

Turkey: Signals of recovery in industrial production

January IP data recording its first positive reading for six months is another signal of a bottoming out following the sharp adjustment in economic activity in late 2018.



Source: Flickr

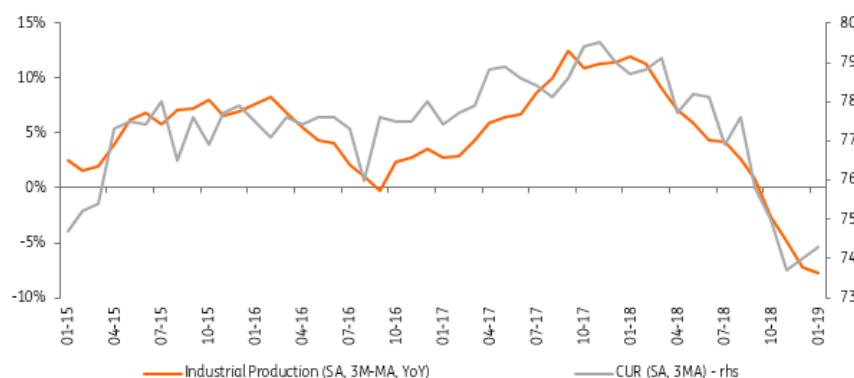
1.0% IP growth
(sequential change in January)

The December 2018 industrial production (an a seasonal and calendar adjusted basis, SA) index, having been at its lowest since early 2017, recovered by 1% MoM in January. This was its first positive reading for six months. This can be viewed as a signal of gradual direction change after the August volatility that caused a significant adjustment in economic activity. Manufacturing stood

out as the major driver of the improvement, contributing +1.0ppt to the headline. The contributions of "electricity, gas, steam and air conditioning supply" and "mining and quarrying" were slightly negative and positive respectively, offsetting each other. "Other transport equipment", dominated by defence industry products, provided a 0.7ppt lift to seasonally adjusted manufacturing performance.

Calendar-adjusted industrial production growth in January, on the other hand, turned out to be -7.3% YoY, slightly better than the market consensus.

IP vs Capacity Utilization Rate



Source: TurkStat, CBT, ING Bank

Across broad economic categories, all the groups that recorded negative growth rates in December turned positive in January. Intermediate goods production was the major driver of the monthly IP growth, at +2.2% MoM (with a 0.7ppt contribution to the headline), followed by energy at +1.4% MoM. Durable consumer goods production, likely reflecting the government’s decision to extend temporary tax cuts (on white goods, furniture and automobile) was also positive, recording 1.1% monthly growth.

Overall, the January IP data recovering from a low base is another signal of bottoming-out. This is evidenced by (1) a slowing credit adjustment, (2) recovering business confidence and sectoral confidence indicators, albeit at a slower pace, (3) recent stability in CUR and improvement in PMI, and (4) momentum loss in the falls in white good and automobile sales. The government has announced a number of stimulus measures in recent months for both households and companies. These include a higher-than-expected minimum wage hike, social security premium support for firms, and SME lending packages at lower interest rates that can be helpful for an economic recovery.

Author

Muhammet Mercan

Chief Economist, Turkey

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.