

Turkey-Industrial Production

 13.12.2021
3:10 PM

October 2021 – IP remains strong

In October, calendar-adjusted industrial production (IP) rose by 8.5% yoy, in line with the consensus. On a 3-month average basis, September's 10.8% yoy rise fell slightly to 10.4% in October. After the mom IP contraction of 1.5% in September, IP grew in October. Mom IP growth was 0.6% in October. Data indicated ongoing strong momentum in IP.

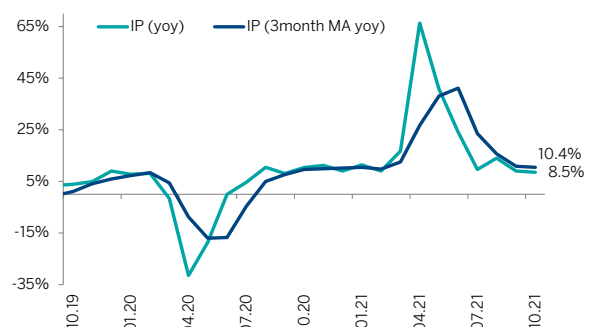
In October, the trend across IP remained parallel to the previous month. Among the main groups, momentum improved only in the durable consumption group. There was no major change in other sub-groups. The trend in energy and capital goods production remained low relative to other groups. Compared to the previous month, the trend in the textile, plastics and machinery&equipment sectors accelerated. The electricity and gas production sector production trend decelerated, being the weakest sector among IP. We note a stronger trend in the textile, clothing, chemical and transportation vehicles excepting automotive sectors relative to others as of October.

As the number of Covid-19 cases increased worldwide, the rapid spread of the new variant emerged as a risk to curb activity. Although measures such as a full lockdown are not expected to be implemented again on a global basis, the decrease in mobility and supply constraints could weaken the growth trend on a global basis. In 3Q21, the Turkish economy grew by 7.4% yoy, with a January-September yoy growth rate of 11.7%. Leading indicators for 4Q21 indicate that despite decelerated activity, it remains strong. Current data point to upside risk to our 2021 GDP growth forecast of 9.5%. The weakness that may occur in global growth and volatility in the financial markets could lead to a slowdown in activity in the upcoming period.

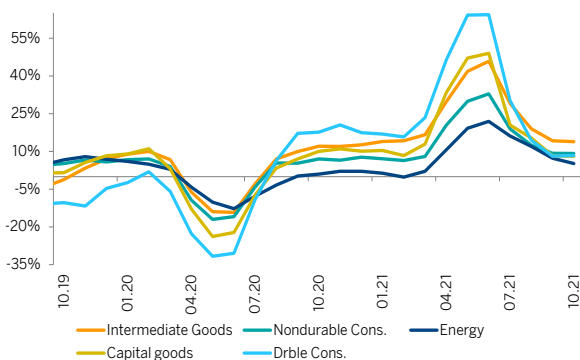
Industrial Production (calendar adjusted)

yoy change (calendar adj.)	Oct 21	4Q20	1Q21	2Q21	3Q21
Total Industry	8.5%	10.2%	12.5%	41.2%	10.8%
Intermediate Goods	12.9%	12.6%	16.6%	45.8%	14.2%
Durable Consumer Goods	5.7%	17.5%	23.4%	64.3%	8.2%
Non-Durable Consumer Goods	9.0%	7.7%	8.0%	32.8%	9.3%
Energy	4.6%	2.1%	2.1%	21.9%	7.3%
Capital Goods	1.6%	10.1%	12.9%	49.0%	8.3%

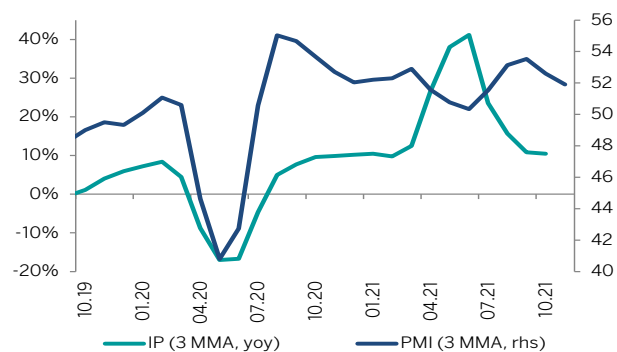
Industrial Production (calendar adjusted)



Main Groups (CA, 3month MA yoy change)



Growth Indicators (3MMA, yoy)

