is needed to achieve balanced growth



Growth during last year's fourth quarter was mainly supported by private consumption and, to some extent, by investment

Turkey's GDP expanded by 3.4% year-on-year in the final quarter of 2025, falling short of both the market consensus of 3.8% and our own projection of 3.9%. The figure marks a deceleration from the previous quarter, which had been revised up to 3.8% year-on-year by TurkStat. Growth during the period was mainly supported by private consumption and, to some extent, by investment, while weaker external demand and government consumption as well as inventory depletion weighed on the overall outcome. For the full year, GDP rose by 3.6% vs 3.3% in 2024.

GDP growth (% YoY)



Source: TurkStat, ING

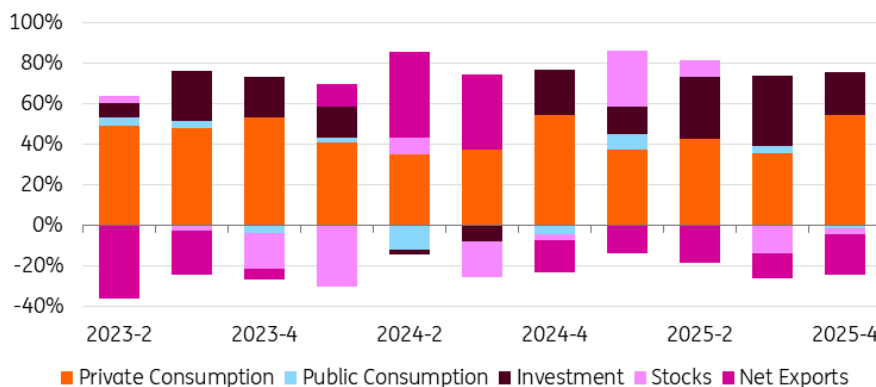
After a seasonal adjustment, fourth-quarter GDP corresponds to a quarter-on-quarter increase of 0.4%, indicating a gradual slowdown compared with the preceding two quarters. The sequential performance was driven primarily by private consumption, which contributed 2.8ppt to growth. All other expenditure components pulled the growth rate lower: net exports had the largest negative impact at -1.8 points, followed by inventory depletion (-0.3 points), government consumption (-0.2 points) and capital formation (-0.1 points).

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

- Private consumption rose by 5.2% and contributed 3.7ppt to GDP. This reflects an acceleration from the previous quarter, likely supported by the central bank's ongoing rate-cutting cycle, the wealth effect from higher gold prices and persistently elevated inflation expectations.
- Investments increased by 5.4%, adding 1.4ppt to growth. The expansion was driven largely by construction investment, which grew by 8.7%, whereas machinery and equipment investment lost momentum, rising by only 2.8%.
- Public consumption declined by 0.9%, subtracting 0.1 points from overall GDP, indicating increased efforts to contain fiscal spending.
- Inventories reduced growth by 0.2 points.
- Net exports continued to drag on performance by 1.4 points, extending the negative trend seen since early 2025 amid rising imports and soft export demand.

From a sectoral perspective, services provided the strongest support to growth, contributing 1.1 points. Construction and communication each added 0.4 points. Agriculture, by contrast, pulled GDP down by 0.3 points, following a -1.3 point contribution in the third quarter – the largest negative quarterly reading in the current GDP series.

Drivers of growth (ppt contribution)



Source: TurkStat, ING

Overall, the fourth-quarter data confirms the expected loss of momentum on both an annual and quarterly basis. The dominance of domestic demand-driven growth, coupled with a continued negative contribution from net exports, indicates that further progress is needed to achieve the rebalancing targeted under the current economic program. Leading indicators for the first quarter – including PMI readings, capacity utilisation, and both consumer and real-sector confidence indices – point toward an acceleration in growth.

This outlook is supported by the gradual reduction of the policy rate in the second half of 2025 and expectations that the easing cycle will continue. However, the macroprudential framework, which has recently been tightened through coordinated measures by the Central Bank of Turkey and the BRSA, is likely to keep demand-side recovery contained. We maintain our GDP growth forecast for 2026 at 4.0%.

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