

# Türkiye- Industrial Production

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## October 2023 – IP weakening becomes more pronounced

**In October, calendar-adjusted industrial production (IP) rose slightly by 1.1% yoy. On a 3month average basis, IP yoy growth has decelerated significantly from 4.9% in September to 2.2%. Mom IP decreased by 0.4% in October. Accordingly, 3-month IP (based on mom data) which indicated 0.2% growth in September, shifted to a 0.9% contraction as of October. This was the first contraction since April 2023. IP weakening became more pronounced in October.**

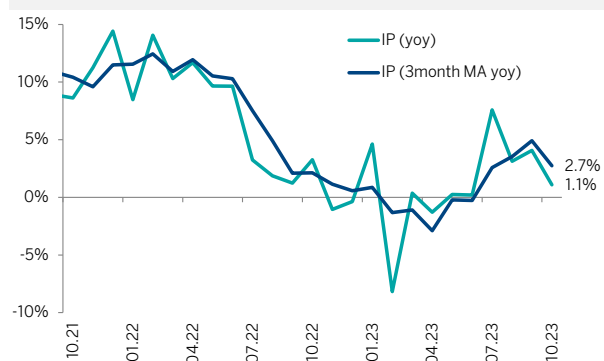
In October, there was a deceleration in the trend of headline IP. Among main sub-groups intermediate and non-durable consumption groups weakened compared to the previous month. Capital goods and energy showed the strongest trend among the main groups, while non-durable consumption was the weakest. Among the sectors the trend lost momentum in foods, textile, plastics, basic metal, electrical machinery, machine&equipment, automotive, furniture and energy. Chemicals and other transportation vehicles (excluding automotive) gained momentum in October. As of October, textile, clothing and furniture were the weakest sectors for IP, while the trend in mining, automotive and other transportation vehicles was the strongest.

According to the OECD's Economic Outlook report, it is estimated that global growth, which was 3.3% in 2022, will slow down to 2.9% in 2023 and 2.7% in 2024. Turkey's growth forecasts are 4.5% and 2.9% for 2023 and 2024, respectively. On a yoy basis, the Turkish economy grew by 5.9% in 3Q23 and by 4.7% in January-September 2023. Although yoy growth accelerated compared to previous quarters due to the number of working days effect in 3Q23, there was a slowdown in the growth trend on a qoq basis. Yoy growth dynamics indicate that the positive contribution of domestic demand and the negative contribution of external demand are both decelerating. Accordingly, the domestic-external demand imbalance remained in 3Q23, yet weakened. Preliminary data indicates that the loss of momentum in domestic consumption became especially evident in the last quarter of the year, due to the tightening monetary policy and the impact of implemented policies. Our growth forecast is 4.5% for 2023 and 3.5% for 2024.

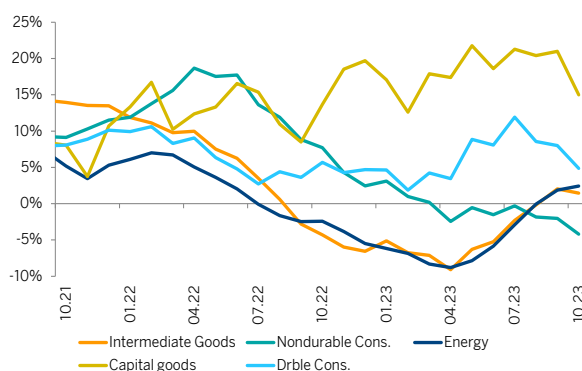
Industrial Production (calendar adjusted)

yoy change (calendar adj.)	Oct.23	4Q22	1Q23	2Q23	3Q23
<b>Total Industry</b>	1.1%	0.6%	-1.1%	-0.3%	4.9%
<b>Intermediate Goods</b>	1.3%	-6.6%	-7.1%	-5.2%	2.1%
<b>Durable Consumer Goods</b>	5.8%	4.7%	4.2%	8.1%	8.0%
<b>Non-Durable Consumer Goods</b>	-4.6%	2.5%	0.2%	-1.5%	-2.0%
<b>Energy</b>	3.0%	-5.5%	-8.3%	-5.9%	1.9%
<b>Capital Goods</b>	8.8%	19.7%	17.9%	18.6%	21.0%

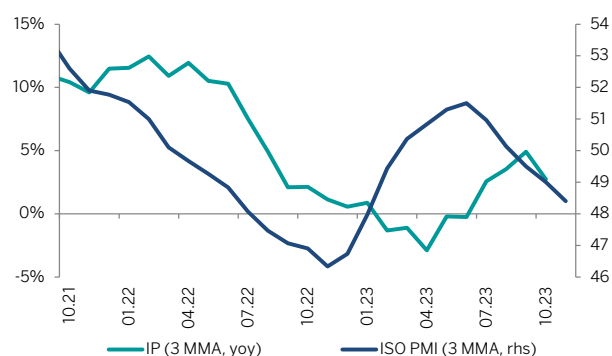
Industrial Production (calendar adjusted)



