

Macro: Correction in industrial production after two months of strong increase

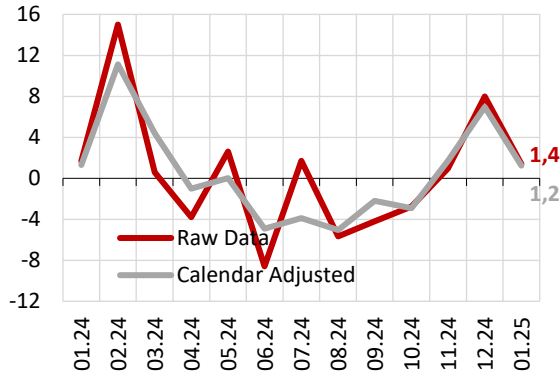
Following the strong monthly increases in November and December (3.0% and 5.0%, respectively), seasonally and calendar adjusted (s.a.) Industrial Production Index (IPI) declined sharply by 2.3% in January. In our previous two bulletins, we pointed out the role of the recovery in demand as well as the highly volatile items (other transport equipment, manufacture of computers, electronic and optical equipment, etc.) in the strong monthly increases and noted that the strong movement was not equally valid for the underlying trend.

The fact that similar items were again prominent in the sharp decline in January and that the IPI (s.a.) excluding these items was almost flat on a monthly basis both confirmed our earlier assessment and pointed to no contraction in the underlying trend in January. Indeed, the monthly increase in production (s.a.) in the main sectors excluding capital goods (intermediate goods, consumer goods, energy), where the volatile items are less common, continued, albeit at a slower pace. Manufacturing survey indicators such as the BTS and PMI were already signalling this.

Due to the decline in the number of working days in February, it is possible that we will see a negative figure in the annual growth of the IPI, but we do not expect a contraction in the underlying trend. We believe that strong credit growth and the high cash deficit of the Treasury in February supported industrial production. In this sense, we expect the growth outlook of the last quarter of 2024 to be maintained in the first quarter of 2025.

In January, the seasonally and calendar adjusted (s.a.) IPI fell by 2.3% mom and rose by 1.4% yoy (Charts 1, 2 and 3). In calendar-adjusted terms, the annual change was more limited at 1.2%. Despite the monthly decline, the IPI (s.a.) increased by 1.8% quarter-on-quarter on the back of the carry-over effect of the strong increases in November and December (3.0% and 5.0%, respectively) (Chart 4).

Chart 1. Industrial Production Index (IPI) (yoy)



Source: Turkstat

Chart 2. IPI (s.a, 2021=100)



Source: Turkstat, Akbank

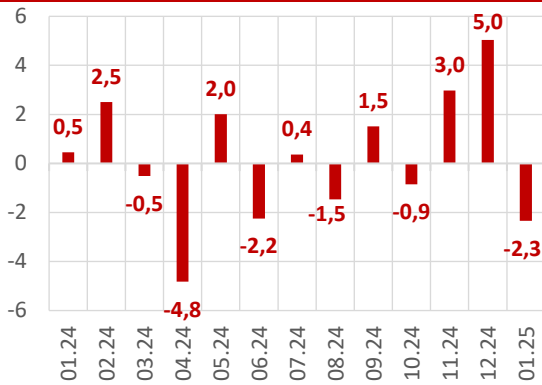
The monthly decline in the manufacturing industry (s.a.) was stronger than that of the IPI, at 3.0% (Charts 5 and 6, Table 1). The outlook was mixed across sub-sectors. Firstly, the largest contribution to the 3-point decline came from **other transport equipment** with 2.1 points. In this sector, the 34.9% monthly decline in January was a correction to the subsequent 45.2% and 24.6% increases in November and December, respectively. Historically, this sector, which includes the defence industry, has always seen strong increases followed by strong declines. In this sense, it was an expected development. The 8.5% monthly decline in **fabricated metal products** (s.a.) contributed -0.7 pp to the monthly change in the manufacturing industry. We had seen strong production growth in this sector in November and December. Nevertheless, the three-month cumulative increase (2.8%) was maintained. Although the monthly decline was spread across most of its subsectors, the 30% fall in the production of **arms and ammunition** (up 47.2% and 13.0% respectively in November and December) was particularly notable. The third largest contributor to the decline was the manufacture of

computers, electronic and optical equipment, with 0.4 points. Here, as in the case of other transport equipment, the strong increase in December (62%) was partially reversed (a fall of 13%).

