Turkey: Strong activity indicators in November

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13 January 2022

Industrial Production (IP) increased by 11.4% yoy in calendar adj. terms (14.7% yoy in raw series) in November higher than the market expectation of 8%. IP also rose by 3.3% mom, confirming an acceleration compared to both October and 3Q. Retail sales continued to grow by 1.3% mom and all turnover indices recovered on monthly basis compared to the month before. Besides, our Big Data demand proxies and other high frequency indicators confirm a robust momentum since our monthly GDP indicator nowcasts a yearly growth rate of 8-9% yoy for December (37% of info), which indicates a quarterly growth rate of near 2% for 4Q21. Therefore, 2021 GDP growth will likely get closer to 11%. Current strong momentum, supportive credit growth, looser economic policies and still solid global activity will support economic activity but the latest currency shock and recent tighter financial conditions will weigh on the downside for 2022 GDP growth so we expect 2022 GDP growth to be realized as 3.5%.

Acceleration in monthly IP growth

IP confirmed the continuation of strong economic activity given the acceleration in monthly growth of 3.3%, which was 0.7% in October. All the main subsectors gave a positive contribution in November but the capital goods production pioneered, which was followed by non-durable consumer goods and intermediary goods production, respectively. In further detail, there was a widespread recovery among manufacturing sector groups where the other transport vehicles, motor vehicles, food, non-metallic minerals, plastics and textile took the lead (covering at least 75% of the monthly jump). Therefore, both domestic demand and exporting sectors kept the recovery pattern in industrial production, which has been confirmed by the 3.2% quarterly growth rate of industrial production in October-November period (vs 1.9% in 3Q21). Looking ahead, leading indicators such as electricity production, manufacturing capacity utilization rate (up to 78.4% in December, highest level since 2018), manufacturing PMI staying at 52.1 and recent acceleration in credit growth result in the current strong momentum, which can also be observed in our IP forecast for December (Figure 3). According to our Big Data information, consumption stays relatively supportive, while investment starts to shrink fast in real terms in early January, reversing the recent recovery pattern (Figure 5). All in all, our demand subcomponents nowcast that domestic demand has been supported by mostly private consumption and the positive contribution from net exports remains robust.

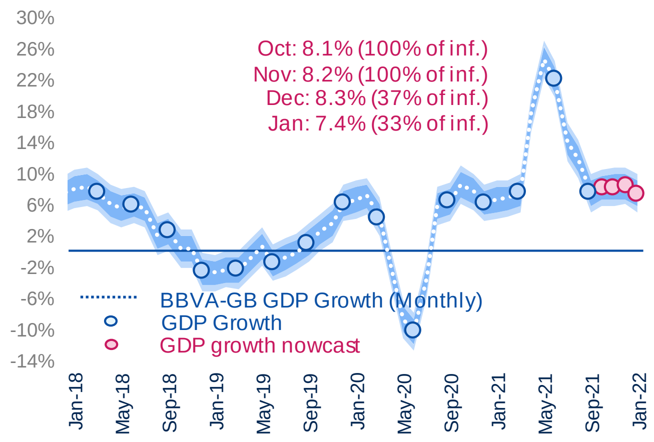
Figure 1. **Activity Indicators**
(%yoy, 3M Moving Avg.)

