

Turkey: industrial production resumes recovery

Industrial production recorded another solid monthly growth rate in May, showing that the recovery process, in place since the beginning of this year, has remained intact following a negative reading in April

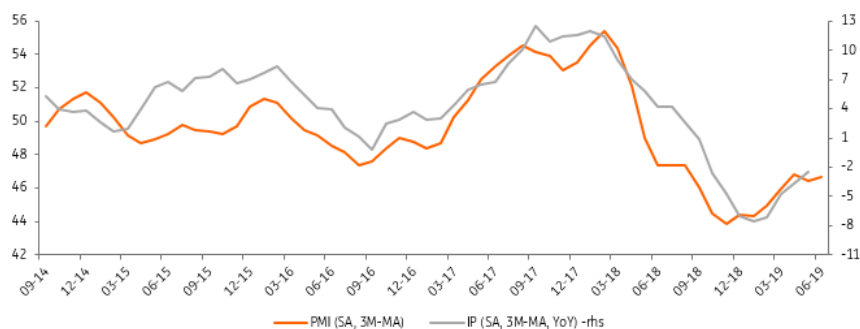


Source: iStock

1.3% IP growth
in May, MoM

Following the first sequential contraction in April, which likely reflected the impact of renewed volatility in financial markets, industrial production on a seasonal- and calendar-adjusted basis, recorded a healthy 1.3% month-on-month increase in May, providing evidence that the recovery process in place since the beginning of this year has remained intact. On a year-on-year basis, industrial production (calendar-adjusted) growth was down 1.3%, but that was better than the consensus estimate of -2.5% YoY, likely reflecting the positive impact of Ramadan.

Industrial production vs PMI



Source: TurkStat, Markit, ING

The monthly increase in IP to the highest level since the Aug-18 volatility is largely attributable to intermediate, energy and capital goods production, providing positive signals for future production. On the flip side, durable and nondurable consumer goods recorded production declines on a monthly basis, hinting at the continued fragility of domestic demand, as evidenced by plunging consumer confidence to the lowest level since the inception of the series in 2009.

Among sectors, other transport equipment (dominated by defence industry products) stands out, with a strong contribution to the headline rate, followed by other export related sectors like automotive.

After turning positive in 1Q for the first time since 2017, industrial production is likely to record another quarter of growth in 2Q given encouraging signals in June such as improving consumer and business confidence, rising PMI to the highest level in a year and higher capacity utilisation rates etc. Going forward, a likely acceleration in lending with new credit guarantee fund packages should be supportive for activity while base effects from last year will contribute to the momentum in the second half. Policy determination and a prudent policy mix will remain key to sustain this performance.

Author

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss

arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.