Among the positive contributors to the monthly IPI (s.a.) growth, **other non-metallic mineral products** stood out with a monthly increase of 8.3% and a contribution of 0.6 pp. This was due to strong growth in the production of concrete and cement (28.4% and 13.9% respectively). **Food** products continued its strong and steady upward trend. The average monthly increase over the last 4 months has been around 2% (s.a.). In January, there were strong increases in the production of fats and oils, coffee and tea, and bakery and pastry products. In addition, sugar and fruit juices also contributed to the cumulative increase over the last 4 months (7.7%).

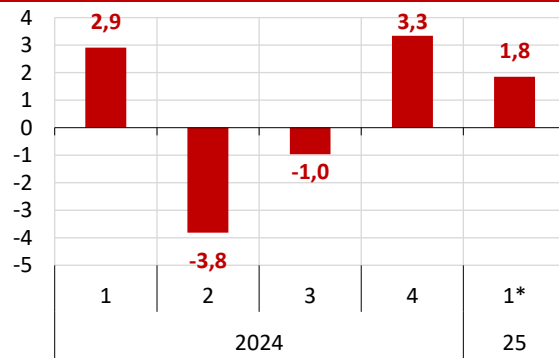
Among the other important sectors, **textiles** and **clothing** recorded a decline of 3.0% and 2.2% mom, respectively, after two months of increase. **Base metals** also posted a strong monthly increase of 2.0% mom. A relatively stronger outlook was recorded for the production of fabricated metal products. **Transport equipment** (s.a.) fell by 1.4% mom. The fact that the Tofaş factory suspended production between 2 and 14 January 2025 due to inventory counting and planned maintenance work contributed to the decline. Manufacturing of **electrical equipment** (s.a.) remained unchanged, while manufacturing of **furniture** rose by 0.4%. In contrast, the production of **machinery and equipment** fell by 3.9% mom, largely reversing the increase recorded in December.

Chart 3. IPI (s.a., mom)



Source: Turkstat, Akbank

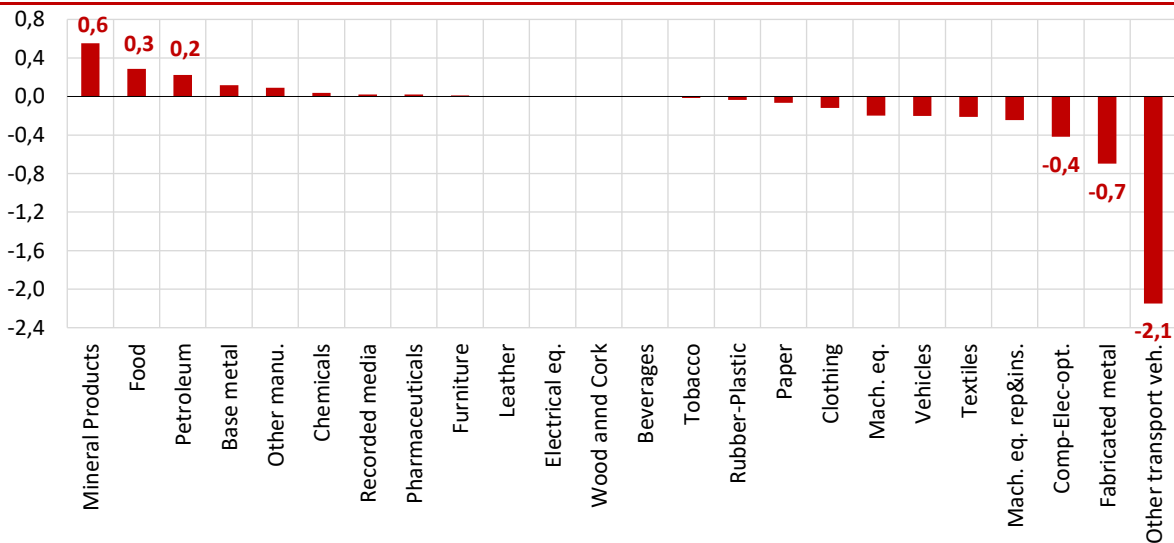
Chart 4. IPI (s.a., qoq)



