

## Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

# Manufacturing recovery picks up pace

### October 2020 Key findings:

- Sharper rises in output and new orders
- Rate of job creation at 32-month high
- Input cost and output price inflation accelerate

### Summary

The latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit indicated that the Turkish manufacturing sector continued to grow strongly at the start of the final quarter of the year. Output growth ticked higher, with production supported by the fastest rise in employment since February 2018. The recent trend of building inflationary pressures continued in October, with both input costs and output prices rising at sharper rates amid currency weakness.

The headline Istanbul Chamber of Industry Turkey Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The headline PMI rose to 53.9 in October from 52.8 in September. The reading signalled a solid improvement in the health of the sector, and the fifth in as many months following the downturn caused by the coronavirus disease 2019 (COVID-19) pandemic.

Manufacturers indicated that customer demand continued to recover, with new orders rising for the fifth month running. New export orders also expanded.

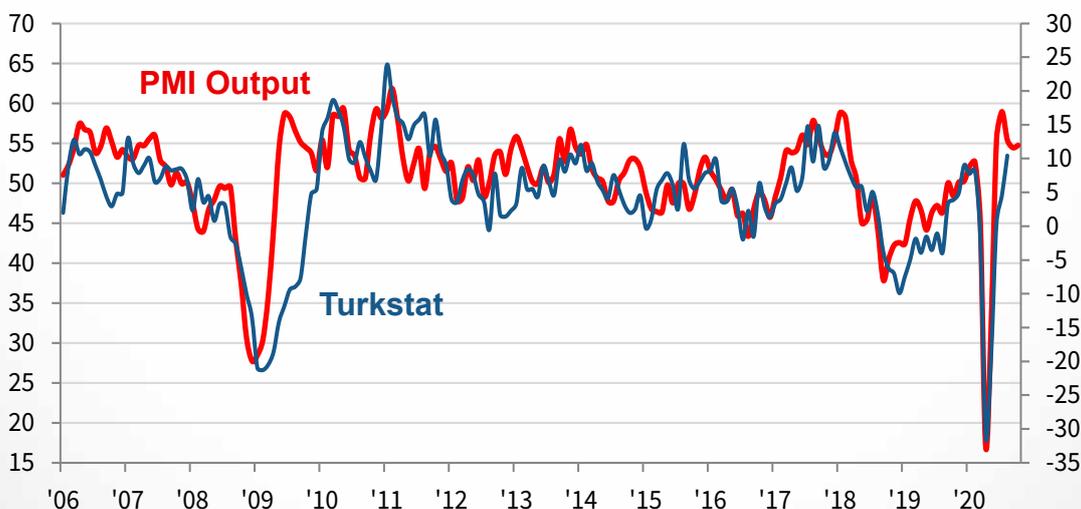
As a result, firms increased their production volumes again in October, with the rate of growth ticking up from that seen in September. Rises in output and the delivery of products to customers meant that backlogs of work were reduced for the third month running.

The expansion in production was supported by a

### Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



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further marked increase in staffing levels. In fact, the rate of job creation quickened to the strongest since February 2018.

Manufacturers also raised their purchasing activity, but stocks of inputs decreased amid the use of items in the production process and difficulties obtaining materials. Supply chain delays were particularly evident when sourcing inputs from abroad. Overall, lead times lengthened to the greatest extent since June.

Weakness of the Turkish lira again led to sharp rises in both input costs and output prices in October. Input costs increased at the fastest pace for two years, while charges were raised to the greatest extent in 25 months.

### Comment

Commenting on the Istanbul Chamber of Industry Turkey Manufacturing PMI survey data, Andrew Harker, Economics Director at IHS Markit, said:

*“The recovery in the Turkish manufacturing sector remained on track in October, with a further solid increase in production. Moreover, firms continued to ramp up staffing levels to support output, suggesting a confidence that the recovery is sustainable. In fact, IHS Markit now expects industrial production to fall just 0.8% over the course 2020 despite the collapse in output earlier in the year due to COVID-19. This positive picture is all in spite of ongoing currency weakness which is causing inflationary pressures to build.”*

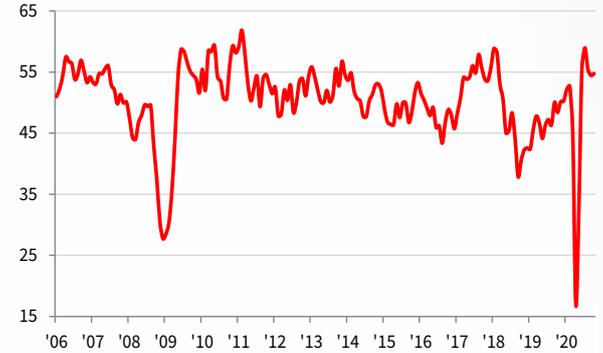
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### Output Index

Q. Please compare your production/output this month with the situation one month ago.

The recovery in Turkish manufacturing production continued at the start of the fourth quarter of the year, with October seeing a further marked expansion in output. Production has risen in each month since June, following a three-month downturn caused by the COVID-19 pandemic. Respondents indicated that the latest increase reflected higher new orders.

sa, 50 = no change on previous month



### Employment Index

Q. Please compare the level of employment at your unit this month with the situation one month ago.

October data pointed to a marked expansion in employment at Turkish manufacturing firms, extending the current sequence of job creation to five months. Moreover, the pace of increase in staffing levels was the sharpest since February 2018. Panellists reported that extra staff had been hired in line with higher production requirements.

sa, 50 = no change on previous month



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## Istanbul Chamber of Industry

Driving strength from her members' contributions to Turkish economy and since her foundation in 1952, Istanbul Chamber of Industry (ICI) stands out as Turkey's largest chamber of industry and one of the most powerful representatives of Turkish industry. The added value generated by ICI members represents more than 40% of the total added value propagated by Turkish industry. ICI members actualize approximately 35% of production of Turkish industry. 36% of Turkey's Top 500 Industrial Enterprises consists of ICI members.

ICI promotes the sustainable development of Turkish industry and contributes the improvement of her competitiveness via offering innovative services to her members. For this purpose, she develops new projects and services to the use of industrialists in crucial fields such as; innovation, technology development, university-industry cooperation, vocational training, international relations, environment and energy with local and international partnerships.

Generating and conducting economic researches together with gathering data, ICI holds the widest knowledge on Istanbul industry whilst giving direction to Turkish industrialists and providing intense contribution for shaping economic and industrial policies.

## About IHS Markit:

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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## About PMI:

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

## Notes to Editors:

The Istanbul Chamber Of Industry Turkey Manufacturing PMI® (Purchasing Managers' Index) is produced by IHS Markit. The report features original survey data collected from a representative panel of around 400 companies based in the Turkish manufacturing sector. The panel is stratified by GDP and company workforce size, based on the industry contribution to GDP.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

The Manufacturing Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

October data were collected 12-23 October 2020.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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