

Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

PMI falls to 48.1 due to COVID-19 outbreak

March 2020 Key findings:

- Output and new orders moderate
- Employment growth maintained
- Output prices rise at fastest pace in 17 months

Summary

The latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit highlighted the impact of the coronavirus disease 2019 (COVID-19) pandemic on business conditions for Turkish manufacturers at the end of the first quarter. Output and new orders both softened, while firms scaled back purchasing activity. On a positive note, employment continued to increase.

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 was at 48.1 in March, down from 52.4 in February and posting below the 50.0 no-

change mark for the first time in three months.

Difficulties in the sector were overwhelmingly attributed to COVID-19, which resulted in moderations of both output and new orders. Production softened for the first time in five months, while the easing in new business ended a two-month sequence of expansion. Reflecting the global nature of the pandemic, new export orders also softened to a large extent, and one that was greater than that seen for total new business.

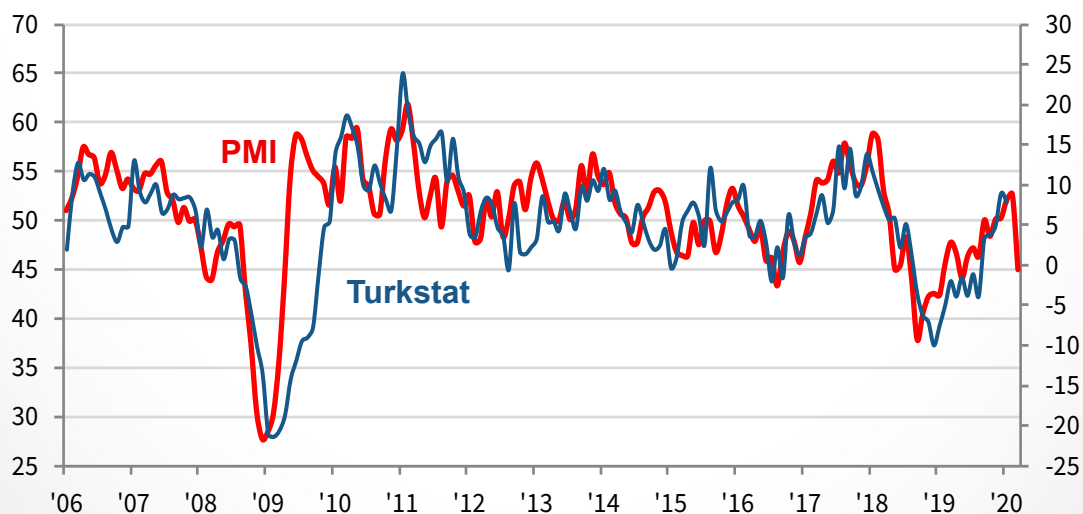
Despite slower workloads, manufacturers in Turkey continued to take on additional staff during March. Employment rose for the third month running, in some cases due to improving new order inflows in previous months.

Firms did scale back their purchasing activity, however, for the first time since last October. Stocks

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



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of purchases were also reduced, as were stocks of finished goods as firms noted a general reluctance to hold inventories given current uncertainty.

The delivery of purchased items was also impacted heavily by the COVID-19 pandemic, with suppliers' delivery times lengthening to the second-largest extent since the survey began in June 2005.

Meanwhile, the rate of input cost inflation remained marked during March, with currency weakness the main factor behind the latest increase in input prices. Some supply shortages were also behind the rise in cost burdens.

As a result of a marked increase in input costs, manufacturers raised their output prices. In fact, the rate of charge inflation was sharp and the steepest in just under a year-and-a-half.

Comment

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

“The COVID-19 pandemic comes at a time when the Turkish manufacturing sector was building good growth momentum, and is therefore a bitter blow for firms. Output and new orders slowed sharply, with the global nature of the outbreak hitting exports and supply chains hard. One positive, however, was that employment continued to rise, potentially reflecting hopes among firms that the disruption will prove short-lived.”

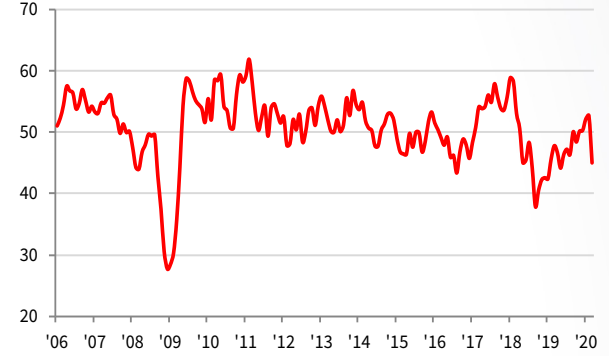
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Output Index

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

After having increased in each of the previous four months, Turkish manufacturing output softened in March. According to respondents, the COVID-19 pandemic was the principal cause of the slowdown. The moderation was marked and the sharpest since last May.

sa, 50 = no change on previous month

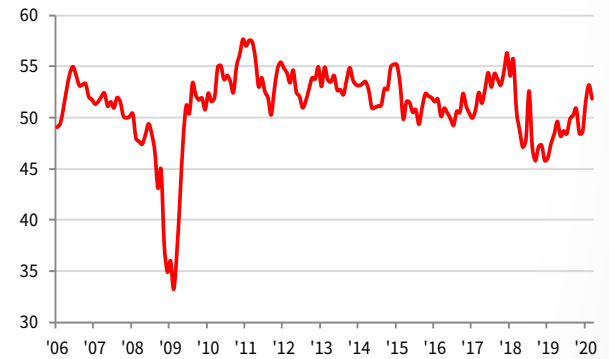


Employment Index

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

March data pointed to a third consecutive monthly increase in employment, in spite of marked slowdowns in output and new orders. Those respondents that took on extra staff linked this to higher new orders in previous months and associated increases in output requirements. The rate of job creation was modest and softer than that seen in February.

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.

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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