* As of January

Source: Turkstat, Akbank

Chart 5. Contributions to the Monthly Change in Manufacturing in January
(% points, seasonally adjusted)

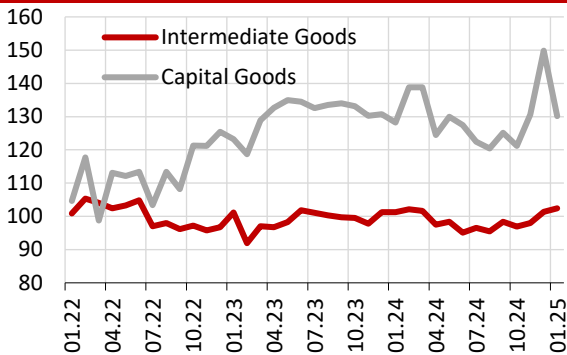


Source: Turkstat, Akbank

Across goods groups, production of all goods groups except capital goods increased on a monthly basis. Production of capital goods posted a sharp monthly decline by 13.1% (Chart 6). As detailed above, the high volatility in the manufacture of other transport vehicles and computers, electronic and optical equipment, which are included in capital goods, causes the production of capital goods to follow a volatile course. The monthly increases in durable consumption goods and intermediate goods were 2.9% and 1.1%, respectively. The increase in non-durable goods was limited to 0.3%.

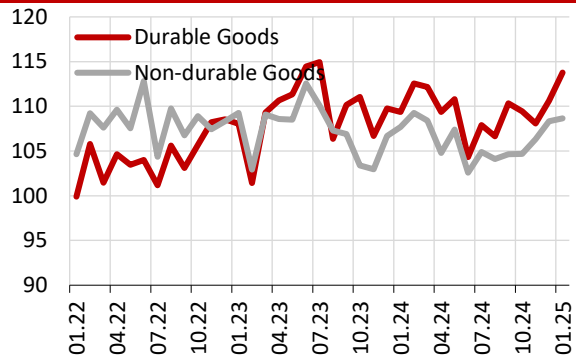
Against this background, the monthly and quarterly increases were also broadly based across the product groups. However, the largest contribution to output growth was made by capital goods (monthly contribution: +3.1 pp, quarterly: +1.9 pp). Capital goods also made a large contribution to annual growth in December. In contrast, growth in the production of durable consumer goods was more limited (Graphs 7, 8, 9 and 10; Table 2).

Chart 6. IPI (seasonally and calendar adjusted. 2021=100)



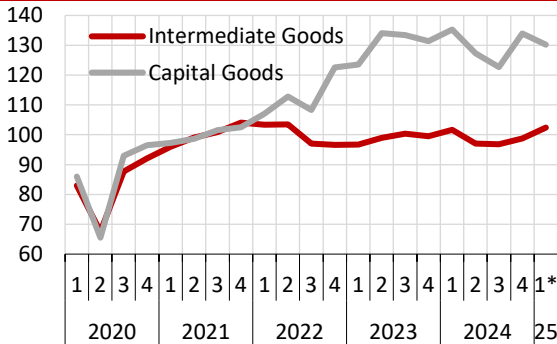
Source: Turkstat

Chart 7. IPI (seasonally and calendar adjusted. 2021=100)



