

Turkey: Industrial production recovers in September

After turning positive in the first quarter and recording growth in the second, industrial production data showed another positive performance in the third quarter after a strong increase in September



Source: Shutterstock

3.2% IP Growth
In September, MoM

Industrial production (seasonal and calendar adjusted, SA) has followed a volatile trajectory in recent months, indicative of a challenging recovery process. In September, it recorded strong positive growth of 3.2% month-on-month following a significant 2.7% contraction in August. In the third quarter overall, IP recorded growth of +1.6% QoQ. The data shows a continued recovery from the trough seen after last year's volatility, which caused a significant adjustment in economic activity.

IP Index (the seasonal and calendar adjusted)

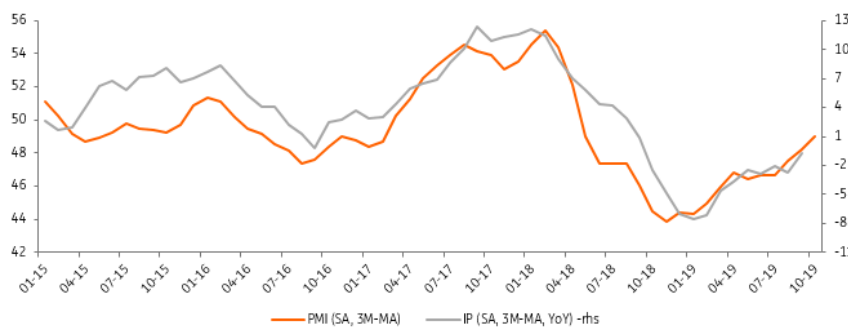


Source: TurkStat, ING

Manufacturing stood out as the major driver of the headline figure, contributing 2.9 percentage points. Among sectors, automotive was the top performer with a 0.4ppt lift to the headline, followed by food, rubber and plastic, basic metals, machinery and equipment, and other transport equipment (dominated by defence industry products), each providing a +0.3ppt contribution. Only two sectors (beverages and chemicals) out of 24 were a drag on manufacturing production, reflecting the improved sectoral diffusion of production amid an easier policy mix and supportive base.

Among broad economic categories, all sectors (with the exception of durable consumer goods) remained in positive territory in the third quarter, while the poor performance of durables (-8.2% QoQ) is likely attributable to the expiry of tax cuts in July. Non-durable goods recorded the highest quarterly growth rate, at +2.6%, followed by capital goods at 2.5% while intermediate goods production, highly correlated with economic activity, rose +1.6% on quarterly basis.

IP vs PMI



Source: TurkStat, Markit, ING

Calendar adjusted IP growth stood at +3.4% YoY, reverting to positive territory after a sequence of negative readings since Sep-18. The expectation is that the uptrend will be more evident and pronounced in the months ahead with large base effects.

Overall, after turning positive in 1Q and recording growth in 2Q, the IP data in 3Q points to a further positive performance. Despite still weak consumer confidence, other high frequency

data recently hints at a strong recovery as the PMI has hit 50, confidence remains on an upward path and house sales have jumped. The latest IP confirms this trend.

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