

Turkish production growth turns negative in April

After growing for three straight months, Turkish industrial production falls in April for the first time in 2019, proving the fragility of the recovery in economic activity. A prudent policy mix remains key to sustain the rebound in performance

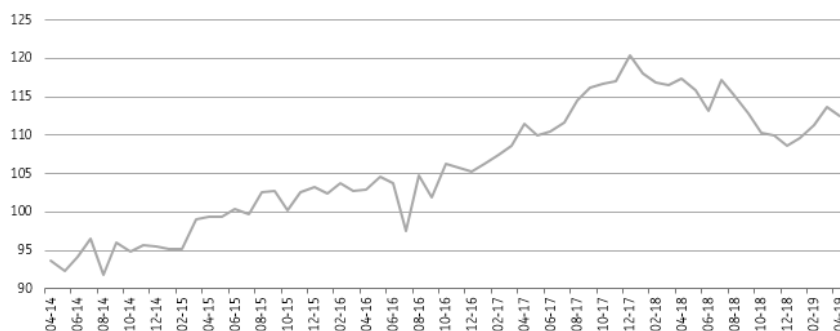


Source: Flickr

-1.0% IP growth
(sequential change in April)

The industrial production index which increased for three straight months in Q1 turned negative in April, recording a -1.0% month on month contraction. The data, likely showing the impact of the renewed volatility in markets, proved the fragility of the recovery in economic activity seen in Q1.

Industrial production index (seasonally adjusted)

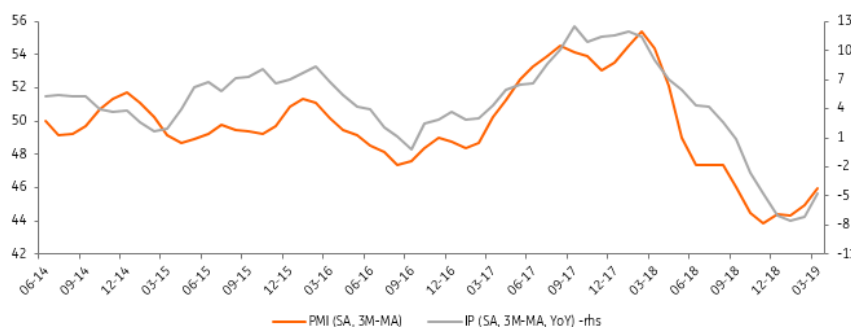


Source: TurkStat, ING Bank

The manufacturing and mining sector stood out as the major drivers of the contraction, contributing -0.8ppt and -0.4ppt to the headline, respectively, while the contribution of utilities was slightly positive. Among the manufacturing sectors, automotive and other non-metallic mineral products were the worst performers, providing -0.3ppt drag to the seasonally adjusted manufacturing performance, while food products and basic metals lifted the manufacturing production by +0.2ppt.

Given that only slightly higher than a third of 24 manufacturing-related sectors record production increases in April - the lowest since October 2018, the rebound in early 2019 can be temporary. On the other hand, the industrial production (calendar adjusted) growth in April, stood at -4.0% YoY, lower than the consensus at -2.5% YoY.

Industrial production vs PMI



Source: TurkStat, Markit, ING Bank

In broad economic categories, undurable consumer goods and energy were the groups with positive growth rates, providing minor contributions to the April figure. Among the negative drivers, heavyweight intermediate goods pulled the monthly reading down by -0.6ppt, increasing concerns about the recovery trend, followed by capital goods and durable consumer goods dragging the sequential IP by -0.4ppt and -0.2ppt, respectively.

Overall, the industrial production data hints that downside risks to economic recovery will continue in the aftermath of the financial volatility along with continuing global and

geopolitical uncertainties. A prudent policy mix will remain key to sustain the rebound performance.

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