Source: Turkstat

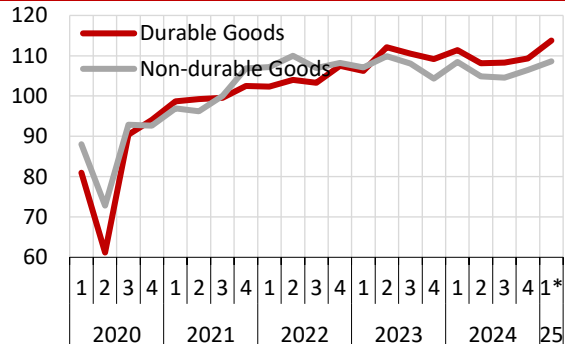
Chart 8. IPI (seasonally and calendar adjusted. 2021=100)



* As of January

Source: Turkstat

Chart 9. IPI (seasonally and calendar adjusted. 2021=100)



* As of January

Source: Turkstat

In sum, IPI (s.a.) recorded sharp changes in the last 3 months, first in the upward and then in the downward direction due to highly volatile items. However, in terms of the underlying trend, we think that the increase in the last quarter continued in a limited manner as of January. Survey indicators such as BTS and PMI also gave signals in this direction. Survey data for February were slightly more positive compared to January. Considering the acceleration in loan utilization and the fiscal impulse through the strong cash deficit, we estimate that the underlying trend in IPI continued to increase in February. However, the working day effect due to the 29-day February in 2024 may have a 2.5-3 percentage point impact on annual growth and pull the annual growth in IPI into negative territory.

Table 1. Industrial Production Index (Annual % Change)

