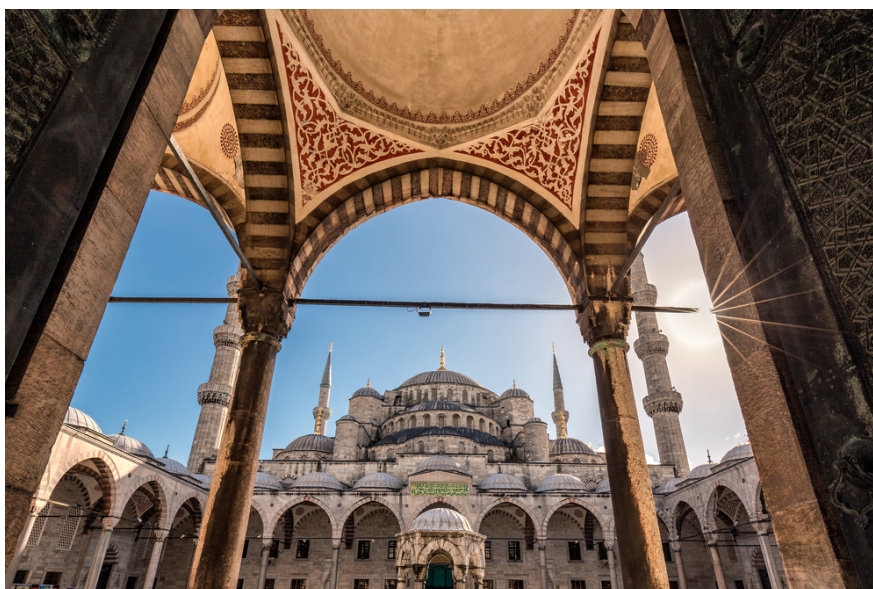


Turkey: Industrial production accelerates in December

Turkish industrial production continues to recover expanding by 1.9%, MoM, in December, showing that economic activity continues to improve with momentum



Source: Shutterstock

1.9% IP growth
(December, MoM)

Industrial production in Turkey, both seasonal and calendar adjusted, expanded in December by 1.9% MoM, showing economic activity continues to recover. Machinery and equipment, automotive, and food were the top contributors to the monthly manufacturing performance, while coke and refined petroleum products were the major drags.

IP index (the seasonal and calendar adjusted)



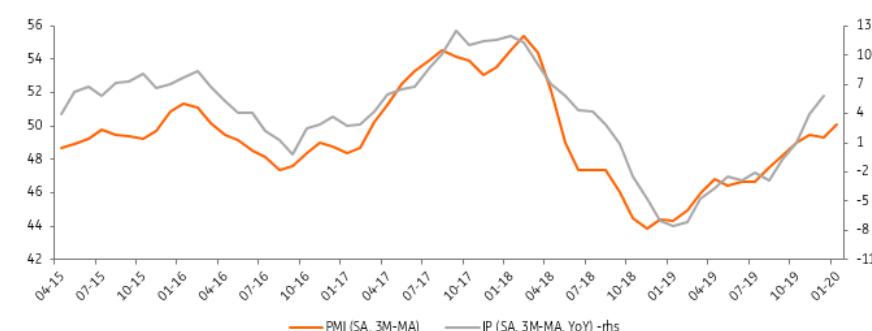
Source: TurkStat, ING

Turkish industrial production has grown every quarter in 2019 and came in at 1.5% QoQ in the 4Q19 vs 1.5%, 0.8% and 1.8% on a QoQ basis in the first three quarters of 2019. The overall performance in 2019 was negative at -0.7% YoY vs 1.6% in 2018, reflecting the impact of the currency shock in August 2018 and the extent of adjustment in the economic activity.

Among broad economic categories, the only sector with a negative reading was energy at -1.1% QoQ in 4Q, likely attributable to softer winter conditions. Among others, intermediate goods growing by 1.3% QoQ should be viewed as a positive given its high correlation with economic activity along with strength in durable goods production at 2.6% QoQ, turning to positive after a contraction in four consecutive quarters. Finally, capital production lost some momentum with a mere 0.4% QoQ vs 3.1% QoQ a quarter ago, indicative of still weak investment demand.

The industrial production (calendar adjusted) growth in December, on the other hand, turned out to be better than expected at 8.6% YoY, gaining momentum in recent months with accelerated activity and large base effects, while the current uptrend will probably continue in the months ahead with the supportive base and continuing recovery in the macro outlook.

IP vs PMI



Source: TurkStat, ING

The Turkish economy has rebounded at a much higher pace than expected from the 2018 currency shock thanks to the supportive fiscal stance, strong net exports and credit policies.

Recent high-frequency data suggest the recovery will continue this year with ongoing

acceleration in lending thanks to the changes in the reserve requirement framework and deep rate cutting cycle since mid-2019.

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