

Turkey: Rebound in industrial production in August

Ali Batuhan Barlas / Adem Ileri / Seda Guler Mert / Yesim Ugurlu Solaz
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Industrial Production (IP) grew higher than expectations by 13.8% yoy in calendar adjusted terms (19.9% yoy in raw series) in August. The monthly figure also jumped by 5.4% after its contraction of 3.4% in July when the long religious holiday had resulted in some production disruptions. Led by this correction, our monthly GDP indicator nowcasts a quarterly growth rate of 1.5-2% for 3Q. Our Big Data demand proxies and other high frequency indicators still gain some momentum in early October, where domestic demand remains on track basically on top of consumption and exports keep improving led by the stronger external demand. Positive base effects fade away 3Q onwards, but given the strong momentum so far and recovering global growth, we keep our 2021 GDP growth forecast at 9% with risks on the upside.

Strong manufacturing sector production led by exporting sectors

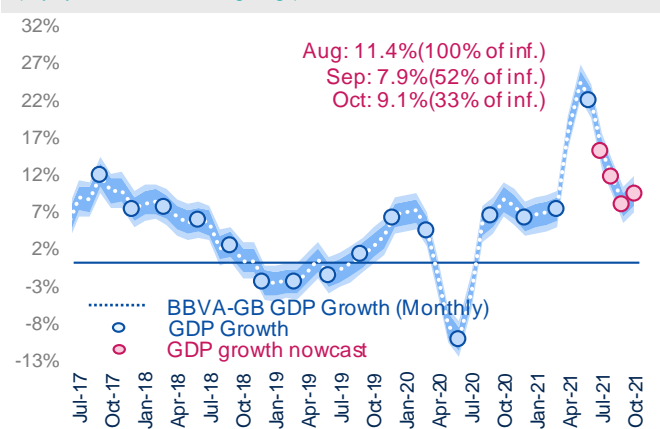
IP gave a correction by increasing 5.4% mom in August after 3.4% mom contraction due to holiday effects in July. All sub-sectors gave positive contributions as follows: capital goods 15.6% mom, intermediate goods 4.6% mom, non-durable consumer goods 2.5% mom, energy 0.3% mom and durable consumer goods 0.2% mom. While manufacturing sector was the only contributor by growing 6.3% mom, energy and mining production sectors contracted by 0.2% and 1.7% mom respectively. In sectorial detail, the rebound was broad-based but especially motor vehicles, other transport equipment, textile, pharmacy and rubber productions were the main contributors. Contrary to the previous months when weakening exporting sectors production was compensated by domestic demand oriented sectors, this month exporting sectors took the lead. All in all, the quarterly growth rate of 1.2% in industrial production in July-August period (vs. 1.6% in 2Q21) confirmed the ongoing robust economic activity. Looking ahead, leading indicators such as electricity production, manufacturing capacity utilization rate (up to 77.8% in September), manufacturing PMI at 52.5 and our big data proxies confirm the current strong momentum as our monthly GDP indicator nowcasts a yearly growth rate of near 9% with some acceleration in early October (with 33% of information). Our demand nowcasting components (Figure 6-8) also affirm a balanced composition of both domestic and external demand, where domestic demand keeps growing basically on private consumption whereas investment shows a correction since June.

Figure 1. **Activity Indicators**
(%yoy, 3M Moving Avg.)

