

## Turkey: Industrial production turns positive

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



Source: Shutterstock

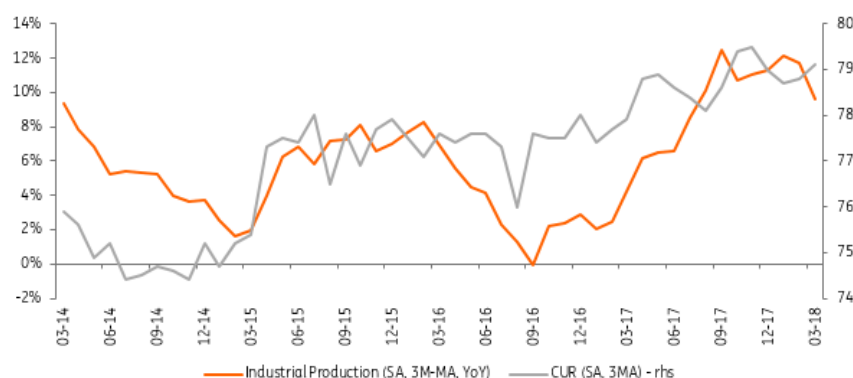
**7.6%** March IP  
(YoY Growth)

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.

## Author

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto: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.

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](http://www.ing.com).