

14 May 2020  
Snap

## Turkey: Sharp drop in industrial production with worse to come

Industrial production contracted by 7.1% month-on-month in March following a relatively healthy performance in the first two months of 2020, as Covid-19 took a toll



**-7.1%** IP Growth  
In March, MoM

After a relatively healthy performance in the first two months of the year, industrial production (seasonal and calendar adjusted, SA) showed a worse than expected fall in March, by -7.1% MoM. Given the effects of the coronavirus weighing on both the global and domestic economic outlook, and recently released high frequency indicators, we will likely see a stronger contraction in April.

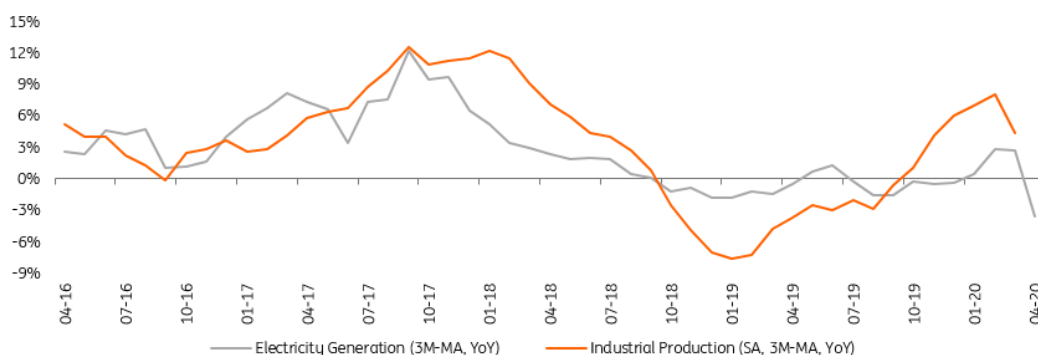
### IP vs PMI



Among sectors, automotive, textile and apparel were significant drags on monthly manufacturing production, taking away 1.4ppt each from the total figure. Only four sectors, namely chemical, paper, wood and tobacco products, recorded month-on-month increases, though at relatively small rates, showing the extent of the impact from the pandemic. Despite the start of local lockdown measures, which happened later than in European countries, production declines in major export sectors, with the strongest negative impact on the headline rate, are indicative of evaporating demand in Turkey’s key export markets, the eurozone and Middle East.

Industrial production (calendar-adjusted) growth in March also turned out to be much lower than expected at -2.0% year-on-year (vs 2.8% consensus and our call at 3.5%).

### IP vs Electricity Generation



Source: CBT, ING

Overall, recent global developments have started to weigh on economic performance, given the sensitivity of the growth outlook to global activity. Recent data points to a much sharper decline in April as electric energy consumption was down by more than -15% YoY in April, after a relatively mild -0.2% drop in March. This points to much weaker industrial output, while the Turkish economy is expected to be in recession again this year.

**Muhammet Mercan**  
 Chief Economist, Turkey  
 +90 212 329 0751  
[muhammet.mercan@ingbank.com.tr](mailto: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 NV 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. The producing legal entity 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 subject to limited regulation by the Financial Conduct Authority (FCA). 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.