Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

July PMI reading of 46.7

Key findings:
- Weakest moderation of output in four months
- Stable new export order inflows
- Waning inflationary pressures signalled

Summary

Turkish manufacturing sector business conditions remained challenging in July, according to the latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit. That said, the rate of moderation in output softened to the weakest in four months amid steady export order flows. Firms were also helped by weaker inflationary pressures, with both input costs and output prices rising at reduced rates.

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 46.7 in July, down slightly from 47.9 in June and signalling a modest slowdown in business conditions.

Total new orders continued to soften amid challenging market conditions, particularly domestically. This was despite stability of new export orders, which followed an expansion in the previous month.

The relatively positive picture around exports encouraged some manufacturers to raise their output during July. As a result, the pace of moderation in production softened to the weakest since March.

Production requirements continued to be reduced, however, leading both employment and purchasing activity to be scaled back. Slower input buying and sufficient stock holdings at suppliers contributed to the first improvement in delivery times for 27 months.

Inflationary pressures showed signs of waning in July. Although input costs continued to rise, the rate
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of inflation eased for the second month running and was below the series average. Similarly, the pace at which output prices increased softened to a five-month low and was much weaker than that seen this time last year.

Comment

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

“There were mixed signals for Turkish manufacturers from the latest PMI survey. On the one hand, demand conditions remained challenging in July, with total new orders moderating. On the other, stable exports to back up the rise in June helped lead to a softer scaling back of production. Waning inflationary pressures signalled by the PMI in recent months provided scope for the Central Bank of Turkey’s July interest rate cut.”
Although challenging economic conditions in Turkey led to another slowdown in manufacturing production during July, the pace of moderation eased for the second month running and was the softest since March. There were some reports of manufacturers raising output in line with an improved picture around exports.

**Output Index**

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

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**New Export Orders Index**

Q. Please compare your new export orders received (in units) this month with the situation one month ago.

After having risen in the previous month, new export orders were stable in July. Greater activity in foreign markets and improving demand led to higher new business from abroad at some panellists, but others pointed to challenging demand conditions.

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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:

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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. To learn more go to www.markit.com/product/pmi.

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.

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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