

Turkish industrial production plunges in October

Industrial production in October recorded another sharp contraction at -1.9% MoM, the third negative reading in a row, showing deepening downturn in the economy

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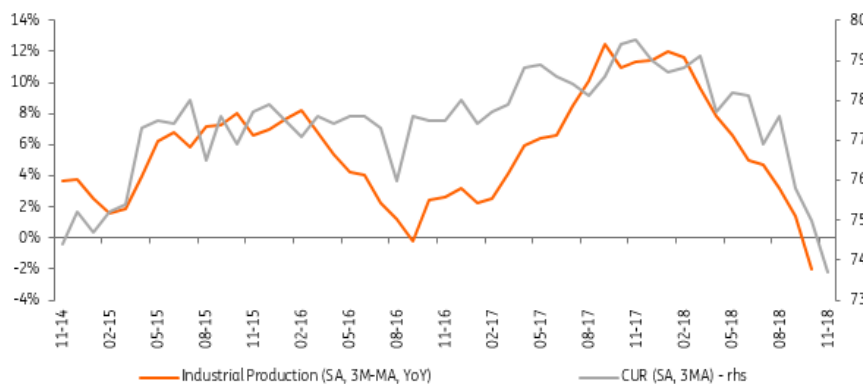
-1.9%

Turkey IP Growth

MoM, seasonally and calendar adjusted

Turkish industrial production (the seasonal and calendar adjusted, SA) maintained contraction in October with another sharp -1.9% month-on-month, the third negative reading in a row, not surprising given the impact of summer volatility and the tightening policies leading to a faster than expected rebalancing of the economy. Heavyweight manufacturing once again stood out as the major driver of the contraction, contributing -1.8ppt to the headline, while contributions of "electricity, gas, steam and air conditioning supply" and "mining and quarrying" were slightly negative. The IP (SA) index at the lowest since Jun-17, shows the extent of the weakness in production performance.

IP vs PMI



Source: TurkStat, CBT, ING Bank

The industrial production (calendar adjusted) growth in October turned out to be worse than

expected at -5.7% YoY.

Among broad economic categories, all groups with the exception of capital goods were negative, while intermediate goods production was the major driver of the monthly IP contraction with -1.4ppt, followed by undurable consumer goods at -0.4ppt. Durable consumer goods production was also negative with -3.4% MoM, translating into -0.2ppt impact on the headline, but it could have contracted more if the government had not introduced temporary tax cuts on white goods, furniture and automobiles.

Overall, the data suggest that the downturn is deepening in the fourth quarter of this year, given the plunge in credit supply and no sign of major recovery in confidence indicators. Accordingly, the adjustment process in the Turkish economy already started in the third quarter will continue as current domestic demand conditions reinforce the downbeat economic outlook.

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