

Istanbul Chamber of Industry Istanbul PMI® Manufacturing Index

PMI signals improving business conditions

July 2018

Key findings:

- PMI posts 51.0
- Output, new orders and employment all rise
- Price pressures remain marked, despite easing slightly from June

Summary

Following the slowdown in the second quarter, the Istanbul Manufacturing PMI® signalled that the goods-producing sector returned to growth at the start of the third quarter. Renewed growth in new orders and the second successive month of increase in both employment and output underpinned the overall expansion. However, firms slowed down their purchasing activity which led to a consequent fall in stocks of purchases.

On the price front, inflationary pressures were strong as the lira remained weak in July. Input price increases continued to feed into higher average selling prices, though both input cost and output price inflation eased from June.

The headline Istanbul Chamber of Industry Istanbul

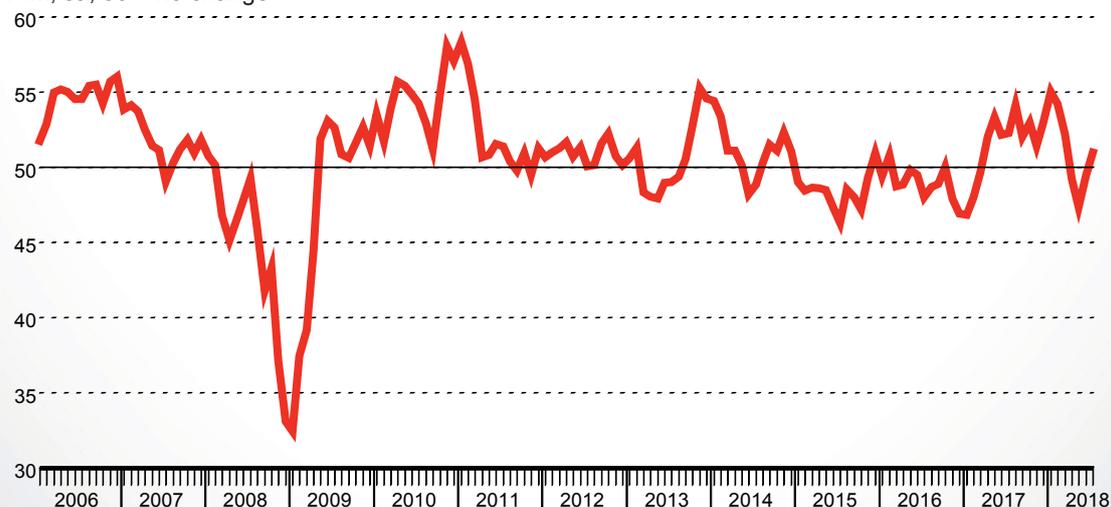
Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The headline figure rose to 51.0 in July from 49.5 during June, indicating growth in the goods-producing sector. Latest data signalled an improvement in the health of Istanbul's manufacturing sector amid stronger demand from both domestic and foreign sources. On the other hand, the pace of increase was only modest.

Goods producers reported another expansion in business activity, as output increased for the second

Historical overview

PMI, sa, 50 = no change



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Embargoed until: 10:00 (ISTANBUL) / 0700 (UTC) August 1 2018

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month running. Firms highlighted that marketing efforts strengthened demand and hiring eased pressure on capacity allowing output to increase at a quicker pace.

New orders also contributed to the overall improvement in business conditions, with the latest data signalling a rebound in business wins. A rise in the number of new export orders supported total new order growth amid a strong global economic picture. Businesses reacted to greater volumes of new business by increasing their staffing levels for the second month running.

Cost pressures meanwhile remained strong as unfavourable exchange rates continued. Reflecting the weaker lira, raw material prices rose further leading to a marked increase in input prices. Firms continued to pass on higher cost burdens by increasing average selling prices, though both input price and output charge inflation eased from June.

Comment

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

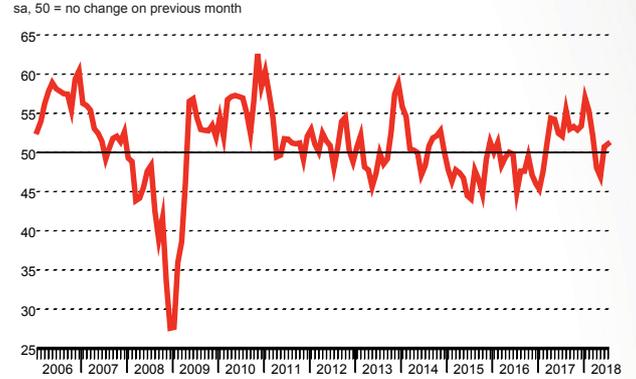
“After a slowdown in the second quarter, business conditions improved during July. A rebound in new orders supported output with business activity rising to a greater extent compared to the previous month. Recruitment activities expanded also, with firms reporting greater workforce numbers. Inflationary pressures continued amid a weaker lira.”

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Output

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

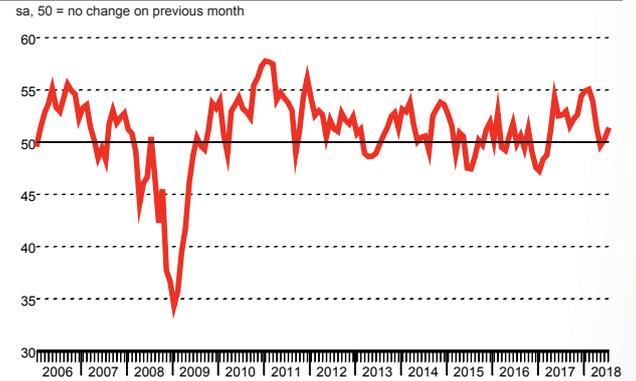
Istanbul experienced a further upturn in output during July. According to panel members, the latest rise reflected an influx of customers amid greater marketing efforts. Moreover, production rose to a greater extent than in June and at the fastest pace observed in four months.



Employment Index

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

Firms operating in Istanbul's goods-producing sector recorded a second successive month of job creation at the start of the third quarter. Panellists suggested that new investment and production requirements amid stronger demand were key factors behind the expansion in workforce numbers.



For further information, please contact:

Istanbul Chamber of Industry

Nesrin Akçay, Economic Research Department Mng.
Telephone +90 212 252 29 00 Ext: 180
Email: nakcay@iso.org.tr

IHS Markit

Gabriella Dickens, Economist
Telephone +44 1491 461 008
Email: gabriella.dickens@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email: joanna.vickers@ihsmarkit.com

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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 (Nasdaq: 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.

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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