

Istanbul Industry Outlook

Despite challenges in financing, manufacturers upbeat about business outlook

New survey data compiled for the Istanbul Chamber of Industry by IHS Markit indicates a strong level of optimism towards the coming year in Istanbul's manufacturing sector. Indeed, output, R&D spending and employment are all set to rise, underpinning expectations of increasing profits.

However, inflationary pressures are forecast to increase in the sector, driven in part by higher raw material prices.

The majority of survey panellists (57%) forecast an expansion in output compared to 6% that expect a fall. With a net balance of +51.2%, goods-producers appear confident that business activity will increase at their plants over the coming year.

Expectations of higher output were based on forecasts of increased new business. Firms are optimistic that demand will strengthen over the next 12 months. In particular, export orders and sales to domestic consumers are predicted to rise.

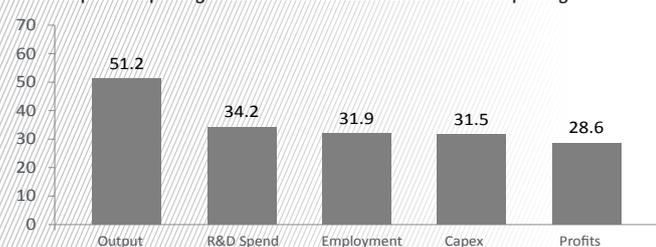
Key findings:

- The majority of survey panellists (57%) forecast an expansion in output compared to 6% that expect a fall
- Manufacturers confident that new orders will expand
- Upbeat profit forecasts reported by manufacturers
- Istanbul manufacturers plan to boost investment spending in the next 12 months
- Rising cost burdens anticipated by manufacturers

Summary

Data collected March 12-22

% of companies expecting an increase in next 12 months minus % expecting a decline



Source: IHS Markit

Q. Please state whether you expect the following to be higher, the same or lower at your company in 12 months time compared to current levels.

Index	Higher	Same	Lower	Net balance
Output	57.3%	36.5%	6.2%	+51.2%
R&D spending	41.6%	51.1%	7.4%	+34.2%
Employment	41.9%	48.1%	10.0%	+31.9%
Capital expenditure	42.4%	46.8%	10.8%	+31.5%
Profits	44.3%	39.9%	15.8%	+28.6%

Survey data also signalled the prospect of rising profits, with a net balance of +28.6%.

Companies expect to react by expanding their operating capacity over the year. Workforce numbers are set to increase as highlighted by a net balance of +31.9%. Furthermore, 29% of firms predict an increase in warehouse inventories compared to 13% that expect a decline.

March survey data indicates expectations of rising investment in the manufacturing sector. Firms plan to increase their research and development spending, as well as capital expenditure budgets and business investment in digital technology.

However, cost burdens are likely to increase, with the majority of companies expecting to observe a rise in both staff pay and non-staff costs over the coming 12 months.

The prospect of higher cost burdens is leading firms to plan increases to their average selling prices, with a net balance of +47.5% recorded in March.



Comment

Commenting on the Istanbul Industry Outlook survey, Tim Moore, Associate Director, IHS Markit, said:

“A clear finding from the report is that Istanbul manufacturers have strong confidence towards the year ahead business outlook, particularly in terms of production volumes and new orders from export clients. Positive sentiment is reinforced by widespread plans to boost investment in critical areas such as digital technology and research budgets, which will help manufacturers to maintain a competitive edge in international markets.

“Manufacturers in Istanbul overwhelmingly expect to increase their output in the next 12 months, while only a small minority forecast a decline in production.

“Export sales are seen as a key growth driver, alongside greater demand from domestic consumer markets. A challenge will be pressure on margins from higher raw material prices. Positive projections for business investment are the most encouraging aspect of the survey, with research and development, capital expenditure and digitisation spend all expected to rise in the year ahead.”

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About the Istanbul Industry Outlook survey

This survey is designed to reveal how confident Istanbul manufacturing companies feel about their business prospects for the next 12 months. We take the pulse of more than 300 manufacturing companies in Istanbul on a quarterly basis.

The samples are based on respondents to the Istanbul Chamber of Industry's widely-watched Purchasing Managers' Index® (PMI®) surveys. The key indices include expectations for Business Activity, Employment, Inventories, Capital Expenditure, Research and Development Spending, Input Prices, Output Prices and Profits.

In addition, the survey questionnaire has been designed to monitor changes in Istanbul manufacturers' forecasts for new business sources, export sales volumes, digitisation spend and access to finance. Finally, the survey asks Istanbul manufacturers to cite factors likely to impact either positively or negatively on business performance over the coming 12 months, such as exchange rates and customer payment times. The survey uses net balances to indicate the degree of optimism or pessimism for each of the survey questions. These net balances vary between -100 and 100, with a value above 0.0 signalling a positive outlook for the coming 12 months.

The research is compiled by IHS Markit and is part of the Global Business Outlook series. Comparable manufacturing outlook data are collected in the US, Japan, Brazil, Russia, India, China, Austria, France, Germany, Greece, Ireland, Italy, Poland, Spain, the Netherlands, the Czech Republic and the United Kingdom.

About 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 (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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