

Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

PMI registers 46.8 in June

June 2018 Key findings:

- Headline figure points to challenging business conditions
- Output and new orders fall at slightly softer rates
- Inflationary pressures remain marked

Summary

The latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit signalled a further deterioration in the health of the Turkish manufacturing sector at the end of the second quarter. The slowdown in new business continued to contribute to this situation, though to a lesser extent than that observed in May. A subsequent slow down in output was reported by goods producers. Inflationary pressures remained substantial, reflecting a weaker lira.

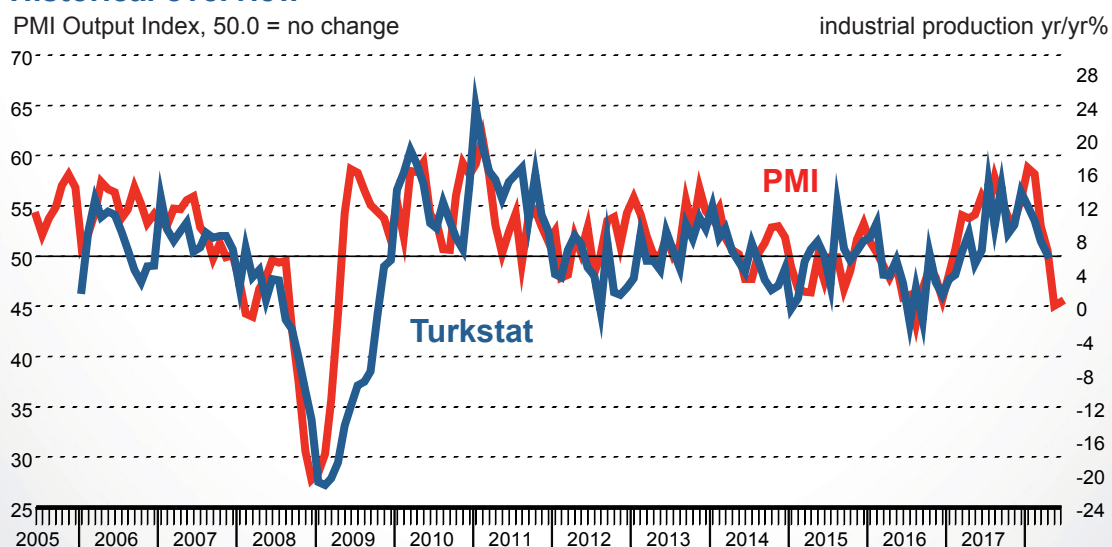
The headline Istanbul Chamber of Industry Turkey Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement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

The PMI posted 46.8 during June, up from 46.4 in May, signalling challenging business conditions in Turkey's goods-producing sector. Panel members largely linked the decline to demand developments and market conditions. Though strong, the overall rate of the contraction eased from May.

Reductions in new orders from both domestic and foreign sources formed the basis for the results in June. Developments in demand were partially responsible for the decline, according to respondents. However, the slowdown in total order books softened from the previous survey period.

Manufacturing output meanwhile lost momentum at the end of the second quarter. The slowdown was linked by panellists to market conditions. As was the case with total new orders, production slowed at a milder pace compared to May. The seasonally

Historical overview



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adjusted Employment Index registered below the 50.0 no-change threshold during June but was slightly improved compared to May.

On the price front, sharp increases in input costs were experienced across the Turkish manufacturing sector as developments in exchange rates fed into overall cost burdens. Average selling prices rose as a result. Moreover, the rate of output price inflation remained marked, despite easing slightly from May. Furthermore, survey evidence suggested businesses were partially absorbing rising costs, as output prices increased to a lesser extent than input costs.

Comment

Commenting on the Istanbul Chamber of Industry Turkey Manufacturing PMI survey data, Gabriella Dickens, Economist, IHS Markit, said:

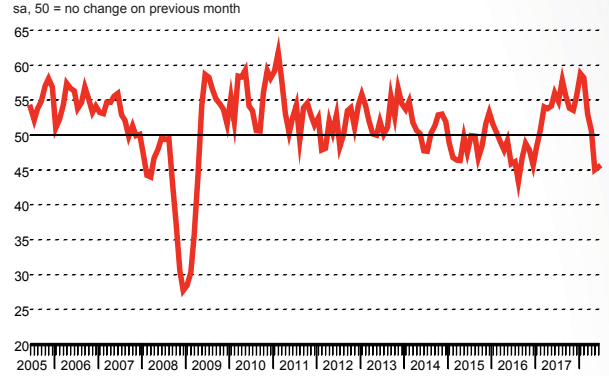
“Challenging business conditions continued in the Turkish manufacturing sector at the end of the second quarter, according to the latest PMI data. The overall decline reflected further, albeit more moderate, slowdowns in new orders and output. Inflationary pressures remained elevated due to developments in the exchange rate.”

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Output Index

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

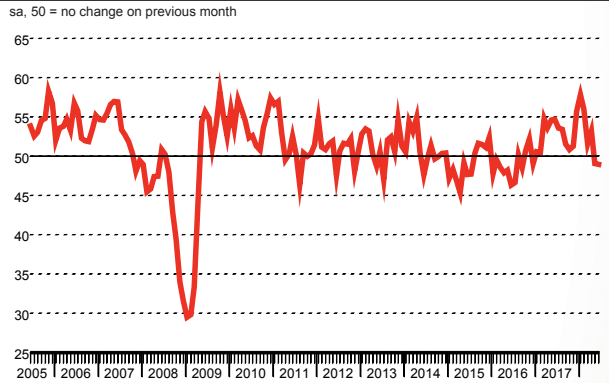
The seasonally adjusted Output Index registered below the 50.0 no-change threshold during June, signalling a slowdown in production in the Turkish manufacturing sector. A number of companies reported that market conditions were behind the decline. The pace of contraction eased from May.



New Export Orders Index

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

June saw export orders decrease in the Turkish manufacturing sector, with businesses mentioning increased competition. The pace of decline was only marginal and broadly in line with that observed in May.



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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.

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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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