

## Turkey: Temporary spike in July industrial production

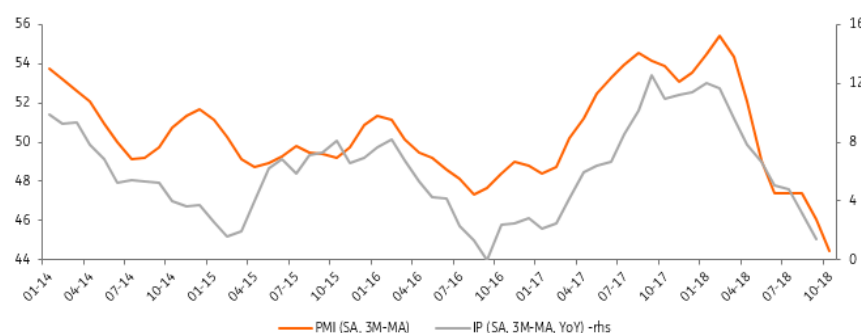
The seasonal and calendar adjusted (SA) IP in July showed a surprise spike with the highest expansion since October 2016 at 3.5% MoM; it's unlikely to last



Source: istock

The industrial production (calendar adjusted) growth in July turned out to be higher than expected at 5.6% YoY, driven by manufacturing production pulling the headline up by 4.9ppt, while contributions of "electricity, gas, steam and air conditioning supply" and "mining and quarrying" were also slightly positive with 0.4ppt each. After marked contractions in the last two months of 2Q18 with increasing financial volatility ahead of general elections in late June, the seasonal and calendar adjusted (SA) IP index turned positive with a temporary spike of 3.5% MoM. IP (SA), now close to an all-time high. This suggests the economy weathered the recent market turmoil, though this resilience is unlikely to last given further volatility in August weighing on sentiment, likely difficulties in external financing, the ongoing uptrend in inflation and sharp monetary tightening since early 2018.

## IP vs PMI



Source: TurkStat, Markit, ING Bank

Among broad economic categories, all sectors turned positive in July, after an anaemic sequential performance a month ago, while non-durable consumer goods and intermediate goods were the major contributors to the IP (SA) index growth.

Overall, there are signs that underlying momentum has weakened and other, low-profile data points to a sharp slowdown. So, the July IP is likely to be a blip in the near term and we can expect some under-performance in the coming months.

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