	2021										
	Mean	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Industrial Production	6.5	9.6	8.7	11.3	26.6	38.9	40.4	18.5	13.5		
Non-metal Mineral Production	4.7	21.0	23.8	22.3	32.5	43.1	43.1	22.5	14.9		
Electricity Production	4.2	5.9	3.8	7.0	16.7	26.2	26.8	18.9	16.5	13.7	12.0
Auto Sales	2.8	30.7	26.2	60.5	76.8	98.1	54.0	-2.6	-14.3	-31.0	
Auto Imports	4.1	23.2	23.6	88.5	64.9	88.7	57.9	3.9	-11.0	-26.4	
Auto Exports	7.7	-12.0	-13.0	-5.5	32.8	62.5	89.3	-10.5	6.2	-2.0	
Number of Employed	3.2	-3.3	-1.4	2.6	6.3	9.2	9.8	8.7	8.1		
Number of Unemployed	4.8	-6.7	-3.3	2.1	8.1	8.9	0.6	-8.0	-10.3		
Real Sector Confidence	105.6	107.0	109.3	110.8	111.0	110.3	113.0	114.8	###	113.4	
Manufacturing PMI	50.9	54.4	51.7	52.6	50.4	49.3	51.3	54.0	54.1	52.5	
Total Loans growth 13-week	17.4	3.0	3.0	9.3	12.2	6.8	6.5	7.8	12.3	11.5	12.2
Garanti BBVA BigData Cons.	4.0	-1.6	-3.5	3.7	19.7	29.0	30.3	21.4	19.3	16.4	19.0
Garanti BBVA BigData	3.0	10.8	10.7	14.3	20.2	28.4	28.3	19.2	7.5	1.4	0.1
GDP Nowcasting Results YoY							15.1%	####	7.9%	9.1%	
GDP YoY				7.2%			21.7%				

Source: Garanti BBVA Research, Turkstat

Figure 2. **Garanti BBVA Research Monthly GDP Indicator**
(%yoy, 3-month moving avg.)

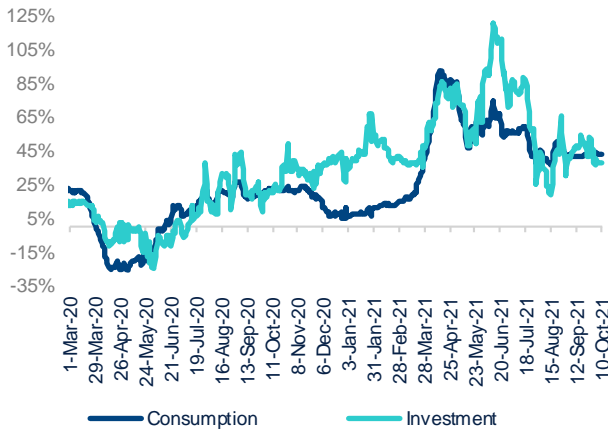


*Garanti BBVA Research monthly GDP is dynamic factor model (DFM) synthesizing high-frequency indicators to proxy monthly GDP (GBTRGDPY Index in BBG)

Strong August IP reaffirms upside risks on our 9% 2021 GDP growth forecast

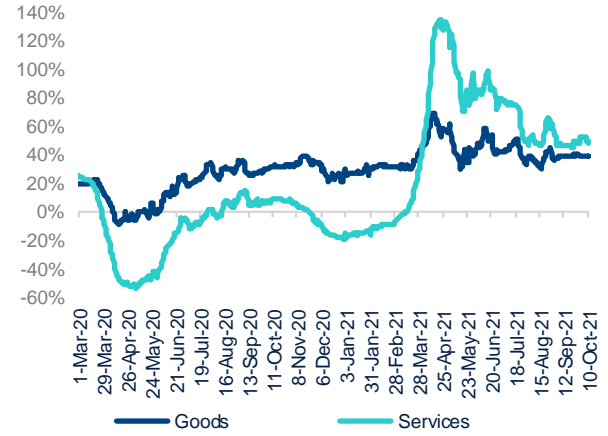
Solid August IP resulted in a rebound across-the-board including both domestic demand oriented and exporting sectors and compensated the weaker July figure due to holiday effects. As our GDP nowcast indicates, still growing domestic demand and strong exports result in a quarterly growth rate of 1.5-2% in 3Q, which is more or less maintained in early October. We maintain our 2021 GDP growth forecast at 9%, with risks still on the upside.

