

Turkey-Industrial Production

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March 2022 – IP yoy growth strong at 10.2% in 1Q22

In March, calendar-adjusted industrial production (IP) rose by 9.6% yoy. On a 3-month average basis, February's 11.9% yoy rise, decelerated to 10.2% in March. Mom IP which grew sharply by 4.4% in February, contracted by 1.8% mom in March. Accordingly, 3-month IP growth momentum decelerated to 2.0% from 4.0% the previous month. Despite a slowdown in March, IP's yoy growth rate in 1Q22 indicates moderate yoy GDP growth.

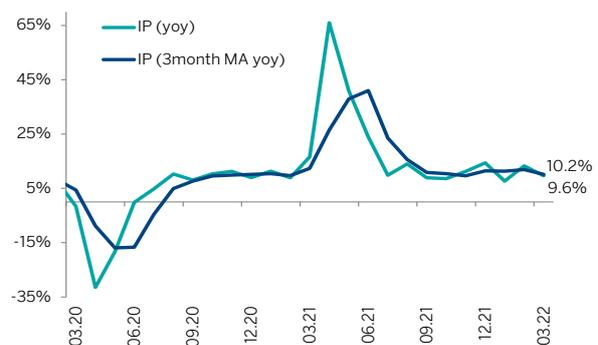
In March, the trend across IP decelerated relative to the previous month. Within the main groups, the trend weakened in capital and durable consumption goods. The deceleration was more pronounced in capital goods. While the trend in durable consumption production was the weakest, it was strong in the energy goods group. Industries where the trend accelerated compared to the previous month were mining and furniture. The trend weakened in the textile, clothing, chemicals, plastics, other minerals (glass, cement, etc.), machinery&equipment and other transportation vehicles (excluding automotive). As of March, food, textiles, chemicals, plastics, other minerals, metal products, electrical machinery and other transportation vehicles were weak sectors for IP, while the trend was strong in the clothing, automotive and furniture sectors.

Due to the negative effects of the Russia-Ukraine conflict, the IMF has reduced its global growth forecast for 2022 from 4.4% to 3.6%. The growth forecast was reduced from 4.0% to 3.7% for the USA, from 3.9% to 2.8% for the Eurozone, and from 4.8% to 4.4% for China. According to the projections, in 2022, the Russian economy will shrink by 8.5% and the Ukrainian economy by 35%. The IMF's 2022 growth forecast for Turkey was also reduced from 3.3% to 2.7%. Considering the global trade trend, especially the risks related to European growth, possible supply problems in production, the negative effects on logistics, and the high share of Russia and Ukraine in the number of tourists coming to Turkey (27% in 2021), geopolitical developments will determine the extent of the impact on the Turkish economy. Although yoy growth was moderate in 1Q22, there are signs of a loss of momentum in activity in recent months. 1Q22 GDP growth data will be released on May 31. Our 2022 GDP growth forecast for Turkey is 2.5%.

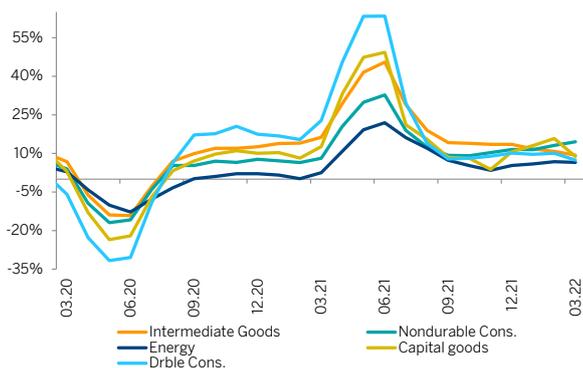
Industrial Production (calendar adjusted)

yoy change (calendar adj.)	Mar 22	2Q21	3Q21	4Q21	1Q22
Total Industry	9.6%	41.0%	10.9%	11.5%	10.2%
Intermediate Goods	8.9%	45.5%	14.2%	13.5%	9.3%
Durable Consumer Goods	7.4%	63.4%	7.8%	10.1%	7.4%
Non-Durable Consumer Goods	16.1%	32.7%	9.3%	11.5%	14.5%
Energy	6.2%	21.9%	7.3%	5.3%	6.5%
Capital Goods	4.6%	49.3%	8.5%	10.7%	8.8%