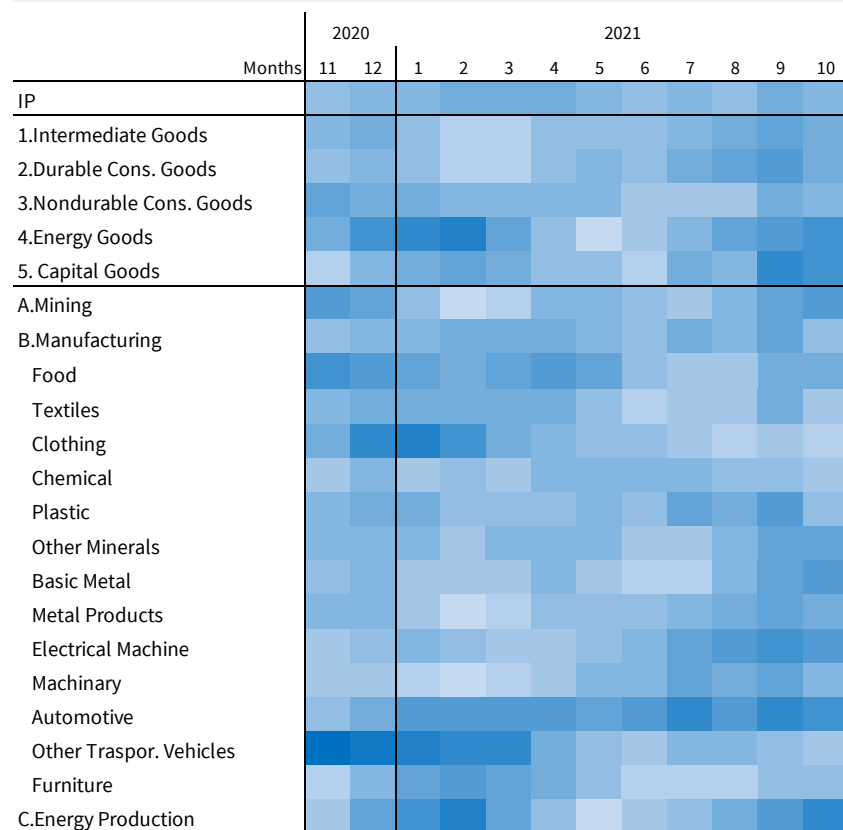


Source: Turkstat, Markit, Garanti BBVA Securities

According to leading indicators, activity momentum decelerated in 4Q21

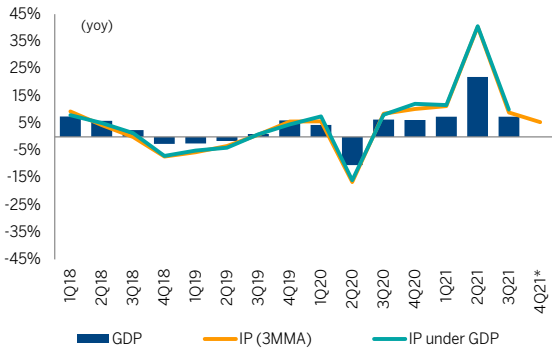
- The global number of Covid-19 cases has been increasing since mid-October. The Omicron variant, which has spread faster than earlier ones, has caused the UK to tighten its Covid-19 measures. Although the effects of the variant have yet to be clearly determined, it remains a risk factor for global activity. There is a balanced trend in the number of cases in Turkey; c. 68% of the population has received the first vaccine dose and 61% the second.
- In November, the global PMI index rose, albeit limited, pointed out that activity remained strong. PMI data shows that the trend on a 3-month average basis is still significant even though it has decelerated in Europe. The trend has accelerated in the US and China.
- In Turkey, manufacturing industry PMI fell mom by 0.7 points to 51.9 in November on a 3-month basis. According to PMI indices, manufacturing industry activity in Turkey lost pace in 4Q21 relative to 3Q21.
- While the export trend in Turkey decelerated to 28% in November on a 3-month basis, the increase in imports accelerated slightly to 17%. Thus, even though the trend in the foreign trade deficit continues to narrow on a yoy basis in November, there has been a loss of momentum. The number of tourists remained below that of 2019 in October, although it continued to rise to the average of previous years. The continuation of goods and services exports will be crucial for sustainable and balanced growth.
- There was a mixed trend in the 4-week avg. of loan interest rates. The auto loan interest rate increased by c. 1 pp mom, while commercial and housing loan rates decreased by c.0.6 pps. The credit growth trend accelerated both on the commercial and consumer side compared to the previous month. According to 13-week averages, the credit growth trend in early December was 20.2% in consumer loans and 16.3% in commercial loans.
- In November, the trend in confidence indices improved in the main sectors excluding the consumer and real sector. The automobile and light commercial vehicle market continued to contract yoy. While contraction in the housing market has weakened significantly in October, the housing price increase has accelerated
- The rise in the capacity utilization rate and acceleration in the production of capital goods in October signaled a recovery in investments that had weakened in previous months. The investment trend is important for the medium-long-term outlook.

