

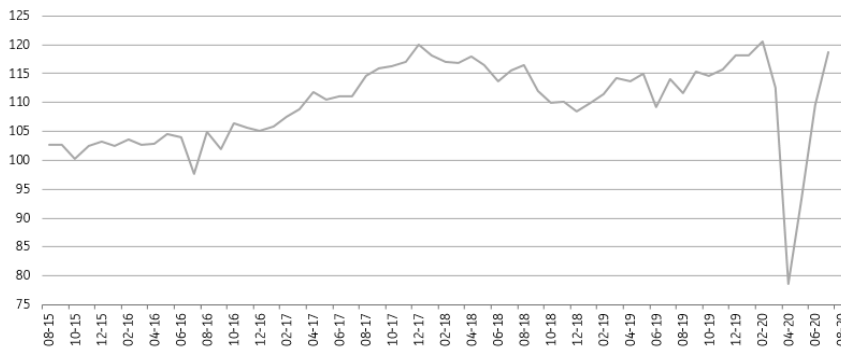
Turkey: Industrial production returns to pre-pandemic levels

Industrial production continued to recover in July, though the breakdown of manufacturing hints at an uneven performance



Source: shutterstock

IP Index (the seasonal and calendar adjusted)



Source: TurkStat, ING

After large declines in March and April, industrial production (seasonally and calendar-adjusted,

SA) recovered swiftly, with the easing of lockdown measures. In July, production grew 8.4% month-on-month, returning to pre-pandemic levels. This performance is mainly attributable to unprecedented credit stimulus, which provided liquidity to the private sector and helped to counter adverse effects.

The sectoral breakdown shows that the impact across sectors varied. There are: 1) outperformers which exceeded production levels before Covid-19 by a significant margin i.e. computers, electronic and optical products, tobacco products, printing and reproduction of recorded media, other non-metallic mineral products, other manufacturing 2) outperformers achieving low growth rates compared to their pre-pandemic levels, including wood products, paper products, chemicals, plastics etc. 3) underperformers with relatively lower production falls including foods, textiles, apparel, pharmaceuticals, basic metals, pharmaceuticals etc and 4) those still facing marked production losses i.e. automotive, other transport equipment, leather, beverages.

In year-on-year terms, industrial production (calendar-adjusted) was up 4.4% and, not adjusting for working days, it was slightly negative at -0.9%.

Overall, industrial production continued to recover in July, though the breakdown of manufacturing suggests an uneven performance, with some sectors still struggling after a stronger and swifter than expected recovery since the reopening of the economy. Recent moves by the Banking Regulation and Supervision Authority and the Central Bank of Turkey have helped to improve momentum but how the laggards perform through the rest of the year will be important for the recovery process.

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>.