

Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

PMI signals recovery gathering pace in July

July 2020 Key findings:

- Sharpest rise in production since February 2011
- New order growth accelerates
- Rate of job creation quickens

Summary

The latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit signalled a strengthening recovery of the Turkish manufacturing sector following the coronavirus disease 2019 (COVID-19) related downturn. July saw sharp rates of expansion in both output and new orders, with capacity pressures emerging and firms taking on additional staff.

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 56.9 in July, up from 53.9 in June and the highest since February 2011.

The reading pointed to a strengthening recovery following declines between March and May.

A move towards more normal conditions and the reopening of customers resulted in a second successive monthly increase in new orders at Turkish manufacturers. Moreover, the rate of expansion accelerated and was among the fastest since the survey began in June 2005. New export orders also rose, albeit to a lesser extent than total new business.

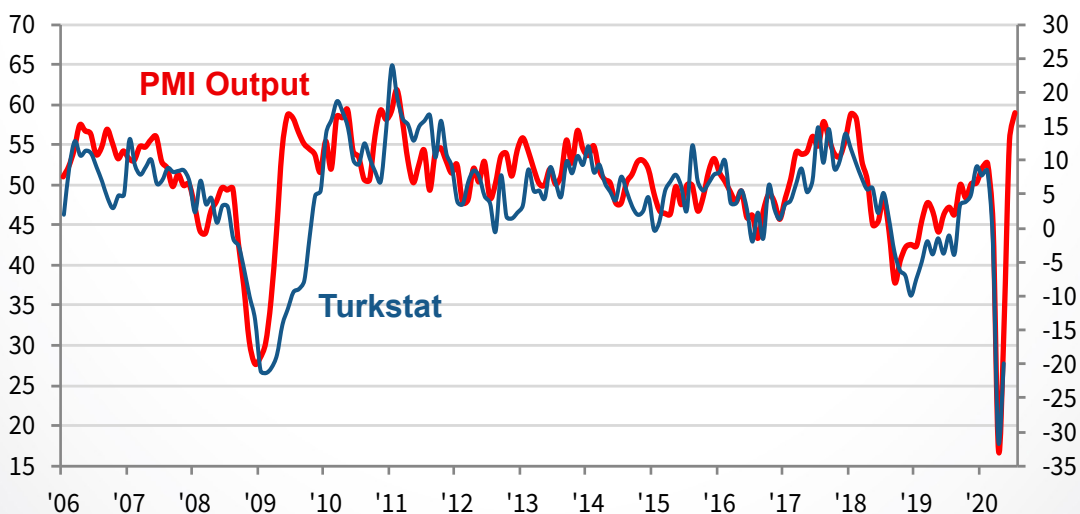
Production growth accelerated, and was the fastest since February 2011. Output has now risen in two consecutive months, with around 31% of firms signalling an increase in July.

The strength of the rise in new orders started to impart pressure on capacity, as signalled by a first accumulation of backlogs of work since August

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



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2017. Firms used inventories to help meet order requirements, leading to the sharpest fall in stocks of finished goods in four months.

Higher production requirements led to increases in employment and purchasing activity, with both rising to greater extents than in the previous month.

The COVID-19 pandemic did continue to impact supply chains in July through restrictions on transportation. Rising demand for inputs also contributed to another marked instance of lengthening delivery times.

Input prices continued to rise sharply, albeit at a slower pace than in the previous month. The rate of output price inflation quickened, meanwhile, to the fastest since March as improving demand enabled firms to pass on higher input costs to customers.

Comment

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

“The PMI data at the start of the second half of the year provides optimism that the recovery from the COVID-19 downturn is solidifying. Sharp expansions in output and new orders were recorded as business conditions gradually return to normal, with even signs of capacity pressures emerging in the sector. Growth will help to claw back some of the output lost during the downturn, but will have to be sustained for a longer period for a full recovery to be secured.”

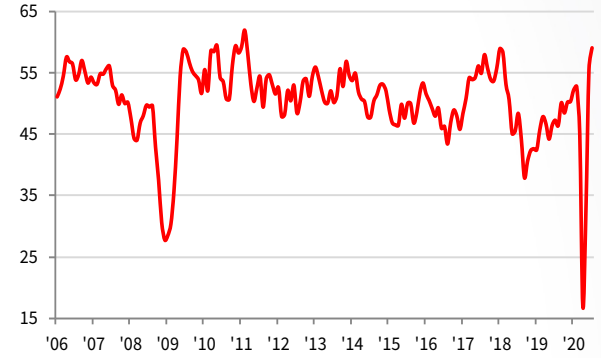
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Output Index

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

July data pointed to a sharp and accelerated increase in manufacturing output in Turkey. The rise was the second in as many months, and the fastest since February 2011. Respondents indicated that a return to more normal conditions following COVID-19 disruption, and higher new orders were behind the increase.

sa, 50 = no change on previous month

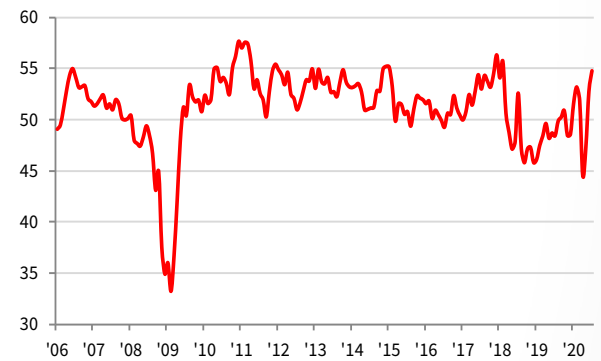


Employment Index

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

Manufacturers responded to greater workloads by increasing their staffing levels, the second successive month in which this has been the case. The rate of job creation was marked, and quickened from that seen in June to the fastest since February 2018. More than 14% of panellists raised employment, against just 4% that posted a fall.

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.

July data were collected 13-24 July 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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