Turkey: Industrial production turns positive

Industrial production rose in March by 0.2% month-on-month after contracting for two straight months

Source: Shutterstock

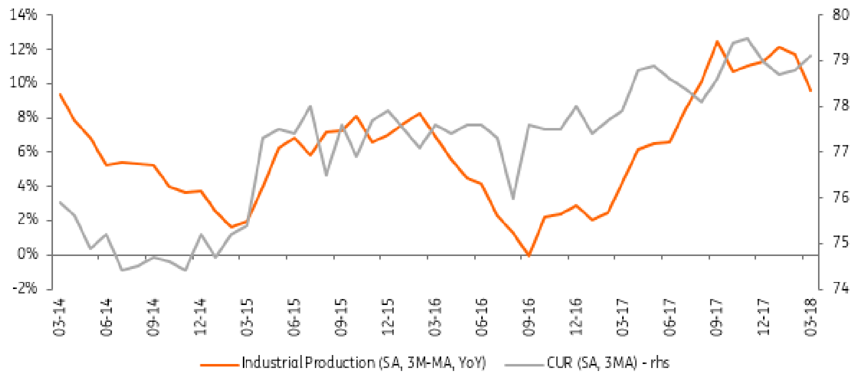
7.6% March IP

(YoY Growth)

As expected

Industrial production (calendar-adjusted) growth in March turned out to be 7.6%, driven by manufacturing production pulling the headline up by 7.0ppt, while contributions of "electricity, gas, steam and air conditioning supply" and “mining and quarrying” were also slightly positive. After two consecutive negative readings, the seasonal and calendar adjusted (SA) IP index turned positive in March for the first time since May last year, growing 0.21% month-on-month. However, the 1Q performance of 0.8% compared to 2.3% and 3.2% quarterly growth in 4Q and 3Q, respectively, shows a moderation in industrial activity to the lowest level since 3Q16- which was significantly impacted by the failed coup attempt.

IP vs capacity utilisation



Source: TurkStat, CBT

Among broad economic categories, the only sector with a negative reading was the intermediate goods at -1.1% MoM, while the sequential quarterly performance in this group shows a gradual softening to 1.4% in 1Q from 3.9% in 3Q and 2.3% in 4Q. This is also the case for another heavyweight, undurable consumer goods from 3.9% in 3Q to 1.9% in 1Q, though March production was positive at 1.2% MoM following contractions in the first two months of 2018. Both sectors confirm the expected momentum loss in economic activity. Among other groups, durable goods and energy recorded some improvement in 1Q, but remained in negative territory. Finally, capital goods production which has been volatile in recent periods registered a contraction in 1Q at -0.7% down from 4.5% QoQ a quarter ago, likely showing the impact of recent market volatility on investment decisions and decelerating lending expansion.

Overall, after an unsurprising softening in 4Q, the data shows further momentum loss in the first quarter of 2018. A greater-than-expected tightening in financial conditions further contributed to ongoing softness as signalled by recently-released indicators such as the PMI and confidence indicators, along with unsupportive base effects in the second half.
Still, continuing policy impulses, strength in external demand and a further recovery in tourism revenues should help to slow the pace of deceleration in economic activity.

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