

Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

PMI rises to 40.9 in May

May 2020 Key findings:

- Output and new orders moderate, but at softer rates
- Relatively modest scaling back of employment
- Sharpest rise in input costs for a year

Summary

The latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit pointed to continued disruption to the Turkish manufacturing sector as a result of the coronavirus disease 2019 (COVID-19) pandemic. Output and new orders slowed sharply again, albeit to lesser extents than in April, while firms scaled back employment and purchasing. On the price front, rates of both input cost and output price inflation accelerated due to currency weakness.

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 40.9 in May, up from 33.4 in April but still short of the 50.0 no-change mark and thereby signalling a further moderation of business conditions in the sector.

Further sharp slowdowns in both output and new orders were recorded in May as the COVID-19 pandemic continued to disrupt business and hamper demand. Rates of moderation eased, however, with some firms reporting that they had resumed operations during the month.

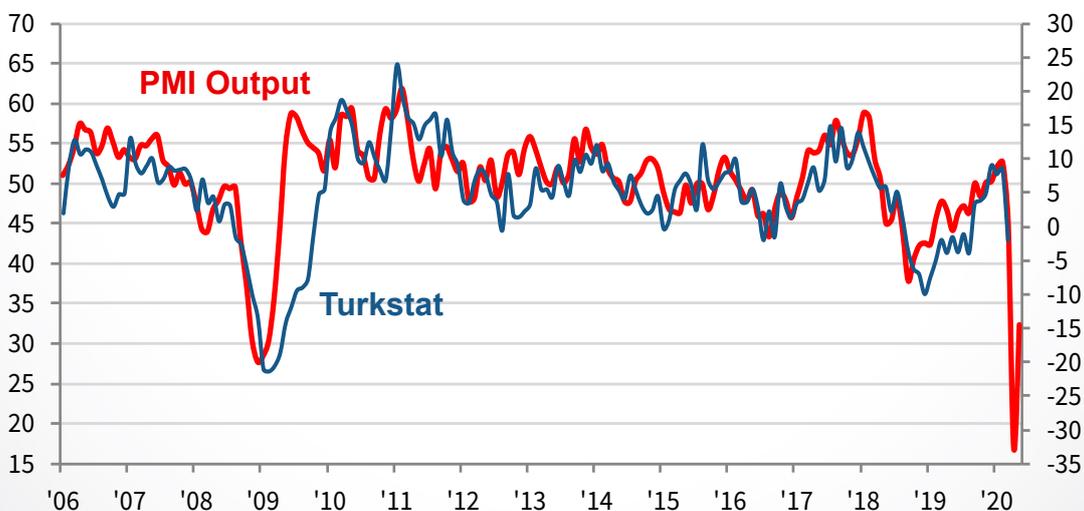
Manufacturers scaled back employment for the second month running, albeit at a softer pace and one that was much weaker than those seen for output and new orders as the majority of companies kept staffing levels unchanged.

A lack of new orders also led firms to moderate their purchasing activity, while also lowering stocks of

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



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both purchases and finished goods.

Difficulties in terms of transportation due to COVID-19 restrictions meant that suppliers' delivery times lengthened sharply again. Receiving items from abroad was reportedly particularly difficult.

Weakness of the Turkish lira against the US dollar led to a sharp and accelerated increase in input costs. Moreover, the rate of inflation was the fastest for a year. In turn, manufacturers raised their own selling prices. The increase in charges was faster than that seen in April and quicker than the series average.

Comment

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

“The Turkish manufacturing sector continued to be buffeted by the effects of the COVID-19 pandemic in May, according to the latest PMI data, preventing a swift rebound following a sharp slowdown in April. Rates of moderation softened, however, suggesting that the sector is on the road to recovery. As long as the virus continues to be brought under control, therefore, the move back to growth should follow in the months ahead.”

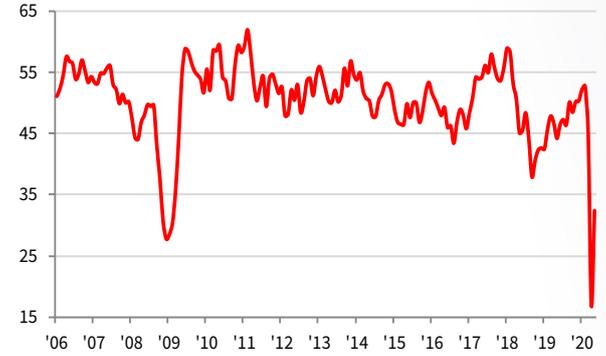
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Output Index

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

The COVID-19 pandemic continued to cause a marked slowdown in Turkish manufacturing output during May. That said, the moderation was much weaker than that recorded during April as some firms resumed operations after having been closed in the previous month.

sa, 50 = no change on previous month

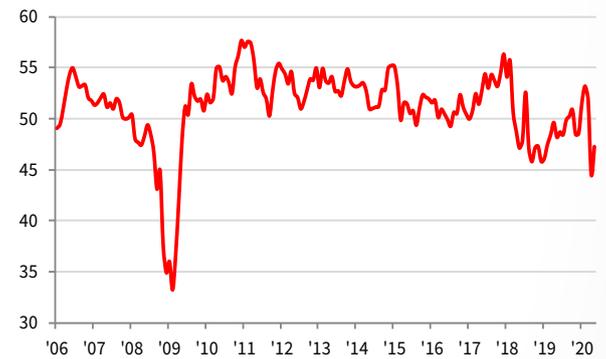


Employment Index

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

While employment was scaled back for the second month in a row during May, the pace of moderation was much weaker than those seen for output and new orders as around 86% of panellists kept staffing levels unchanged. The slowdown in employment was also softer than that seen in the previous month.

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.

May data were collected 08-21 May 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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