Main Groups (CA, 3month MA yoy change)



Growth Indicators (3MMA, yoy)



Source: Turkstat, Markit, Garanti BBVA Securities

### According to leading indicators, yoy growth decelerates but remains at a moderate pace in 4Q23

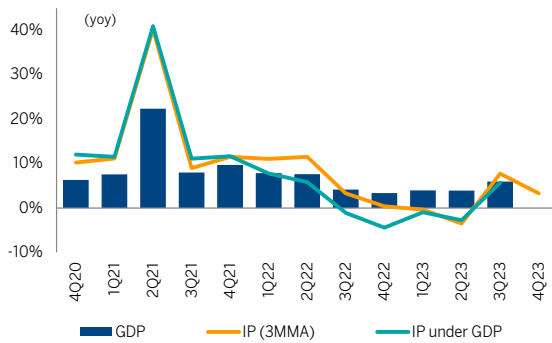
- In November, the global PMI index increased slightly compared to the previous month to 50.4, indicating that it had moved into the expansion zone again. The acceleration in the service sector and the loss of momentum in contraction in the manufacturing industry were effective in the index improvement. PMI data on a 3-month average basis, pointed out that although the contraction in the Euro Zone continued it bottomed out, the growth trend in China continued to weaken, and the growth trend in the USA had improved slightly.
- In November, ISO manufacturing industry PMI in Türkiye fell mom by 0.6 points to 48.4 on a 3-month basis, remaining below the 50 threshold. Thus, the contraction trend has become more pronounced in November.
- Türkiye's exports grew by 4%, while imports contracted by 7% yoy in November on a 3-month basis. The yoy fall in foreign trade deficit accelerated to 30% from 34%. The number of tourists continued to increase on a yoy basis with 5.0 million visitors in October. If the foreign trade deficit continues to narrow, the negative impact of foreign demand on growth will decelerate.
- The 4-week avg. of loan interest rates decreased for vehicles by 4 points, increased for mortgage by 1 points and for commercial by 3 points. There was no significant change in interest rates for general purpose. On a weighted average basis, loan interest rates increased to 53% for commercial and 59% for consumers at the end of November. While the uptrend in consumer loans continued to slow down compared to the previous month, it gained momentum in commercial loans. According to 13-week averages, the loan growth trend for consumer loans, which was at 13% in late October fell to 11% in late November, and for commercial loans rose from 19% to 21%. Thus, commercial loan growth remained above consumer loan growth.
- In November, the trend in confidence indices improved in consumer and construction, while deteriorating in other subgroups. The trend in the automobile and light commercial vehicle market decelerated in November, yet remained strong. Automotive production remained moderate as of November. After a limited recovery in September, the housing sector returned to the contraction zone in October. Although the yoy housing price increase remained high, it has lost momentum since October 2022.
- Signals on the investment trend indicated a mixed outlook. The capacity utilization rate trend has continued to improve, while the increase in production of capital goods has lost momentum.

Sectoral Production Evolution\*

Months	2022		2023									
	11	12	1	2	3	4	5	6	7	8	9	10
IP												
1.Intermediate Goods												
2.Durable Cons. Goods												
3.Nondurable Cons. Goods												
4.Energy Goods												
5.Capital Goods												
A.Mining												
B.Manufacturing												
Food												
Textiles												
Clothing												
Chemical												
Plastic												
Other Minerals												
Basic Metal												
Metal Products												
Electrical Machine												
Machinery												
Automotive												
Other Traspor. Vehicles												
Furniture												
C.Energy Production												

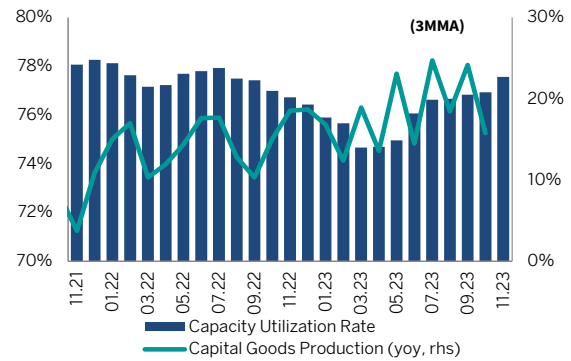
Source: Turkstat, Garanti BBVA Securities\* Darker colors point to the worsening in the tendency

