

Data Snapshot: October IP growth

Weakness in industrial production intensifies in October

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October's industrial production (IP) index, fell by 4.1% YoY in unadjusted terms and 5.7% in WD-adjusted terms. In seasonally and WD-adjusted terms, there was a 1.9% MoM deceleration in the IP index, bringing the cumulative decline over the past three months to 5.9%.

When we analyze the sectoral growth rates, we see that all manufacturing sectors registered a YoY decline (in WD-adjusted terms) with the exception of beverage products, other transport equipment and furniture, which registered 7.1%, 20.1% and 3.4% YoY growth. Though considering their small shares, these three sectors made only a 0.6% contribution to headline growth in total. The mining sector was another positive performer, rising 6.1% YoY, also making a small contribution to the tune of 0.3%.

The food manufacturing sector (has about a 10% weight in the headline index), which had registered close to 13% YoY growth on average between January and August, witnessed a YoY decline of 2.1% in September and 5.3% in October. Other major sectors, such as the other non-metallic minerals (cement, ceramics, glass), base-metals, fabricated metals and motor-vehicles registered double-digit YoY contraction rates of 13.2%, 10.7%, 11.5% and 14.5%, respectively, while electrical equipment and machinery-equipment sectors witnessed 9.9% and 6.8% contraction (all in WD-adjusted terms).

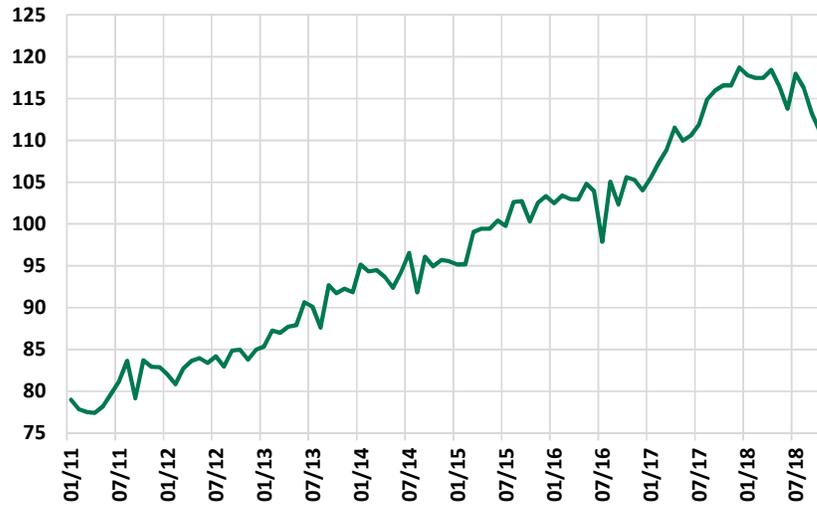
The weakness in industrial production not yet reflected into employment

Meanwhile, TURKSTAT also announced today that the unemployment rate for September (August-October average) registered at 11.4%, vs. 11.1% last month and 10.6% in the same period of 2017. On a YoY basis, employment rose by 266K (0.9%), hence by less than the 598K (1.9%) rise in the workforce, leading to a 330K rise in the number of unemployed. That said, the increase in the unemployment was mainly caused by the agriculture and construction sectors, whereby industry and services sectors continued to add further employment by 5.1% YoY and 3.1% YoY.

We expect to witness YoY contraction over the next few months

All in all, the October IP data in general confirms our expectation that the economy might have entered into a contractionary phase from 4Q. Although we may witness some MoM improvement in November following a three consecutive months of contraction, we expect to see continued IP contraction on a YoY basis in the upcoming few months.

Graph 1: Industrial production index; seasonally and WD adjusted



Source: TURKSTAT


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