

## Turkey: Industrial production takes a further dive

Industrial production continued on a downward path in December, contracting -1.4% month-on-month, the fifth negative reading in a row. The data shows the extent of the ongoing adjustment in economic activity following financial volatility

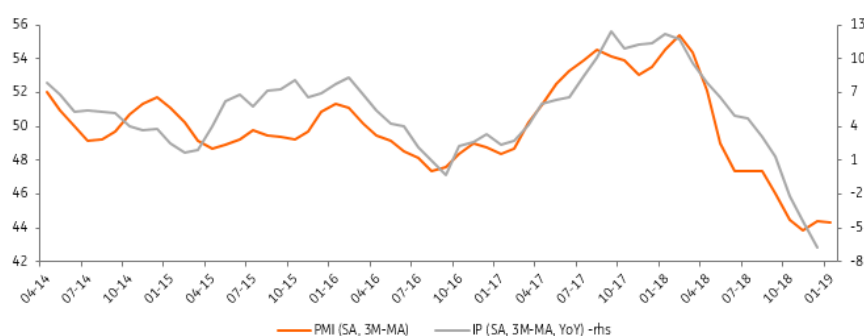


Source: Shutterstock

**-5.2%** IP Growth  
(sequential change in 4Q)

Industrial production (seasonal- and calendar-adjusted, SA) contracted in December with another sharp -1.4% MoM drop, the fifth negative reading in a row. This shows the continuing impact of financial volatility and the extent of the adjustment in economic activity. IP growth in the fourth quarter was -5.2% QoQ vs -0.5%, -1.4% and 0.2% in the first three quarters of 2018, respectively. Industrial production (calendar adjusted) growth in December was worse than expected at -9.8% YoY. Still, the performance in 2018 overall was positive at 2.1% YoY vs 8.7% in 2017.

## IP vs PMI



Source: TurkStat, Markit, ING Bank

Among broad economic categories, the only sector in 4Q with a positive reading was durable consumer goods at 1.3% QoQ, likely attributable to support from the government's tax cuts introduced at the beginning of November. Among others, intermediate goods production plunged by 7.4% QoQ followed by capital goods at -4.3% QoQ. Declines in nondurable consumer goods and energy production were close to -3% QoQ. The breakdown reinforces a downbeat picture on the production side.

Overall, the data imply that the slowdown in 4Q GDP growth is likely more pronounced than expected as tighter external and internal financial conditions significantly weigh on consumption and investment. Still, strong net exports should partially offset the contraction in domestic demand. On a positive note, given 1) the slowing credit adjustment, with some improvement in momentum indicators, 2) a recovery in real sector confidence 3) recent stability in PMIs and the capacity utilisation rate etc, there are some signs of bottoming out lately.

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