

Snap | 8 January 2018

TURKEY

Turkish industry performs well in November

November

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



Source: Shutterstock

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

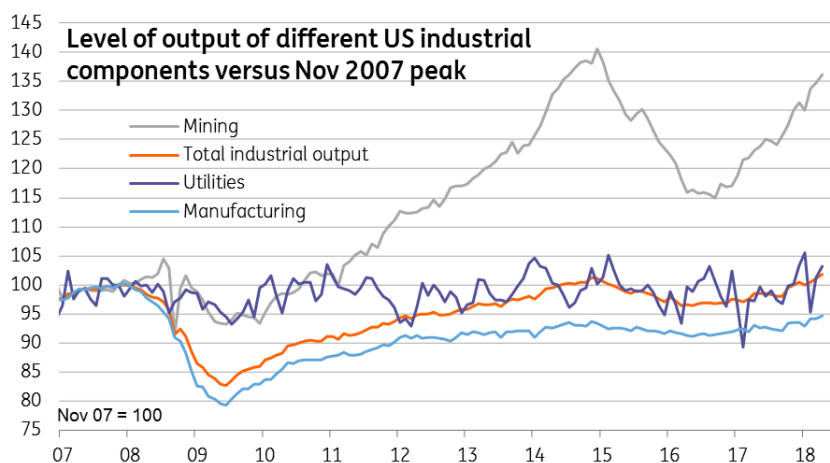
Among broad economic categories, there was some normalisation following a deeply negative reading at -18.5% month-over-month in October [as the last-minute impact of favourable tax treatment was reversed at the end of 3Q,] production in durable goods remained in negative territory with -1.43% MoM, showing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



Source: Macrobond

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.

Author

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

THINK economic and financial analysis

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.