		2021									2022
	Mean	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Industrial Production	6.5	26.6	38.9	40.4	18.5	14.0	9.1	11.1	9.7		
Non-metal Mineral Production	4.7	32.5	43.1	43.1	22.5	15.1	10.8	12.9	11.7		
Electricity Production	4.2	16.7	26.2	26.8	18.9	16.5	11.9	10.3	6.6	6.0	4.5
Auto Sales	2.8	76.8	98.1	54.0	-2.6	-14.3	-31.0	-29.0	-32.7		
Auto Imports	4.1	64.9	88.7	57.9	3.9	-11.0	-26.4	-26.9	-29.1		
Auto Exports	7.7	32.8	62.5	59.3	-10.5	6.2	-2.0	2.5	-19.9		
Number of Employed	3.2	6.3	9.2	9.8	8.7	8.1	8.2	8.8	10.2		
Number of Unemployed	4.8	8.1	8.9	0.6	-8.0	-10.3	-6.4	-5.0	-7.1		
Real Sector Confidence	105.6	111.0	110.3	113.0	114.8	113.9	113.4	109.6	108.4	106.1	
Manufacturing PMI	50.9	50.4	49.3	51.3	54.0	54.1	52.5	51.2	52.0	52.1	
Total Loans growth 13-week	17.4	12.2	6.8	6.5	7.8	12.3	12.2	14.7	18.7	17.4	
Garanti BBVA BigData Cons.	4.0	19.7	29.0	30.3	21.4	19.3	16.5	18.2	23.1	29.0	32.3
Garanti BBVA BigData Invest.	3.0	20.2	28.4	28.3	19.2	7.5	1.4	-2.2	-1.6	-6.9	-12.5
GDP Nowcasting Results YoY								8.1%	8.2%	8.3%	7.4%
GDP YoY				22%			7.4%				

Contraction | Slow-down | Growth | Boom

Source: Garanti BBVA Research, Turkstat

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

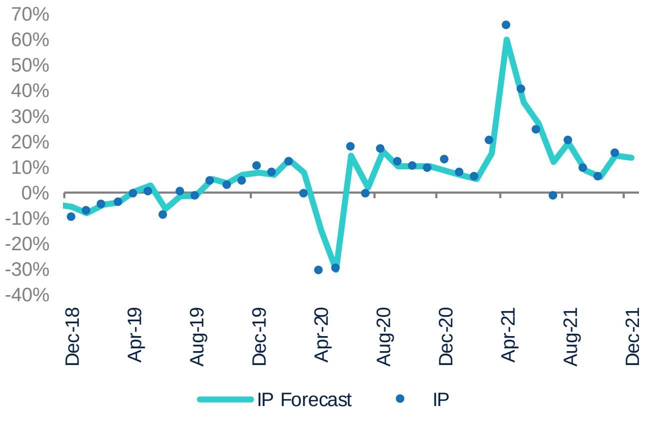


*Garanti BBVA Research monthly GDP is dynamic factor model (DFM) synthesizing high-frequency indicators to proxy monthly GDP (GBTRGDPY Index in BBG)

2021 GDP growth forecast will get closer to 11%

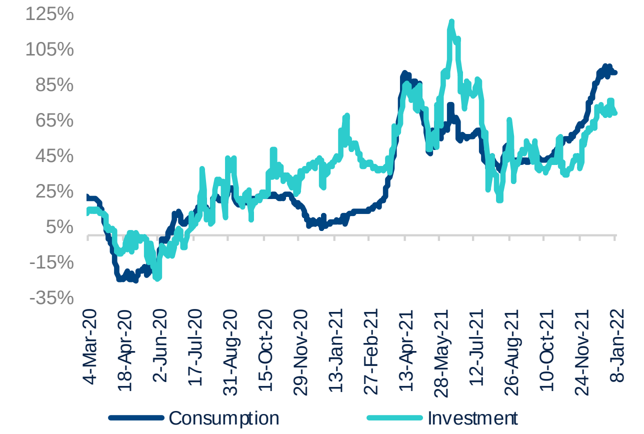
Looser domestic economic policies and supportive global growth will likely keep economic activity on a growing track but the recent tighter financial conditions following the sharp currency shock will weigh on the downside for 2022 GDP growth. We expect 2022 GDP growth to be realized as 3.5%.

