

## Turkey: Industrial production contracts

Industrial production contracted in January, the first negative reading since May 2017, according to new data



Source: Shutterstock

**-0.8%** IP contraction in January  
(seasonally adjusted, MoM)

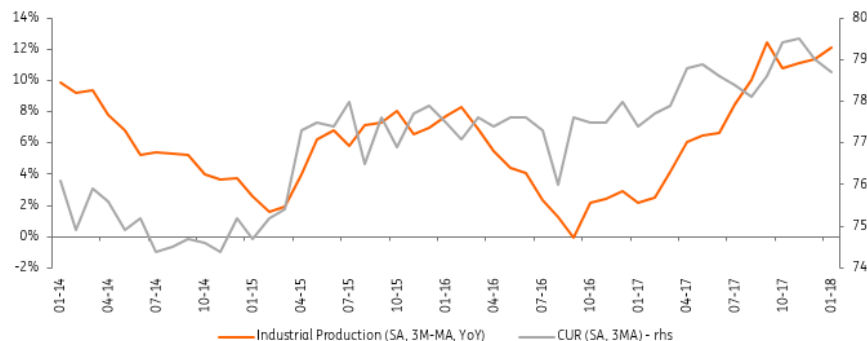
Following fresh EU guidance, the Turkish Statistical Institute published new industrial production data with a base year of 2015 rather than 2010, which had been the base year of previously published indices.

The data, previously calculated by using fixed base year weights, will be produced using a chain-index method, which is based on updated annual weights, while administrative records will be used directly or indirectly in the production of IP-related indicators.

In the new series, industrial production (calendar-adjusted) growth in January was 12.0%, driven by manufacturing production, which pulled the headline up by 10.6ppt. Contributions of "electricity, gas, steam and air conditioning supply" and "mining and quarrying" were also positive,

adding 0.5ppt and 0.9ppt, respectively. The seasonal and calendar-adjusted (SA) IP index contracted for the first time since May last year, at -0.8% month-on-month, likely showing some deceleration in industrial activity.

## IP vs Capacity Utilization



Source: TurkStat, ING Bank

Following production gains in all groups, durable and undurable consumer goods, as well as capital goods production, turned negative in January, while intermediate goods and energy remained in positive territory. Despite continuing improvement in intermediate goods production, albeit with a slowing pace of 0.20%, capital goods production contracted by a significant 4.3% MoM in January following a strong 2017 performance. Production in capital goods has been volatile in recent periods and the first month's data in 2018 shows that investment in machinery equipment, which had been supported by the credit guarantee fund scheme, may weaken again.

After softening in 4Q following a strong 3Q performance, this data shows that further momentum was lost in the first month of 2018. However, PMIs in January and February have stayed above 55, indicating a relatively strong outlook while confidence indicators have recovered and capacity utilisation remains elevated. So it is too early to conclude there is a sustainable weakening trend in IP, particularly as economic activity will likely remain competitive this year on the back of continued fiscal stimulus and supportive external demand.

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