

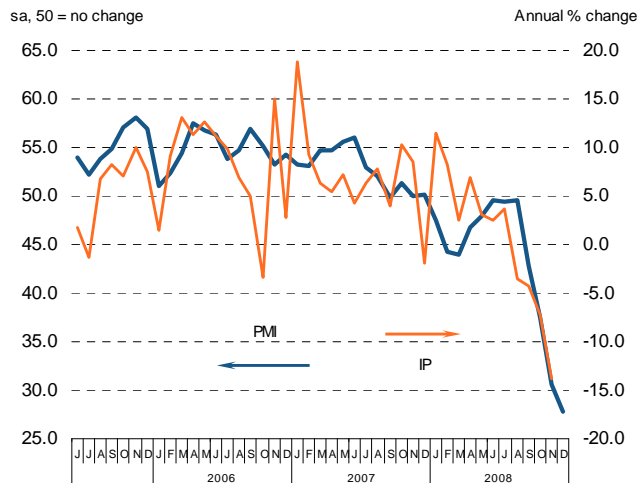
Turkey

Industrial production dropped sharply in line with weak PMI numbers

- **PMI sank to new depths in December**
- **Industrial production declined 13.8% yr/yr in November, the worst since 2001**

December data from the ABN AMRO Manufacturing PMI survey for Turkey, compiled by Markit and released over one month in advance of official industrial output figures, provided further signals as to the severity of the economic downturn in the final quarter of 2008. The Output Index sank to a new low, having anticipated the sharp fall in official figures for industrial production in November.

PMI Output Index vs industrial production



Sources: ABN AMRO/Markit, Turkish Statistical Institute.

The chart above illustrates how the PMI figures have plummeted in recent months, successfully predicting a similarly marked drop in the official production series. In November, industrial production declined by 13.8% on an annual basis, the worst since November 2001. The official data were released on 8 January, whereas

the PMI figures for November were first available on 1 December.

The latest PMI data suggest that industrial output will continue to fall at double-digit pace in December. This is supported by the latest official capacity utilisation data, which showed a fall of 16 percentage points in December to 64.7%.

The manufacturing sector is a key component of Turkey's economy, accounting for 17% of gross domestic product in 2007. Overall economic growth slowed sharply in the third quarter of 2008, to a six-year low of 0.5% on the annual measure. Ominously, the government has slashed its full-year forecast for 2009 to less than 1%, from 4% previously. This marks a stark turnaround from average annual economic growth of 7% between 2002 and 2007.

The Turkey Manufacturing PMI for January is due for release on 2 February. December industrial production figures from Turkstat are released on 9 February.

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