

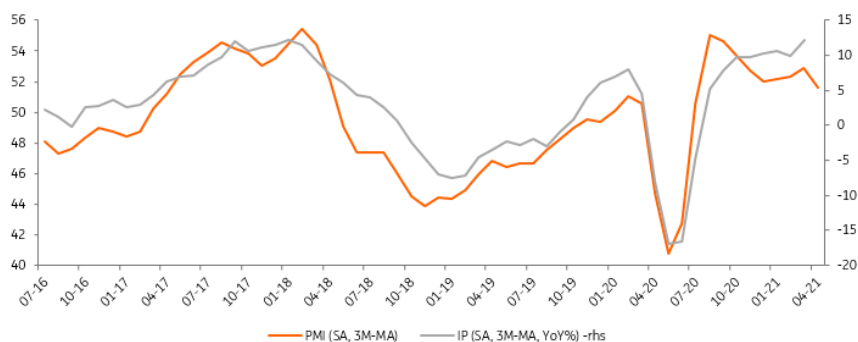
Turkey: Industrial production stays strong in March, signals further GDP growth

IP recorded notable growth in March, signaling further strong GDP growth in 1Q. This was despite renewed second wave pandemic control measures, along with continuing policy tightening in recent months.



Source: Flickr

PMI vs IP



Source: TurkStat, Markit, ING

The rebound in industrial production (seasonal and calendar adjusted, SA) continued in March, up 0.7% MoM. It was supported by the external outlook, increasing demand for intermediate inputs from Turkey and a continuing recovery in domestic demand - backed by recent momentum gains in consumer lending. This is, however, despite the implementation of a second round of Covid-19 restrictions at varying levels since November. In year-on-year terms, industrial production (calendar adjusted) printed another higher than expected figure at 16.6%, also reflecting the supportive base from the last year.

After a jump in 3Q20 (30.1% QoQ) thanks to reopening after the first wave and large credit expansion along with other stimulus measures and further strength in 4Q20 (4.7% QoQ), IP (SA) continued to grow in 1Q21 and turned out to be 2.6% QoQ. This reflects the ongoing rebound after the relatively soft quarantine measures of the second wave, intended to minimise the impact on production.

Of the broad economic categories, all with the exception of energy recorded positive growth rates on sequential basis in 1Q, indicating a continuation of the broad based recovery in economic activity. Capital, intermediate and durable goods recorded growth rates above 5% QoQ. Of the manufacturing sectors providing the biggest contribution to IP performance, seven of 24 (and generally with relatively lower weightings) contracted in this period.

Overall, despite renewed pandemic control measures in the second wave along with the implementation of more restrictive policies in recent months, the IP figures signal further strong GDP growth in 1Q. However, except for basic metals and land & sea vehicles, all sectors' headline PMI fell to below 50 in April. Output levels in the same month are below 50 for all subsectors, suggesting that economic activity is losing steam in the second quarter, along with continuing financial tightening.

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 <http://www.ing.com>.