Turkey: Industrial production recovery resumes in November

Industrial production rose 0.7% month-on-month in November, showing continued improvement in economic activity. But some momentum was lost in the fourth quarter compared to the third

Source: shutterstock

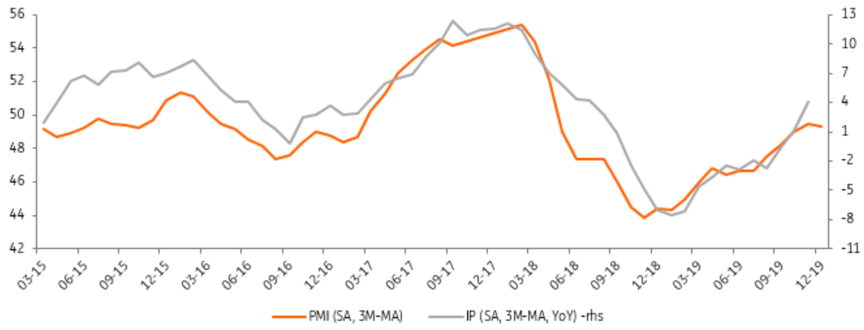
0.7% IP growth

(November, MoM)

After a weak start to the fourth quarter of 2019 (contracting on a seasonal and calendar-adjusted basis in October), industrial production resumed its recovery, with +0.7% MoM growth in November, showing continued improvement in economic activity. However, data for the first two months of the fourth quarter signals that IP growth is losing some momentum over the previous quarter, which was the strongest quarterly performance since 2017.

Manufacturing remains the sole driver of the headline figure. Among sectors, printing and reproduction of recorded media, textile, chemical products and other transport equipment (dominated by defence industry products) were the top contributors to the monthly manufacturing performance, at +0.2 percentage points each, while basic pharmaceuticals and food products were the only drags.

IP vs PMI



Source: TurkStat, Markit, ING

Among broad economic categories, capital production stood out, with the highest monthly contribution to industrial production, at 0.4ppt. This performance must continue if the recovery is to continue at its current pace going forward, but that is far from certain given that investment demand has been weak since 2018. The fact that intermediate goods sustained growth in November, with a 0.2ppt impact on the headline rate, should be viewed positively, given its high correlation to economic activity. Energy, on the other hand, contracted given significantly mild weather conditions.

Calendar-adjusted IP growth stood at +5.1% year-on-year, maintaining the recovery seen after it reverted to positive territory in September, which followed a sequence of negative readings since the currency shock in 2018. The current uptrend will likely continue in the months ahead with the support of large base effects.

> Overall, the Turkish economy has rebounded from the 2018 currency shock with an expansionary fiscal stance, strong net exports and credit policies. The recovery will likely continue in the period ahead with an ongoing acceleration in lending thanks to changes in the reserve requirement framework and a deep cutting cycle since mid-2019.

Author

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

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