Turkish industrial production grows 7.9%

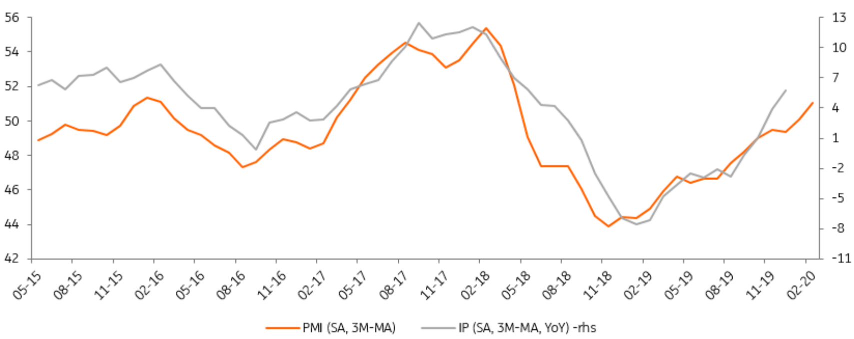
Industrial production dropped by -0.2% MoM in January after the strong performance in the last two months of 2019. But given the recent global developments, the recovery process is likely challenging

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



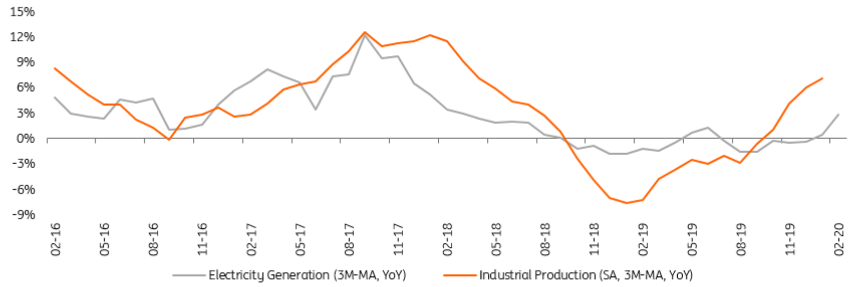
Source: TurkStat, Markit, ING

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.

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