

## Turkish industrial production remains on a volatile path

Despite the decline in industrial production in August, IP data in 3Q points to a recovery after turning positive in 1Q and recording growth in 2Q

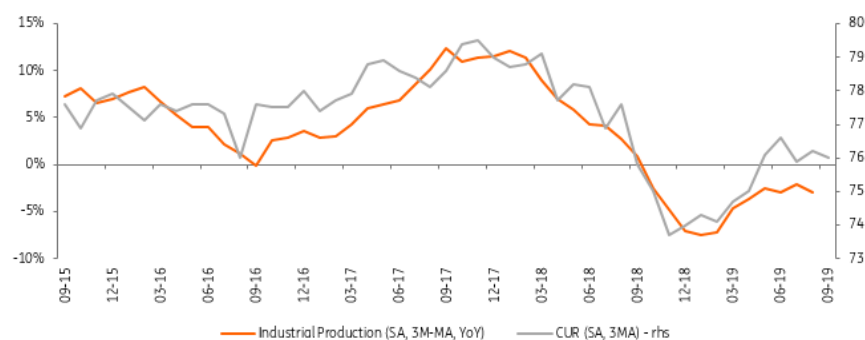


**-2.8%** IP growth  
In August, MoM

After a large setback in June and a strong start to 3Q with a sharp upward correction in July, the industrial production index in Turkey remains on a volatile path, recording another drop by -2.8% MoM in August.

This is indicative of a challenging recovery process, though the expectation is that the improvement trend will be more evident and pronounced in the months ahead with large base effects. On the other hand, calendar-adjusted industrial production growth stood at -3.4% YoY, continuing a sequence of negative readings since September 2018.

## IP vs Capacity Utilisation



Source: TurkStat, ING

The monthly drop in industrial production is likely to be temporary. From the highest point since the financial volatility in 2018 is attributable mainly to intermediate, capital and nondurable consumer goods with relatively higher negative contributions while durable consumer goods production was mildly negative, showing some normalisation after a plunge in July with the expiry of tax cuts.

Among the 24 manufacturing sectors, only three sectors, led by computer, electronic and optical products, recorded production growth. The others dragged the adjusted IP performance in August, driven by other transport equipment (dominated by defence industry products) and automotive. Sectoral diffusion will likely improve in the remainder of 2019 given the easing policy mix and supportive base.

Overall, after turning positive in 1Q and recording growth in 2Q, industrial production data in 3Q points to positive quarterly performance, though the August reading was a drag.

Despite the moderation in consumer and business confidence in September, IP is likely to return to a recovery path. The looser monetary and macro-prudential policy should also provide support, though ongoing geopolitical risks could weigh on the already fragile confidence.

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