

Istanbul Chamber of Industry Istanbul PMI® Manufacturing Index

Istanbul manufacturing sector improves further

February 2018

Key findings:

- PMI posts 54.2
- New export order growth accelerates to a seven-year high
- Output and employment rise further

Summary

The Istanbul Manufacturing PMI® signalled a sustained improvement in the health of the city's manufacturing sector in February, albeit at a slightly softer pace than in January. Further growth in new orders formed the basis for the expansion amid stronger underlying demand. Manufacturing production increased further as a result, with an uptick in job creation and purchasing activity further supporting the expansion in output. Greater productive capacity enabled outstanding business to be reduced again in February, and at a strong and accelerated pace. On the price front, cost pressures persisted as raw material prices rose. That said, the rate of inflation eased, leading output prices to grow to a lesser extent than in January.

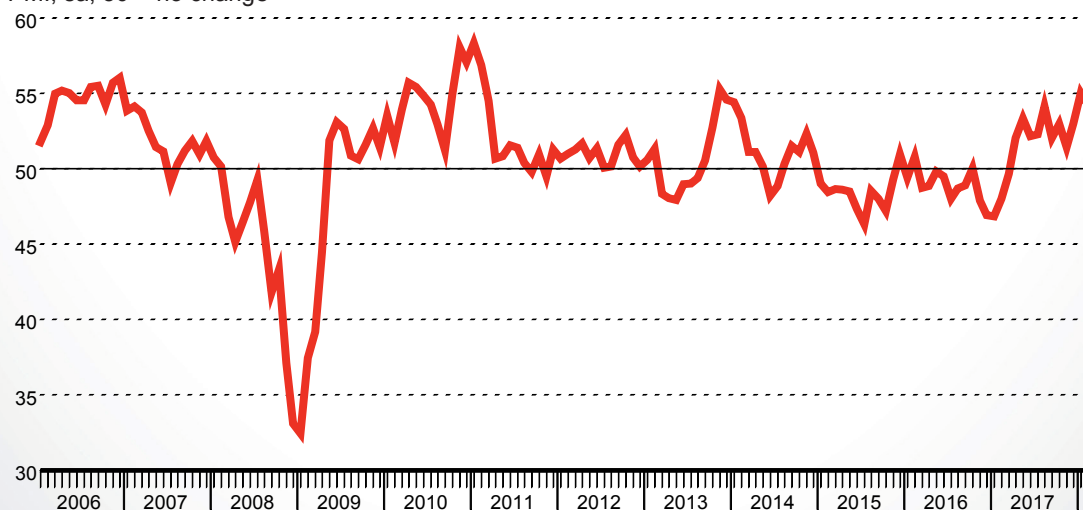
The headline Istanbul Chamber of Industry Istanbul Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall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

The headline PMI figure posted 54.2 in February, down slightly from 55.1 in January, indicating a sustained sharp improvement in business conditions in the city's manufacturing sector. Despite easing from January, the rate of growth remained strong and above trend.

The headline figure was supported by marked expansions in both output and new orders.

Historical overview

PMI, sa, 50 = no change



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Manufacturing production increased due to higher underlying demand and greater workforce numbers. Meanwhile, firms continued to win new business at a strong rate.

Manufacturers increased their staffing levels again in February in order to accommodate higher volumes of new orders. Indeed, job creation accelerated to the fastest pace observed in over six years. Furthermore, purchasing activity expanded at a sharp and accelerated pace mid-quarter.

Greater productive capacity aided manufacturers to reduce backlogs of work in February. However, both post- and pre-production inventories declined as new order volumes expanded.

Elsewhere, inflationary pressures remained in February, as higher raw materials prices and unfavourable exchange rates drove up input costs. That said, the rate of both input and output price inflation eased, according to the latest data.

Comment

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

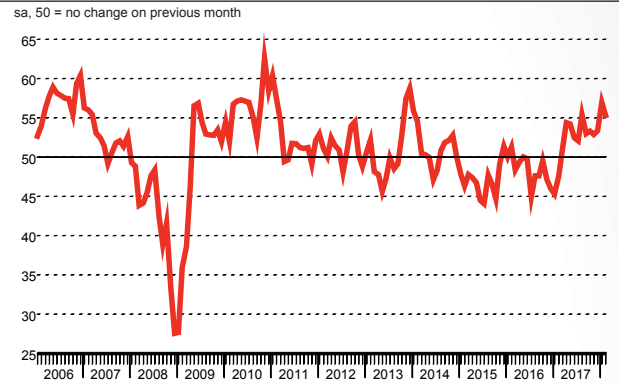
"The manufacturing sector in Istanbul continued on a robust growth path in February, underlined by strong expansions in output and new orders. Furthermore, accelerated growth rates in employment and purchasing activity were observed as businesses aimed to expand operative capacity."

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Output Index

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

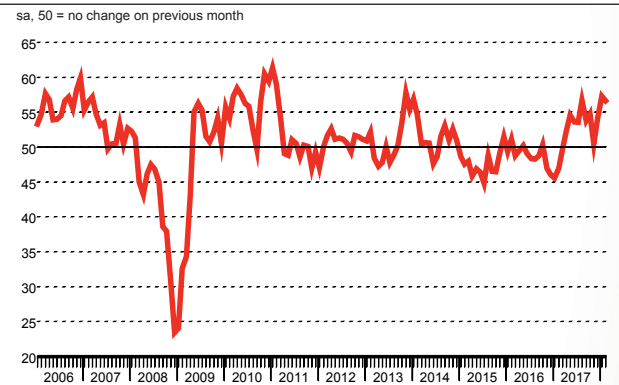
Production in Istanbul's manufacturing sector expanded again in February. Furthermore, the rate of growth remained strong despite easing from January's recent high. Respondents frequently mentioned having increased operative capacity through greater workforce numbers in order to meet stronger underlying demand.



New Orders Index

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

February survey data indicated a sustained rise in new orders placed with Istanbul goods producers. Though the rate of growth softened from January, it remained marked and was the third-fastest observed since January 2014. Firms generally linked the rise to expansions into new markets and competitive pricing policies.



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Istanbul Chamber of Industry Istanbul PMI® Manufacturing Index

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 about 36% of the total added value propagated by Turkish industry. ICI members actualize approximately 34% of production of Turkish industry. Almost 40% 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.

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 <https://ihsmarkit.com/products/pmi.html>.

Notes to Editors:

The Istanbul Chamber Of Industry Istanbul Manufacturing PMI® (Purchasing Managers' Index™) is produced by IHS Markit. The report features original survey data collected from a representative panel of around 300 companies based in Istanbul's manufacturing sector. The panel is stratified by Standard Industrial Classification (SIC) group, 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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