Figure 3. **IP vs IP Forecast** (YoY, one month ahead forecast)



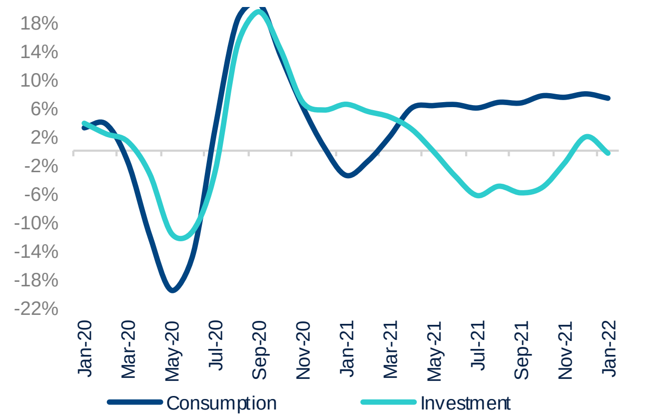
Source: Garanti BBVA Research, Turkstat

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



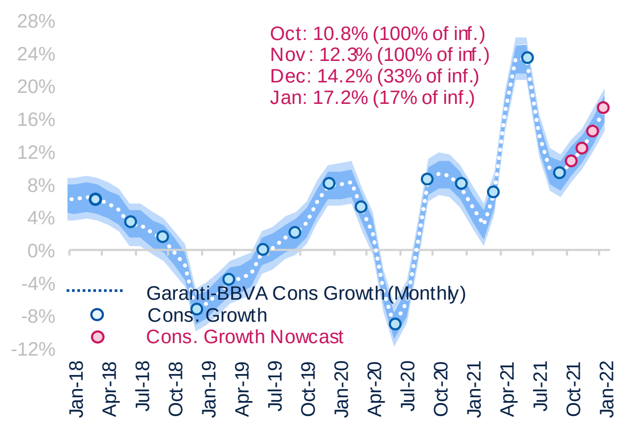
Source: Garanti BBVA Research, Turkstat

Figure 5. **BBVA Big Data Domestic Demand Indicators** (3-month qoq, adjusted by CPI and PPI)



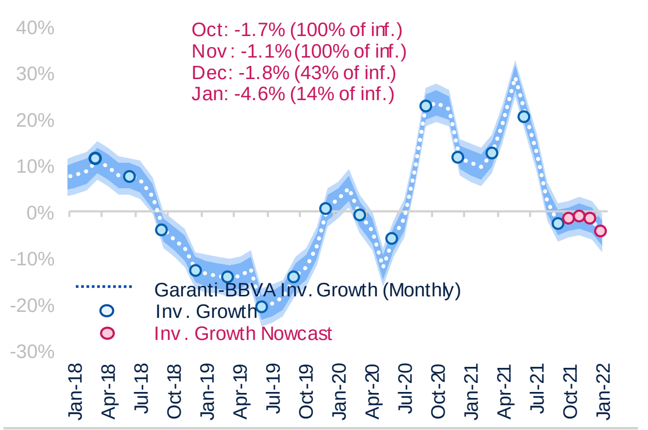
Source: Garanti BBVA Research, Turkstat

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



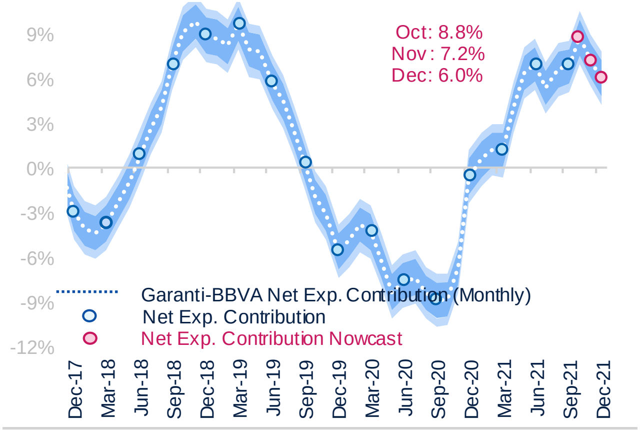
Source: BBVA Research Turkey, GBTRCGDPY Index in Bloomberg

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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