

# Turkey: Industrial production slows sharply

Industrial production saw a dramatic slowdown in September, falling 2.7% from August



# -2.7

## Industrial Production (seasonally adjusted)

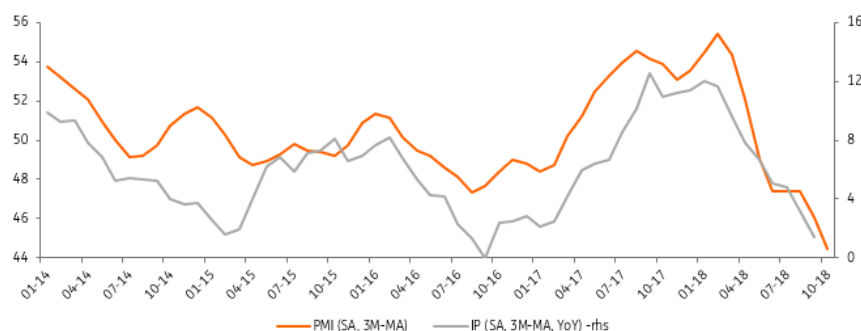
(MoM change, %)

Worse than expected

Industrial production (seasonal and calendar adjusted) in September recorded a dramatic slowdown, with a negative reading of -2.7% month-on-month, mainly due to manufacturing production pulling the headline down by 2.4 percentage points. Contributions from "electricity, gas, steam and air conditioning supply" as well as "mining and quarrying" were positive.

The IP (SA) index is at the lowest level since July 2017, showing the extent of the ongoing weakness in production. On a quarterly basis, industrial production fell -0.2% in 3Q compared to a -1.0% fall in 2Q and 0.6% in 1Q.

## IP vs PMI



Source: TurkStat, Markit, ING Bank

Among broad economic categories, heavy-weight intermediate goods recorded negative growth of -1.7% QoQ while capital goods saw a -0.6% QoQ contraction, similar to the trend seen for this group in previous quarters this year. Despite the lack of investment appetite, consumer goods production (especially durable goods) and energy provided a positive contribution to the third quarter performance, offsetting some of the impact from intermediate and capital goods production.

Overall, the economy has slowed more than anticipated given the plunge in credit supply and sharp drop in confidence. Recent financial volatility and consequent tightening of financial conditions continue to weigh on domestic demand, especially on private consumption and investment, reinforcing the downbeat economic outlook in the period ahead.

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