

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

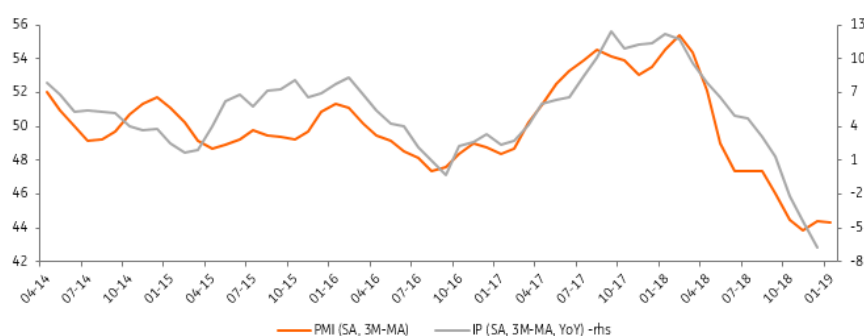
-5.2%

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.

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 www.ing.com.