



Turkey Industry Outlook

Despite challenges in financing, the Turkish manufacturing sector is upbeat about business outlook

New survey data compiled for the Istanbul Chamber of Industry by IHS Markit reveals strong business confidence at Turkish manufacturing firms, particularly in relation to output growth, export sales and capex plans, despite challenges in financing.

Profits are also expected to rise over the course of 2018, but the prospect of higher imported raw material costs is a key concern.

March data shows that more than five times as many Turkish manufacturers (55%) anticipate a rise in production volumes over the year ahead as those that expect a decline (10%). At +45.4% in March, the resulting net balance signals widespread confidence regarding output prospects in the next 12 months among goods-producers.

Positive expectations for business activity are underpinned by forecasts of higher levels of new work from both domestic and export clients in the next 12 months.

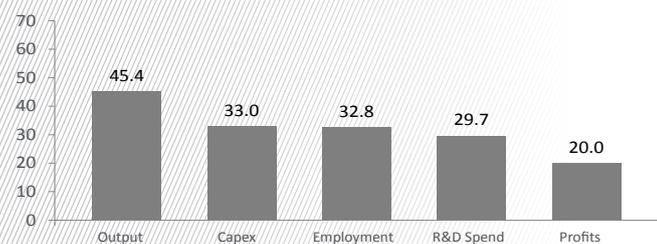
Key findings:

- More than five times as many Turkish manufacturers (55%) anticipate a rise in production volumes over the year ahead as those that expect a decline (10%)
- Positive expectations reported for order books and staff hiring
- Profits expected to rise in next 12 months
- Strongly positive expectations for investment spending
- Financial conditions and inflationary pressures affect expectations negatively

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	54.9%	35.5%	9.5%	+45.4%
Capital expenditure	41.8%	49.5%	8.8%	+33.0%
Employment	40.4%	52.0%	7.6%	+32.8%
R&D spending	36.5%	56.8%	6.8%	+29.7%
Profits	38.6%	42.7%	18.6%	+20.0%

At +46.4% in March, the net balance of manufacturers anticipating a rise in new work from abroad is well inside positive territory. Survey respondents are also particularly upbeat about the outlook for domestic consumer demand (net balance at +33.1%).

Manufacturers plan to meet greater sales by boosting their production capacity in the year ahead. Around 40% of the survey panel expect to increase their staffing numbers, while only 8% foresee a decline.

March data highlights that goods-producers intend to increase both capital spending and their research and development budgets. A positive net balance (+29.2%) also forecast a rise in digitalisation spending at their plants.

Turkish manufacturers are generally upbeat about access to finance (net balance +21.0%), although respondents note concerns about the cost of finance.

Meanwhile, profit forecasts are positive, but survey respondents generally expect rising raw material costs over the year ahead. Higher prices for imported items are expected to negatively influence firms, with exchange rates the most commonly cited factor likely to impact on business performance.



Comment

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

“Manufacturers are highly confident towards future business conditions, according to survey data collected in the Turkey Industry Outlook report.

“Greater export sales and rising domestic consumer spending are expected to help drive output growth. Cost pressures look set to prove a key challenge, but it is encouraging to see this has not prevented plans to increase business investment and staff hiring in the coming 12 months.

“More than half of Turkish manufacturers plan to boost their production schedules through the year ahead, while only one-in-ten anticipate a decline.

“Manufacturers are backing up their positivity towards the demand outlook by looking to increase research and development budgets and digitisation spending. These investments should help to deliver a sustainable growth path for the manufacturing sector, and help to cushion pressures on margins arising from higher raw material prices.”

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About the Turkey Industry Outlook survey

This survey is designed to reveal how confident Turkish manufacturing companies feel about their business prospects for the next 12 months. We take the pulse of more than 400 manufacturing companies in Turkey 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 Turkish manufacturers' forecasts for new business sources, export sales volumes, digitisation spend and access to finance. Finally, the survey asks Turkish 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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