Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

PMI posts 50.5 in January

January 2022
Key findings:
- Sharp, but softer rises in input costs and output prices
- New orders and output moderate
- Job creation continues

Summary
The latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit suggested that price pressures led to a challenging start to the year for firms operating in the Turkish manufacturing sector. Input costs and output prices continued to rise sharply, albeit at softer rates than the records seen at the end of last year. This led to challenges for firms to secure new work, contributing to moderations in new orders and production. More positively, employment continued to rise.

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 posted above the 50.0 no-change mark in January thanks to contributions from the employment and suppliers’ delivery times indices. That said, at 50.5 the latest reading was down from 52.1 in December and the lowest in eight months.

As has been the case in recent months, Turkish manufacturers highlighted strong inflationary pressures, often due to weakness of the Turkish lira. Input costs continued to rise at a steep pace at the start of the year, although the rate of inflation slowed from the survey record posted in December. This was also the case with regards to selling prices, which increased at a much softer pace but one that was still well above the series average.

Ongoing price pressures meant that firms continued to face challenges securing new orders, leading total new business to moderate for the fourth successive
month. New export orders also slowed in January, ending a seven-month sequence of growth.

With new orders easing, firms scaled back their production and purchasing activity, in both cases for the second month running. There was also a lack of pressure on capacity, and backlogs of work were reduced further.

Although workloads eased, manufacturers continued to increase their staffing levels amid some reports that new workers had been hired as part of investment plans. Employment has now risen in each of the past 20 months, although the rate of job creation was the softest in this sequence.

Difficulties around the sourcing of raw materials, logistics and price rises all contributed to a further lengthening of suppliers’ delivery times, although data suggested that disruption was much less pronounced than in December.

Finally, inventories of both purchases and finished goods were scaled back at the start of the year.

Comment

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

“The new year began very much as the old one ended, with Turkish manufacturers continuing to face the challenges of operating in an inflationary environment. There were, however, some signs of pressures beginning to ease, something which firms will hope continues over the rest of the first quarter to help them in the hunt for new business.”
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Output Index

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

Turkish manufacturers reported a slowdown in output at the start of 2022, the second month running in which this has been the case. That said, the moderation was only marginal. Where production eased, respondents indicated that this was due to price pressures and difficulties securing new orders.

Employment Index

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

Despite the current difficulties for firms in securing new work, manufacturers continued to expand their staffing levels at the start of 2022. Where employment increased, this was often linked to business investment. Workforce numbers have now risen in each of the past 20 months, but the pace of job creation in January was the softest in this sequence.

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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

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.

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.

January data were collected 12-24 January 2022.

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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