### 3Q23 GDP growth at 5.9% yoy



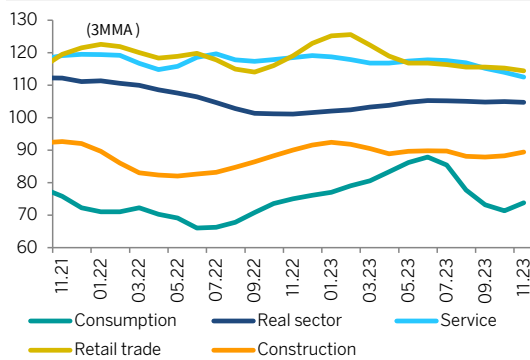
Source: Turkstat, Garanti BBVA Securities \*past 3 months

### Mixed signals for investment outlook



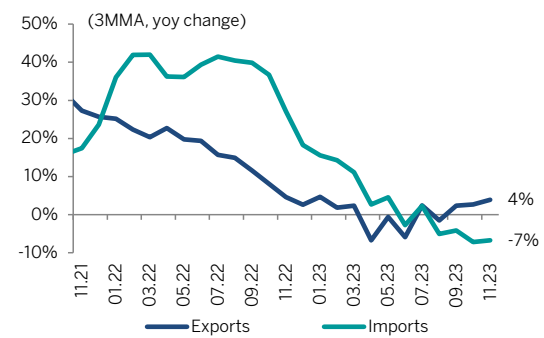
Source: CBRT, Turkstat, Garanti BBVA Securities

### No clear outlook in confidence indices



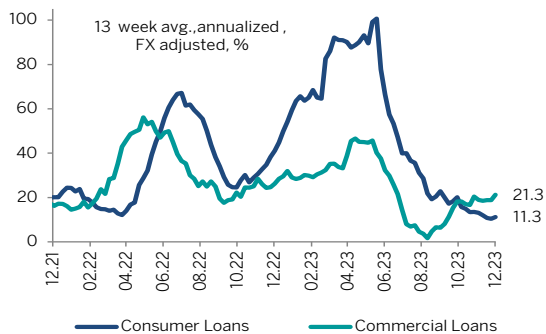
Source: Turkstat, Garanti BBVA Securities

### Exports grew, imports contracted



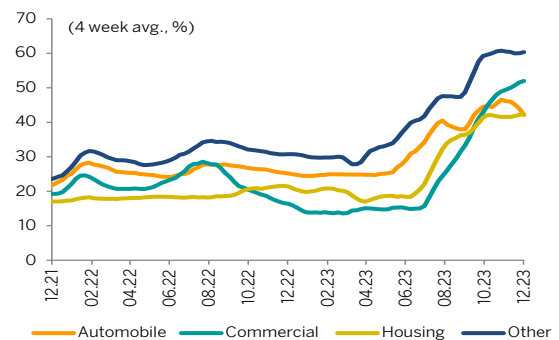
Source: Turkstat, Garanti BBVA Securities

### Commercial loan growth accelerated



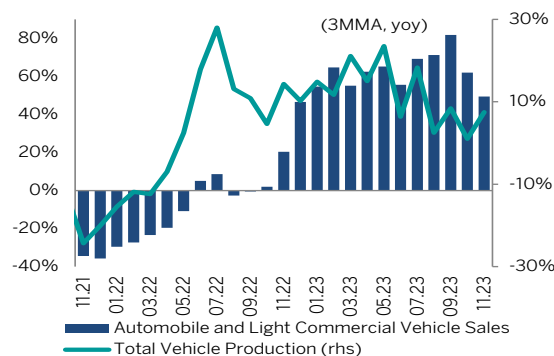
Source: BRSA, TDM, Garanti Securities

### Mortgage and commercial loan int. rates rose



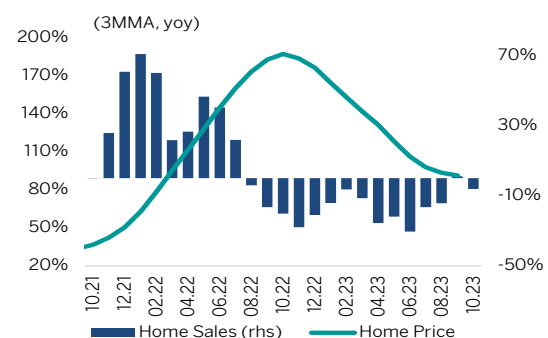
Source: CBRT, Garanti Securities

### Auto sales are strong, production moderate



Source: ODD, OSD, Garanti BBVA Securities

### Housing sector re-entered contraction zone



Source: CBRT, Turkstat, Garanti BBVA Securities

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