Figure 3. **BBVA Big Data Domestic Demand Indicators**
(28-day sum, nominal, YoY)



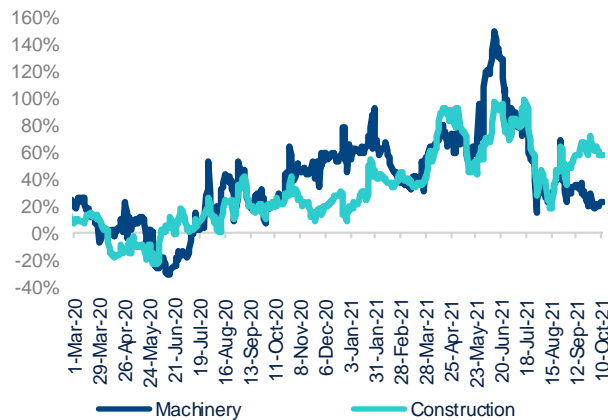
Source: Garanti BBVA Research, Turkstat

Figure 4. **BBVA Big Data Consumption Indicators**
(28-day sum, nominal, YoY)



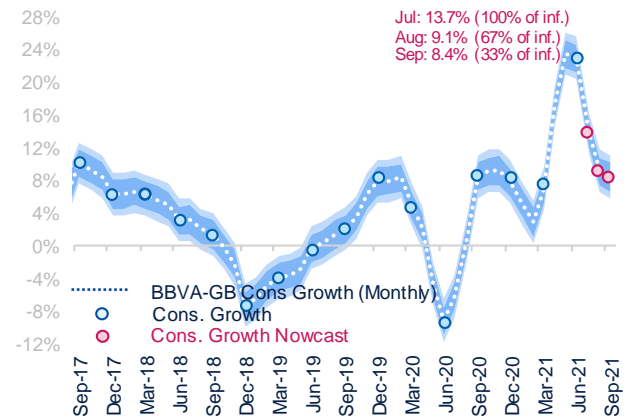
Source: Garanti BBVA Research, Turkstat

Figure 5. **BBVA Big Data Investment Indicators**
(28-day sum, nominal, YoY)



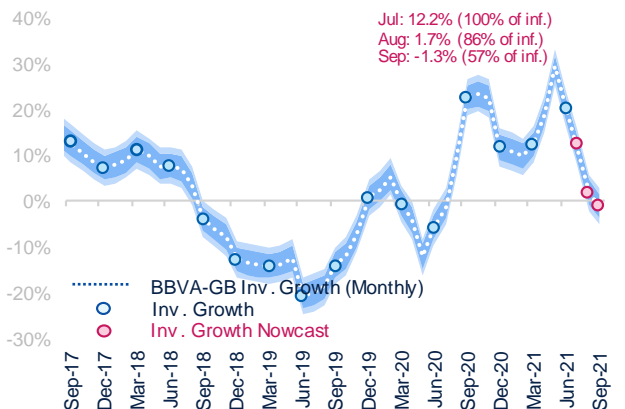
Source: Garanti BBVA Research, Turkstat

Figure 6. **BBVA Monthly Consumption Nowcast**
(3m yoy)



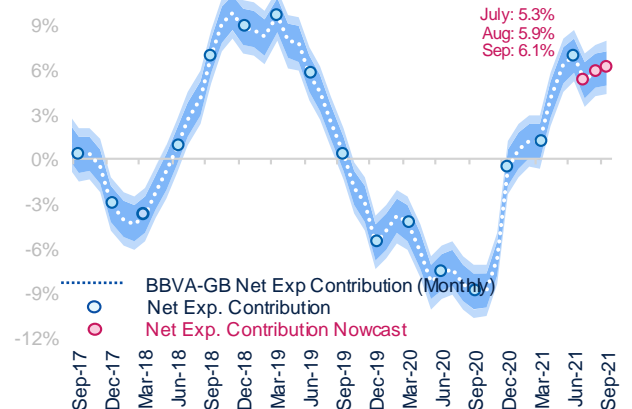
Source: BBVA Research Turkey, GBTRCGDPY Index in Bloomberg

Figure 7. **BBVA Monthly Investment Nowcast (3m yoy)**



Source: BBVA Research Turkey, GBTRIGDPY Index in Bloomberg

Figure 8. **BBVA Monthly Net Exports Nowcast (cont. pp)**



Source: BBVA Research Turkey, GBTRXGDPY and GBTRMGDPY in Bloomberg

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ENQUIRIES TO:

Garanti BANKASI A.Ş. Nispetiye Mah. Aytar Cad. No:2 34340 Levent Beşiktaş İstanbul.

Tel.: +90 212 318 18 18 (ext 1064)

bbvaresearch@bbva.com www.bbvaresearch.com