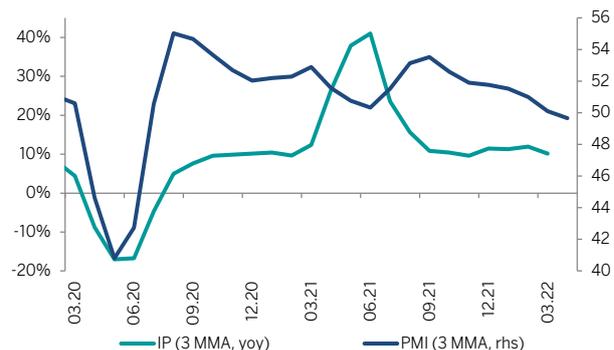
Industrial Production (calendar adjusted)



Main Groups (CA, 3month MA yoy change)



Growth Indicators (3MMA, yoy)



Source: Turkstat, Markit, Garanti BBVA Securities

According to leading indicators, activity continued to decelerate in April

- The downward trend in the global number of Covid-19 cases has continued. This development led to the easing of Covid-19 restrictions in many countries. In Turkey, the number of cases has also continued to decline since mid-February. However, contrary to the global trend, the rise in the number of cases in China in April has caused a tightening of measures in line with the "Zero Covid" policy implemented in the country. The number of cases began to fall in China in May.
- In April, the global PMI index fell to its lowest level of the past 22 months, although it remained in the growth zone. Chinese growth, which slowed down due to Covid related closures, was effective in the decline. On a 3 month avg. basis, PMI data shows that the trend accelerated in Europe and the USA. Global activity could slow down over the coming months, more prominently in Europe, due to Russian-Ukrainian developments.
- In April, the manufacturing industry PMI in Turkey fell mom by 0.4 pps to 49.7 on a 3-month basis, its lowest level of the past 22 months, and into the contraction zone. PMI points to a slowdown in the manufacturing industry trend for seven consecutive months.
- While Turkey’s export trend accelerated slightly to 23% in April on a 3-month basis, the rise in imports decelerated to 36%. Due to the energy bill, the yoy foreign trade deficit doubled. The number of tourists in March was in line with the average of pre-Covid years. Risk factors for GDP growth are the fact that the contribution of Russia and Ukraine to tourism revenues will decrease in 2022, the rise in import costs due to the high course of commodity prices, and the possible slowdown in global trade that poses a downside risk to export growth.
- As in March, the 4-week avg. of loan interest rates fell for the general purpose and vehicle segment (each by 1 point), while there was no significant change in housing and commercial loan interest rates in April. The loan growth trend continued to gain momentum compared to the previous month, being more evident on the consumer side. According to 13-week averages, the loan growth trend in early May is 32.2% for consumer loans and 53.0% for commercial loans.
- In April, the trend in confidence indices deteriorated in all sub-categories. The trend continued to shrink in the automobile and light commercial vehicle market, and production. In the housing sector, on the other hand, we note ongoing recovery.

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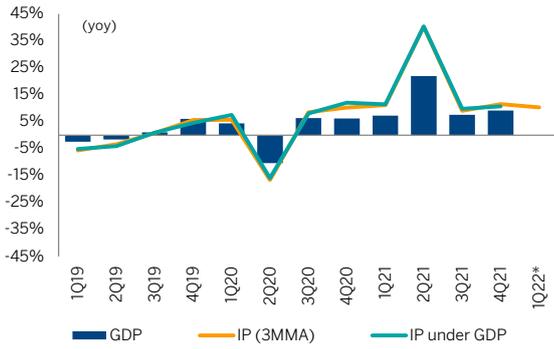
- Signals on the investment outlook are still mixed. While the capacity utilization rate trend remained balanced in April, capital goods’ industrial production decelerated significantly in March. The investment trend is important for the medium-long-term outlook.

Sectoral Production Evolution*

Months	2021												2022		
	4	5	6	7	8	9	10	11	12	1	2	3			
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															

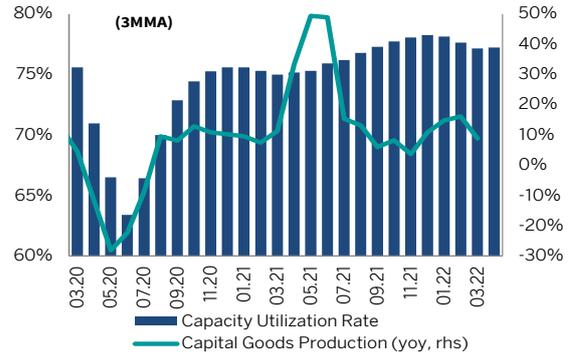
Source: Turkstat, Garanti BBVA Securities* Darker colors point to the worsening in the tendency

