

Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

Further sharp rise in new orders during August

August 2020 Key findings:

- New business rises markedly, leading to further production growth
- Third successive increase in employment
- Inflationary pressures build

Summary

The latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit indicated that the recovery in the manufacturing sector was sustained during August. Customer demand continued to improve, supporting further marked increases in output and new orders. In turn, firms expanded their purchasing activity and employment.

Meanwhile, a depreciation of the Turkish lira against the US dollar led to accelerating inflation of both input costs and output prices.

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 registered 54.3 in August, down from 56.9 in July but still comfortably above the 50.0 no-change mark to signal a solid monthly improvement in business conditions. The health of the sector has now strengthened in three successive months, following a steep downturn due to the coronavirus disease 2019 (COVID-19) pandemic.

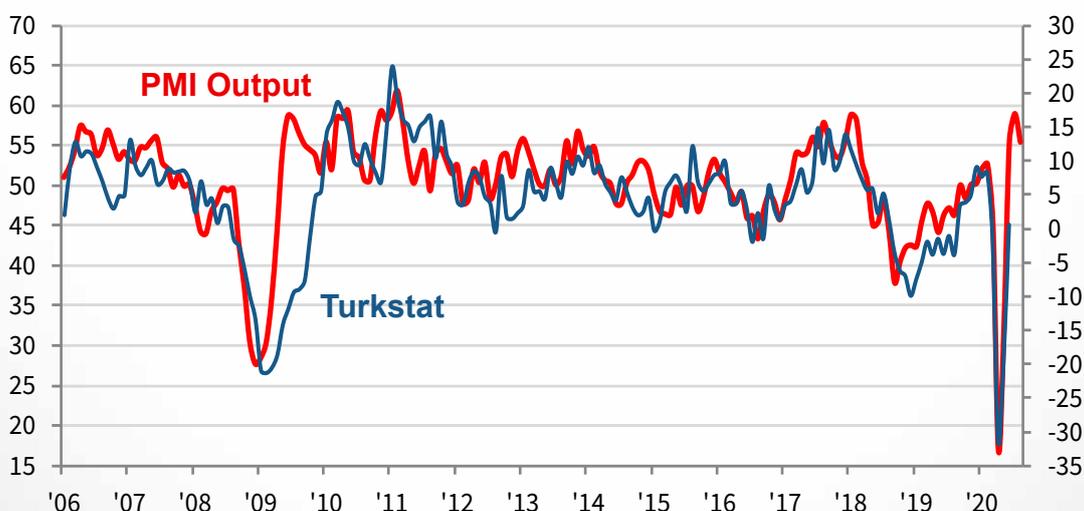
Recent months have seen improvements in customer demand amid a loosening of COVID-19 restrictions. This trend continued in August, with new orders rising at a marked pace that was among the fastest in the past two-and-a-half years. New export orders also increased, albeit at a slower pace than total new business.

Production also continued to rise, extending the current sequence of growth to three months. After rising at the steepest pace in over nine years in July,

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



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the pace of expansion softened but remained sharp.

Higher output requirements led to a third successive rise in employment, with the rate of job creation solid again in August. Rising operating capacity enabled firms to keep on top of workloads in spite of a further sharp expansion in new orders. Backlogs of work were therefore broadly unchanged, following an accumulation in the previous month.

As well as taking on additional staff, new order growth encouraged firms to increase purchasing activity. Meanwhile, stocks of purchases rose only marginally as inputs were used directly to support increases in production.

Currency weakness resulted in a sharp and accelerated increase in input costs during the month. The rate of inflation quickened to the strongest since October 2018. In response, firms raised their own selling prices to the greatest extent in 23 months.

Comment

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

“Turkish manufacturers were able to largely sustain the strong pace of growth seen in the previous month during August, with the latest PMI data suggesting that the sector continued to make inroads into the output lost during the COVID-19 downturn. Helping firms to expand output further was another month of job creation. Less positive were signs of building inflationary pressures, with both input costs and output prices rising at the sharpest rates for just under two years.”

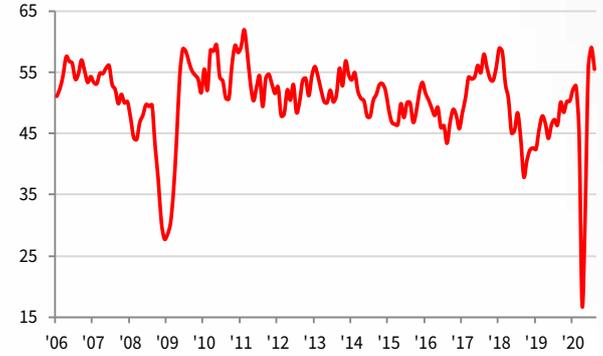
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Output Index

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

The recovery in Turkish manufacturing output continued in August, with production rising for the third successive month. Although softer than seen in July, the rate of expansion remained marked. According to respondents, higher output reflected increases in new orders as demand improved following the lifting of COVID-19 restrictions.

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.

Turkish manufacturers expanded their staffing levels for the third successive month during August. The pace of job creation was solid, and only slightly softer than the 29-month high posted in July. Anecdotal evidence suggested that the need for additional employees reflected strong new order growth.

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

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.

August data were collected 12-21 August 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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