	Oct. 24	Nov.24	Dec.24	Jan.25	2024-Q2	2024-Q3	2024-Q4	2025-Q1*
IPI	-2.7	1.0	8.0	1.4	-3.1	-2.8	2.2	1.4
Mining and quarrying	-10.4	-4.8	3.5	-0.6	9.0	0.9	-4.2	-0.6
Mining of coal and lignite	-2.4	4.1	3.9	-5.7	27.1	16.2	1.8	-5.7
Extraction of crude petrol. and n. gas	50.1	49.7	120.7	49.6	51.2	53.4	68.9	49.6
Mining of metal ores	-27.3	-20.5	-17.4	-7.6	1.8	-12.4	-22.0	-7.6
Other mining and quarrying	-11.9	-7.7	-4.4	-0.5	-4.7	-5.8	-8.1	-0.5
Manufacturing	-3.2	0.4	7.8	1.3	-4.5	-3.3	1.8	1.3
Food products	-1.6	-2.6	-1.4	-3.3	1.5	0.1	-1.9	-3.3
Beverages	9.1	-0.5	9.7	0.1	5.3	-2.4	6.2	0.1
Tobacco products	1.2	3.8	5.0	0.3	0.3	-0.7	3.3	0.3
Textiles	0.2	4.9	5.4	1.5	-6.0	-2.4	3.4	1.5
Wearing apparel	11.1	10.7	9.6	6.6	-12.7	4.2	10.5	6.6
Leather and related products	-10.9	-2.3	-0.4	4.3	-16.4	-9.6	-4.6	4.3
Wood and cork products	-8.4	-2.4	5.8	2.4	-13.8	-10.6	-1.5	2.4
Paper and paper products	-0.3	1.5	8.0	2.1	-0.4	-4.0	3.0	2.1
Recorded media	-11.9	-8.9	-2.1	2.7	-10.2	3.2	-7.7	2.7
Coke and refined petroleum products	-21.1	-3.0	-5.7	4.8	6.0	-6.9	-10.2	4.8
Chemicals and chemical products	-0.1	0.8	3.9	1.8	-1.1	1.8	1.5	1.8
Basic pharmaceutical products	-2.2	-7.2	-15.6	-5.7	-7.2	-17.7	-8.7	-5.7
Rubber and plastic products	-4.6	-4.7	-0.1	-3.2	-8.4	-5.4	-3.1	-3.2
Other non-metallic mineral products	-4.1	-0.3	-2.0	3.3	-5.0	-4.8	-2.2	3.3
Base metals	2.9	5.4	2.7	1.6	2.0	4.7	3.7	1.6
Fabricated metal products	3.8	14.2	18.2	5.2	-7.3	-0.3	12.3	5.2
Computer, electronic and optical products	-17.5	-24.2	19.0	16.9	-9.7	-15.3	-1.3	16.9
Electrical equipment	-0.9	-0.3	-4.3	3.3	0.2	2.9	-1.9	3.3
Machinery and equipment	-7.4	-9.5	-5.9	-5.7	-11.3	-10.1	-7.5	-5.7
Motor vehicles	-12.2	-13.4	-6.0	-11.2	-8.7	-11.5	-10.6	-11.2
Other transport equipment	-17.5	20.9	65.3	1.0	-1.3	-17.5	29.5	1.0
Furniture	1.7	1.3	8.0	4.4	-12.6	-3.4	4.0	4.4
Other manufacturing	-3.0	0.9	-6.7	4.6	-7.3	0.9	-3.1	4.6
Repair and installation of mach. and equip.	-0.8	-0.3	25.1	16.3	9.7	4.4	9.1	16.3
Electricity, gas, steam	7.6	11.1	11.4	5.0	6.3	4.3	10.0	5.0
IPI	-2.7	1.0	8.0	1.4	-3.1	-2.8	2.2	1.4
Intermediate Goods	-2.8	-0.3	1.0	0.9	-3.3	-2.6	-0.7	0.9
Durable Consumer Goods	-0.9	-0.7	1.1	6.2	-3.1	-0.7	-0.2	6.2
Non-durable Consumer Goods	-0.2	0.2	0.7	-1.2	-5.5	-1.9	0.2	-1.2
Energy	1.9	9.6	11.5	6.2	9.9	4.7	7.6	6.2
Capital Goods	-8.8	-0.2	22.1	2.4	-6.5	-7.4	5.9	2.4
Low Technology	0.4	1.8	3.4	0.9	-5.3	-1.1	1.9	0.9
Medium-Low Technology	-3.0	0.7	4.0	2.9	-2.6	-2.2	0.6	2.9
Medium-High Technology	-6.3	-0.2	1.5	-3.5	-2.4	-5.2	-1.5	-3.5
High Technology	-13.6	-6.9	49.5	15.3	-17.1	-14.6	16.1	15.3

* As of January

Source: TURKSTAT

Table 2. Industrial Production Index (Seasonally and Calendar Adjusted)

