

## Turkey: Industrial production plunges in May

The seasonal and calendar adjusted industrial production in May showed some unsurprising softening with the highest contraction since September 2016. Overall, given the tightening in domestic and external financial conditions, we expect economic activity to remain slow



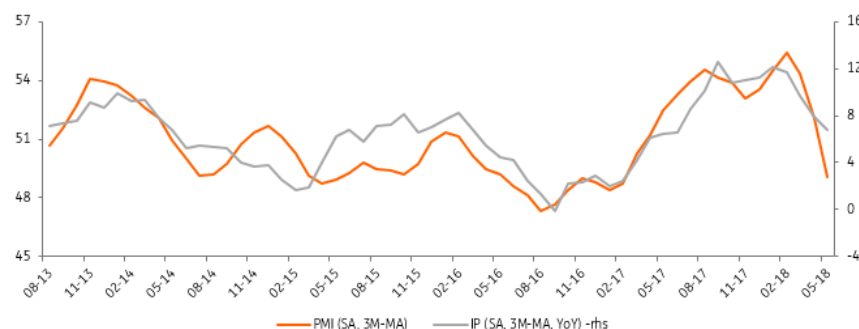
Source: Shutterstock

**-1.6** IP Growth  
(Seasonally adjusted, % MoM)

The seasonal and calendar adjusted (SA) industrial production index recorded -1.6% month on month contraction, the worst monthly reading since September 2016, supporting expectations of momentum loss in the industrial sector.

The performance in the first two months of the second quarter also shows a continuation of softening with 0.3% over 0.8% QoQ growth in the first quarter, 2.1% in 4Q and 3.3% in 3Q. On the other hand, calendar adjusted industrial production growth in May stood at 6.4%, higher than our call at 5.0%, driven by manufacturing production pulling the headline up by 5.7ppt.

## Industrial Production vs Purchasing Managers Index



Source: TurkStat, Markit, ING Bank

Among broad economic categories, the only sector with a positive reading was durable goods, up by 1.8% MoM, while all others that were positive in April, dove into the negative territory.

The contraction in heavyweight undurable and intermediate goods production confirms the expected easing in the activity. Capital goods production that has been volatile in recent periods registers a decline at -4.1%, likely showing the impact of recent market volatility on investment decisions.

Overall, given the tightening in domestic and external financial conditions, we expect economic activity to remain slow, while negative base effects will also contribute to the adjustment of the Turkish economy.

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