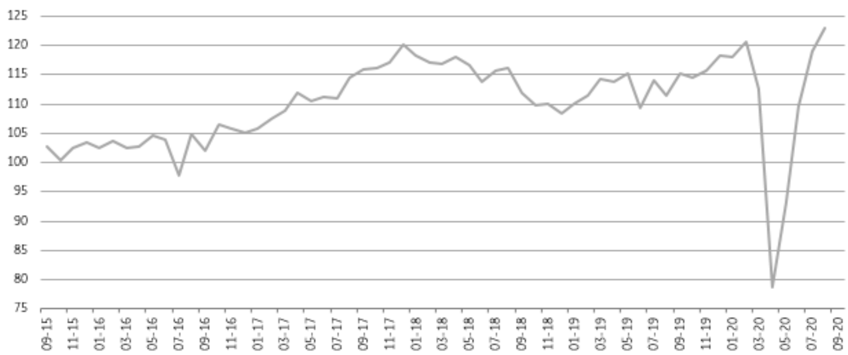
Turkish industrial production continues improvement

Industrial production data continues to improve in Turkey, exceeding expectations, pulling the index to a record high

Industrial production index (seasonal and calendar adjusted)



Source: TurkStat, ING

Seasonal and calendar-adjusted Turkish industrial production index has swiftly recovered as lockdowns have eased maintaining growth in August and reaching an all-time high level at 3.4% month-on-month.

The reopening of the economy isn't the only reason for this, but large credit expansion along with other stimulus measures have contributed to this performance. In year-on-year terms, calendar-adjusted industrial production was up by 10.4% - the highest figure since early 2018.

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Despite the strong headline, the sectoral breakdown shows that the impact across sectors varies. A number of sectors with relatively bigger shares have already reached record highs i.e. food, chemicals, pharmaceuticals, rubber and plastics, machinery and equipment, while others have exceeded the levels before the pandemic. This shows that the recovery is strong and captures a large portion of manufacturing. However, there are also some major sectors, namely beverages, leather, wearing apparel lagging behind their pre-pandemic levels.

Regarding broad economic categories, all are now above the levels seen in early 2020 before the pandemic. Also, they are close to or at an all-time high with the exception of durable consumer goods, most likely due to challenges in adapting Covid-19 conditions as well as weak demand factors.

Overall, industrial production continues to rebound with higher than expected August data after the V-shaped recovery in recent months, pulling the index record highs.

The data hints that real GDP is likely to be higher in 3Q than envisaged earlier, though the current pace of activity will likely stabilise in the period ahead given the recent moves of the BRSA and the central bank targeting to slow down credit formation.

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