

## Turkey: Industrial production rises for third straight month

The 1Q industrial production data signals a bottoming out following a sharp adjustment in economic activity in late 2018. But downside risks to the economic recovery will remain in the near term



Source: Shutterstock

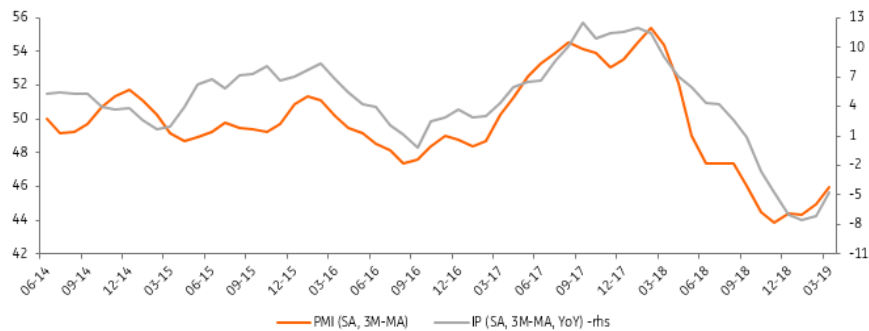
**1.7%** IP growth  
(QoQ)

Industrial production (seasonal and calendar adjusted, SA) grew 2.1% month-on-month in March, the third positive reading in a row. IP growth in 1Q19 was 1.7% quarter-on-quarter (the first positive quarterly performance since 4Q17) vs -4.7% in 4Q18. The data shows a further recovery from the trough last year after volatility caused a significant adjustment in economic activity.

Manufacturing stood out as the major driver of the improvement, contributing 2.0 percentage points (ppt) to the headline rate. Among sectors, chemicals turned out to be the top performer on

a monthly basis with a 0.4ppt lift to the seasonally adjusted manufacturing performance, followed by textiles and “repair and installation of machinery and equipment”. Six sectors out of 24 were a drag on manufacturing production, with basic metals, leather products and other transport equipment (dominated by defence industry products) posting the biggest negative contributions.

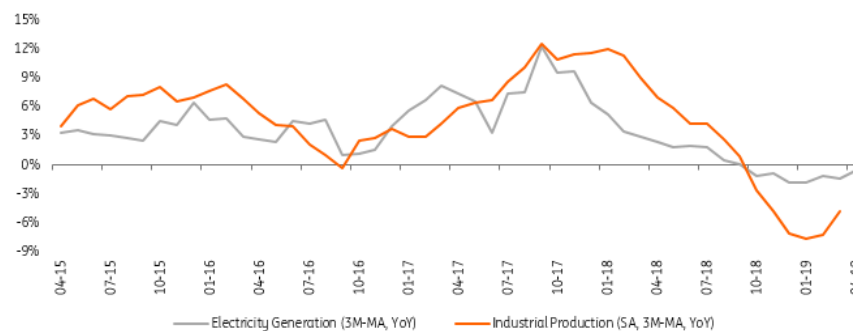
## IP vs PMI



Source: TurkStat, Markit, ING Bank

Among broad economic categories, all sectors turned positive in the first quarter after contracting in the last quarter of 2018. Energy recorded the highest quarterly growth rate at 2.8%, followed by intermediate goods, which are highly correlated with economic activity, at 2.2%. Production growth in other groups stand in a range of 0-1% QoQ. The breakdown confirms an improving picture on the production side.

## IP vs Electricity Generation



Source: CBT, ING Bank

Overall, the IP data confirms some stabilisation, as lending has recovered with support from state banks and the introduction of a number of stimulus measures. However, whether this performance can be maintained is unclear as lending activity has been losing momentum again in 2Q while downside risks to the economic recovery will remain due to global and geopolitical uncertainties.

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