	Monthly % Change				Quarterly % Change			
	Oct. 24	Nov.24	Dec.24	Jan.25	2024-Q2	2024-Q3	2024-Q4	2025-Q1*
IPI	-0.9	3.0	5.0	-2.3	-3.8	-1.0	3.3	1.8
Mining and quarrying	-4.2	2.2	1.4	7.5	-3.2	-0.8	-3.2	9.3
Mining of coal and lignite	-3.7	2.2	3.6	0.4	5.4	-3.9	-5.5	3.5
Extraction of crude petrol. and n. gas	1.9	1.0	2.7	1.9	12.5	9.5	5.7	4.0
Mining of metal ores	-10.4	5.4	0.6	12.4	-5.8	-3.8	-7.2	14.8
Other mining and quarrying	-0.2	-0.9	0.1	11.6	-12.0	-0.2	-1.6	11.3
Manufacturing	-0.9	3.1	5.6	-3.0	-4.3	-1.2	3.9	1.6
Food products	1.0	2.0	2.2	2.3	-5.5	-1.0	2.3	4.4
Beverages	10.8	-4.0	5.2	-0.6	-3.6	-5.7	9.8	1.4
Tobacco products	2.4	-0.2	1.9	-3.9	-1.1	-0.3	0.2	-2.8
Textiles	-1.8	2.1	3.0	-3.0	-1.2	-0.8	3.0	-0.4
Wearing apparel	-2.5	1.1	2.4	-2.2	2.1	2.8	1.7	-0.3
Leather and related products	-1.0	4.4	3.9	0.3	-0.1	-1.9	1.1	4.3
Wood and cork products	-0.7	2.3	10.1	-0.5	-12.5	1.1	8.1	6.8
Paper and paper products	-0.2	1.6	4.5	-2.4	-2.5	-0.9	3.0	1.0
Recorded media	-7.4	-2.4	2.6	5.2	0.8	2.6	-10.6	6.2
Coke and refined petroleum products	12.5	19.9	-1.9	8.2	-2.8	-8.3	3.8	13.1
Chemicals and chemical products	0.7	2.1	1.9	0.5	-3.2	-0.9	3.0	2.5
Basic pharmaceutical products	3.0	-0.5	-7.8	2.1	-5.6	-1.2	0.3	-3.5
Rubber and plastic products	-3.3	0.6	6.8	-0.7	-6.7	-1.1	1.6	3.9
Other non-metallic mineral products	1.3	-0.2	1.2	8.3	-5.7	-1.6	1.8	9.1
Base metals	-0.2	3.1	0.7	2.0	-4.0	1.1	3.3	3.6
Fabricated metal products	-3.2	6.4	5.7	-8.5	-2.5	3.2	6.9	-3.2
Computer. electronic and optical products	-18.5	-14.1	62.3	-11.5	-12.0	-0.5	1.7	13.8
Electrical equipment	-3.8	2.3	2.3	0.0	-3.8	1.3	-0.3	2.3
Machinery and equipment	1.0	-1.7	4.6	-3.9	-4.3	-0.9	2.3	-1.5
Motor vehicles	-2.3	-3.1	3.9	-1.4	-7.8	-5.6	0.3	0.1
Other transport equipment	1.2	45.2	24.6	-34.9	-8.9	-15.3	34.8	-17.1
Furniture	0.3	-0.5	5.9	0.4	-4.6	0.1	3.5	4.1
Other manufacturing	-0.8	2.0	-3.3	4.9	-3.2	2.5	1.3	3.2
Repair and installation of mach. and equip.	0.4	-1.3	14.6	-6.3	1.7	1.8	4.8	2.0
Electricity, gas, steam	3.0	1.9	0.3	-0.8	1.9	1.9	1.4	0.0
IPI	-0.9	3.0	5.0	-2.3	-3.8	-1.0	3.3	1.8
Intermediate Goods	-1.5	1.1	3.4	1.1	-4.6	-0.2	2.0	3.7
Durable Consumer Goods	-0.8	-1.2	2.3	2.9	-2.9	0.1	1.0	4.0
Non-durable Consumer Goods	0.0	1.6	1.9	0.3	-3.2	-0.3	1.8	2.1
Energy	4.0	5.4	0.2	1.3	1.8	-0.5	1.6	3.3
Capital Goods	-3.1	7.8	14.7	-13.1	-5.9	-3.6	9.2	-2.8
Low Technology	-0.3	1.5	2.8	0.1	-3.1	-0.1	2.5	2.5
Medium-Low Technology	0.3	2.4	3.7	1.1	-3.8	-0.7	3.1	4.4
Medium-High Technology	-2.1	5.5	1.1	-3.0	-1.8	-4.2	3.2	-0.6
High Technology	-7.2	8.0	51.5	-30.7	-21.2	2.2	20.2	-8.4

* As of January

Source: TURKSTAT

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