

Turkish industry performs well in November

Industrial Production rose by 7.0% year-over-year in November, surprising to the upside.



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Positive Territory

While IP expanded by 0.3% in sequential terms and remained in positive territory in the second half of 2017, the data show some surprising softening in comparison to the strong performance in 3Q.

7.0%

IP Growth

(Calendar adjusted, YoY)

Better than expected

Momentum Lost

The industrial production index (calendar adjusted) grew 7.0% in November, above the consensus

of 4.9% year-over-year, as manufacturing production lifted the headline by 5.9 percentage points. Contributions of "electricity, gas, steam and air conditioning supply" and "mining and quarrying" were also positive with 0.30ppt and 0.80ppt, respectively. The seasonal and calendar adjusted (SA) IP index has remained in positive territory in the second half of 2017, with 0.3% sequential growth in November, showing a continuation of strength in the industrial activity. However, the performance in the first two months of 4Q shows momentum was lost to some extent with 1.4% over 1.9% quarter-over-quarter growth in 3Q and 2.0% in 2Q.

Intermediate goods and undurable consumer goods drive the headline

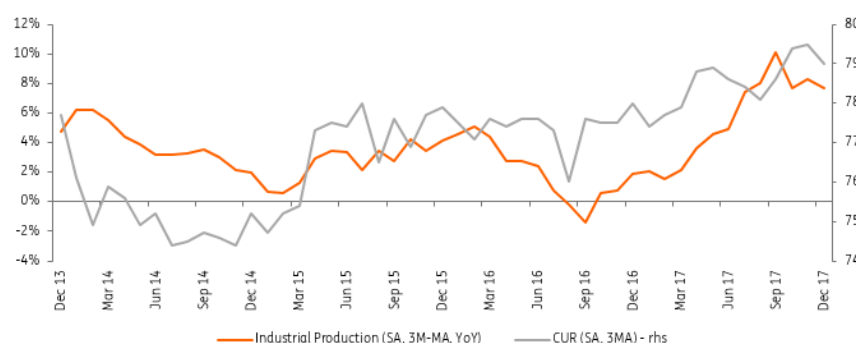
Among broad economic categories, there was some normalisation following a deeply negative reading at -18.5% month-over-month in October [as the last-minute impact of favourable tax treatment was reversed at the end of 3Q,] production in durable goods remained in negative territory with -1.43% MoM, showing further softening in 4Q.

Energy also produced a negative reading, the second in a row with 0.95% MoM, likely attributable to mild winter conditions. More importantly, after a jump in October, capital goods production declined in November by 1.14%, though the 4Q performance so far shows the strongest in the last four quarters. Capital goods production has been volatile in recent periods and the level of production in 4Q is a start of a more sustainable recovery in investment appetite is yet to be seen. On the flip side, intermediate goods and undurable consumer goods were positive with 1.21% MoM and 1.23% MoM, driving the headline figure into positive territory.

Automotive remains a top performer

In the manufacturing sector, automotive contributed solidly to monthly performance due to continuing demand from the EU that has been a significant trend continuing for more than a year. That pulled the calendar adjusted headline up by 1.29ppt. Machinery & equipment, wearing apparel and fabricated metal products were also strong performers with 0.71ppt, 0.67ppt and 0.64ppt respectively. Among the four groups out of 24 in manufacturing, refined petroleum products and computer, electronic, optical products were the major groups with -0.40ppt and -0.37ppt, respectively.

IP vs Capacity Utilization



Bottom Line

Overall, the industrial production has beaten the market consensus again in November showing a continuation of the recovery in activity. Still, industrial production has lost some steam in 4Q after an impressive 3Q, though December's PMI jumped to 54.9 from 52.9 a month ago, suggesting that industrial production is likely to maintain its solid performance in the near term.

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