IP yoy growth at 10% in 1Q22



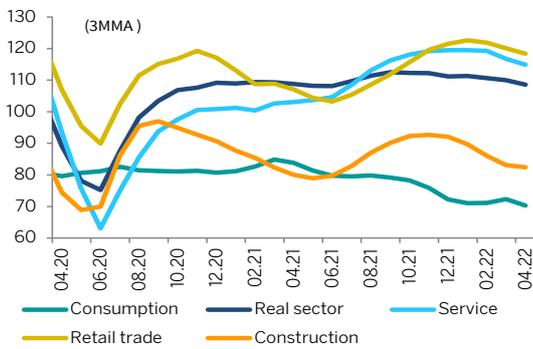
Source: Turkstat, Garanti BBVA Securities *past 3 months

Mixed signals for investment outlook



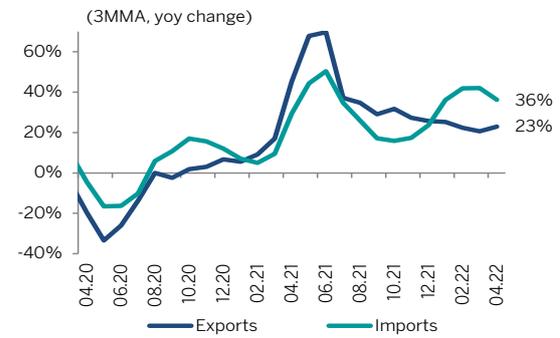
Source: CBRT, Turkstat, Garanti BBVA Securities

Confidence deteriorated in all subgroups



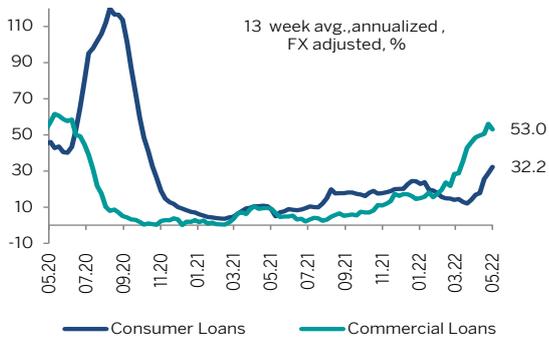
Source: Turkstat, Garanti BBVA Securities

Imports growth weakens, exports strengthens



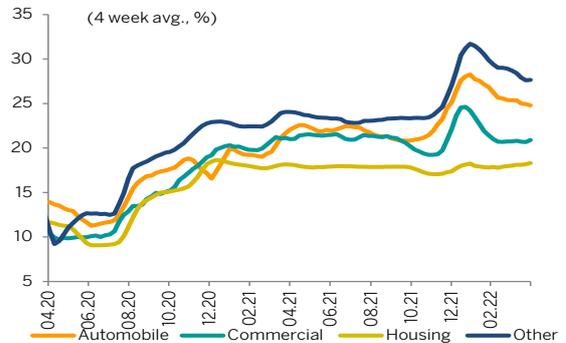
Source: Turkstat, Garanti BBVA Securities

Consumer loan growth gains momentum



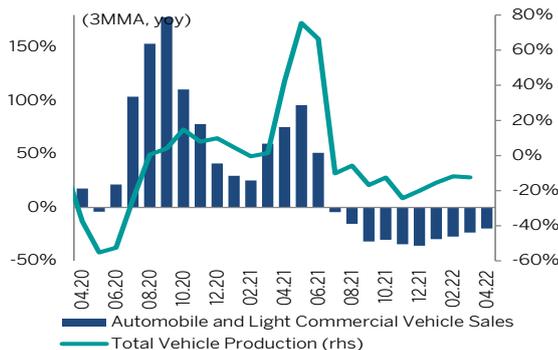
Source: BRSA, Garanti Securities

Auto and gnrl. purpose loan interest rates fell



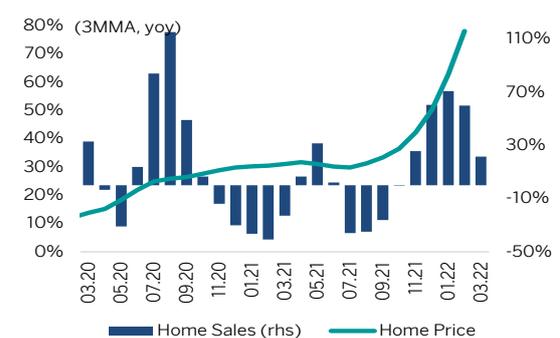
Source: CBRT, Garanti Securities

Contraction in auto sales and production



Source: ODD, OSD, Garanti BBVA Securities

House sales decelerate in March



Source: CBRT, Turkstat, Garanti BBVA Securities

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