

## Turkish industrial production grows 7.9%

Industrial production dropped by -0.2% MoM in January after the strong performance in the last two months of 2019. But given the recent global developments, the recovery process is likely challenging

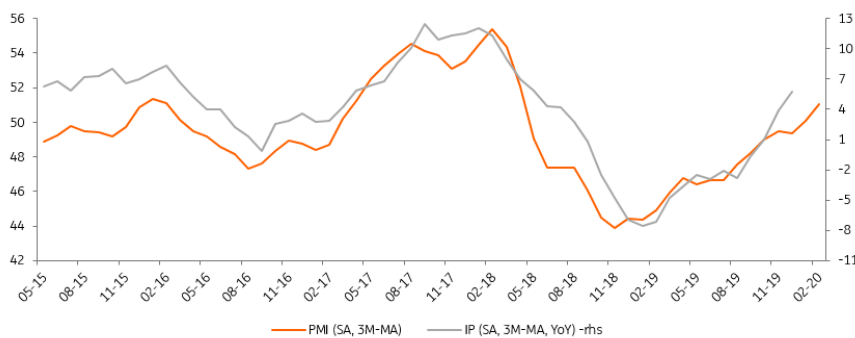


After strong expansion in the last two months of 2019, both seasonal and calendar-adjusted Turkish industrial production showed a slight correction in January by -0.2% MoM.

We think the contraction will not continue in February given the momentum in recent months, though the recovery process will likely remain challenging due to the volatile trajectory of production and Turkey's macro performance sensitivity to eurozone activity.

Calendar-adjusted industrial production growth in January turned out to be slightly lower than expected at 7.9% YoY (vs 8.2% consensus), albeit still recording a healthy pace with large base effects.

### Industrial production vs PMI



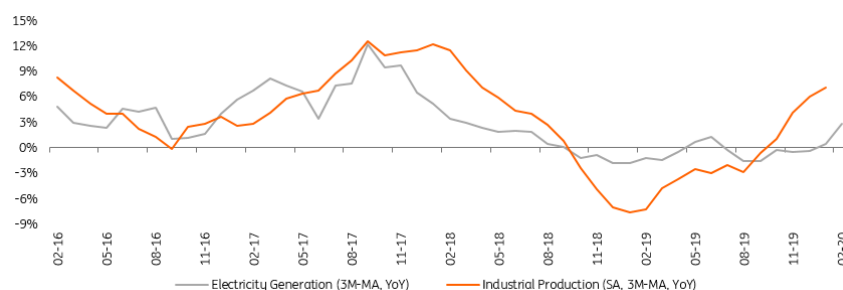
Source: TurkStat, Markit, ING

## What the sectors show?

Repairs and installation of machinery and equipment and manufacturing of other transport equipment (dominated by defence industry products) were major drags to monthly manufacturing production with -0.4bp and -0.3bp contributions. On the flip side, non-metallic mineral products (including cement production, which shows the extent of activity in construction) and basic metals lifted the headline by 0.3bp each.

Among broad economic categories, the performance of intermediate goods, sustaining growth in January, should be viewed positively given that they are highly correlated with economic activity, while nondurable consumer goods and energy were other groups raising the total production. However, capital goods production that has been on a fragile recovery path switched to negative territory and reduced industrial production by -1.1bp while nondurable consumer goods were also negative at -0.1bp.

## IP vs Electricity generation



Source: CBT, ING

Overall, the Turkish economy has been accelerating in recent months at a much higher pace than expected before thanks to a supportive fiscal stance and credit policies.

However, recent global developments will likely weigh on economic performance in the period ahead given sensitivity of the growth outlook to global 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 <http://www.ing.com>.