Sectoral Production Evolution*



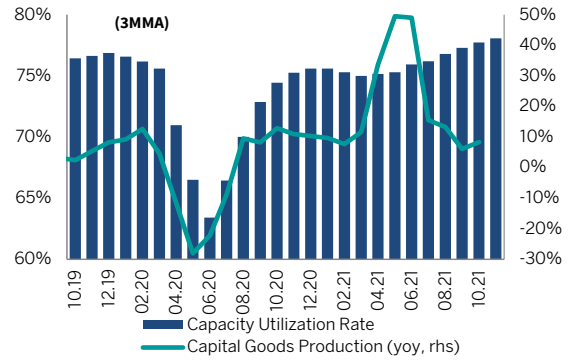
Source: Turkstat, Garanti BBVA Securities* Darker colors point to the worsening in the tendency

GDP grew by 7.4% yoy in 3Q21



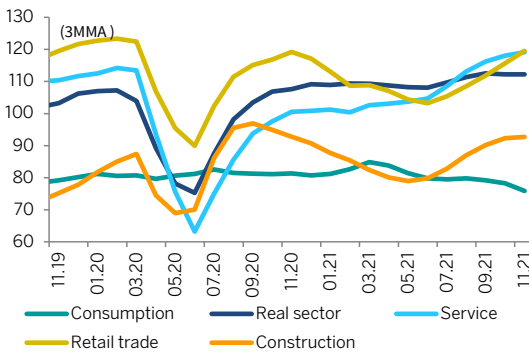
Source: Turkstat, Garanti BBVA Securities *past 3 months

Signs of investment acceleration



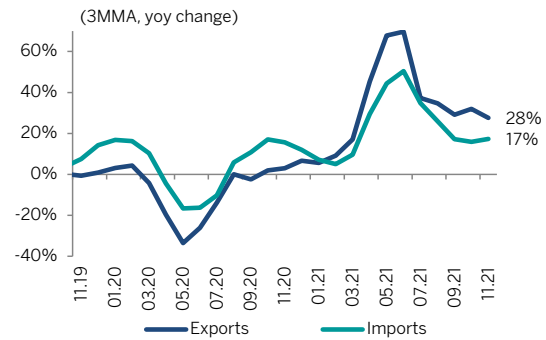
Source: CBRT, Turkstat, Garanti BBVA Securities

Confidence signals are mixed among sectors



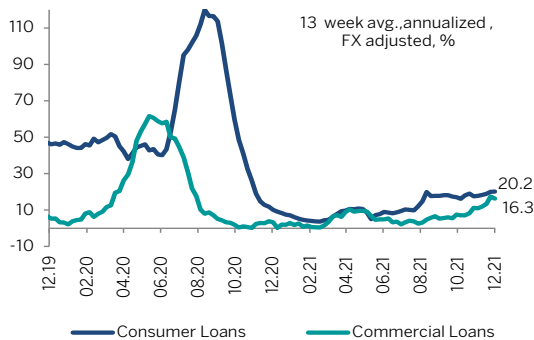
Source: Turkstat, Garanti BBVA Securities

Foreign trade deficit contraction weakens



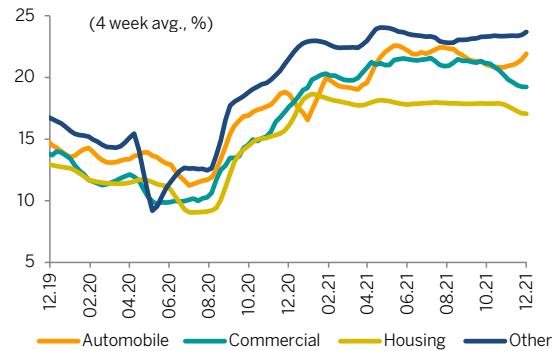
Source: Turkstat, Garanti BBVA Securities

Loan growth rate accelerates



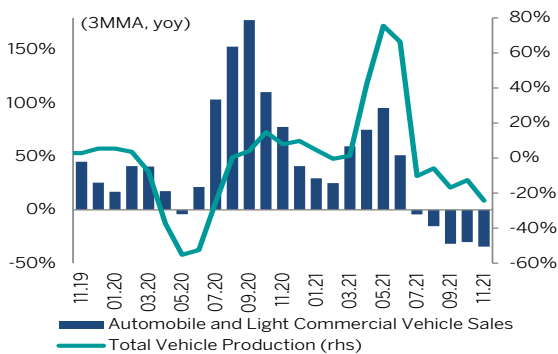
Source: BRSA, Garanti Securities

Commercial and housing loan int. rates decline



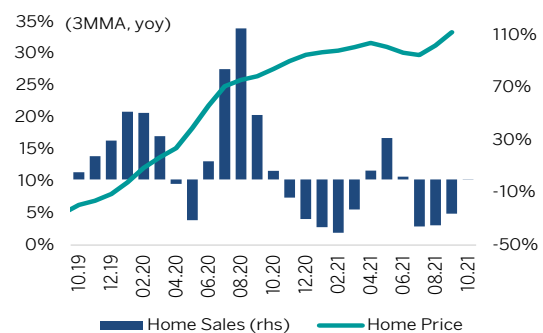
Source: CBRT, Garanti Securities

Contraction in auto sales and production



Source: ODD, OSD, Garanti BBVA Securities

House price increase accelerates



Source: CBRT, Turkstat, Garanti BBVA Securities

Nihan Ziya Erdem

Chief Economist

Research

Direct Tel :+90 212 384 11 31

Tel :+90 212 384 10 10

nihanz@garantibbva.com.tr

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