

Istanbul Chamber of Industry Turkey PMI™ Manufacturing Index

Manufacturing downturn in Turkey intensifies

June 2016

Key findings:

- PMI falls to lowest level since April 2009
- Sharp declines in output and new orders
- Employment stagnates

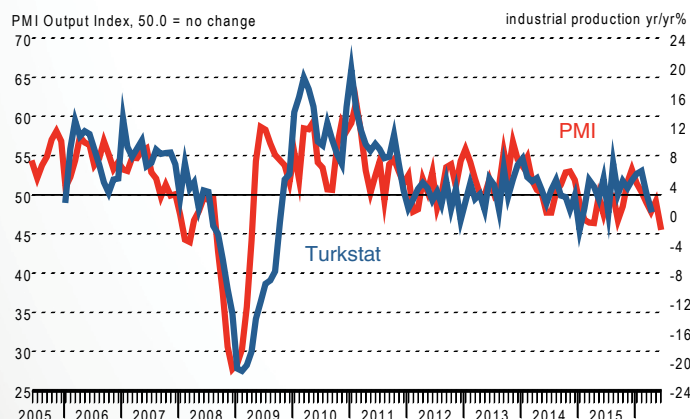
Summary:

Manufacturing business conditions in Turkey deteriorated sharply in June, according to PMI™ survey data from Istanbul Chamber of Industry and Markit. Production, new orders, exports and purchasing all contracted at faster rates than in May, and hiring ground to a halt. The overall downturn in the goods-producing sector was the strongest since April 2009. Meanwhile input and output prices both continued to rise, but at weaker rates than in May.

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 PMI remained below the no-change mark of 50.0 for the fourth month running in June, signalling an ongoing deterioration in manufacturing business conditions mid-way through 2016. Moreover, the headline figure fell from 49.4 to 47.4, signalling the strongest rate of decline since April 2009. The PMI was negatively influenced by four of its five components in June, the exception being suppliers' delivery times. The average reading for the second quarter (48.6) was the lowest for any quarter since the first quarter of 2009 (34.5).

Historical overview



The volume of new orders received by Turkish manufacturers declined for the fourth month in a row in June. Moreover, the rate of contraction accelerated from May's fractional pace to the fastest since April 2009. Data signalled that orders from the domestic market fell at a sharper rate than new export orders. Nevertheless, new export business declined for the sixth month running.

In line with the trend shown for new orders, production declined for the fourth successive month and at the fastest rate since April 2009.

The deteriorating business climate was highlighted by a lack of pressure on manufacturing capacity in June, with backlogs falling at the fastest rate since July 2013. As a result, manufacturers stopped expanding workforces following a nine-month month period of modest job creation.

Weakness was also evident in survey indicators for purchasing. The volume of inputs bought by manufacturers declined for the fourth time in five months, and at the fastest rate since April 2009. Stocks of purchases contracted for the fifth month running.

Input prices paid by Turkish manufacturers rose further in June, linked to exchange rates. That said, the rate of inflation eased since May and was weaker than the long-run survey average. Output price inflation also eased since May, but remained strong in the context of historic survey data.

Comment:

Commenting on the Istanbul Chamber of Industry Turkey Manufacturing PMI survey data, Trevor Balchin, Senior Economist at Markit, said:

"Turkey's manufacturing downturn worsened in June, as the PMI signalled the strongest overall deterioration in business conditions since April 2009. The recent weakness seen in the PMI has been borne out by the latest official industrial output data, which saw the annual rate of growth slow to just 0.7% yr/yr in April."

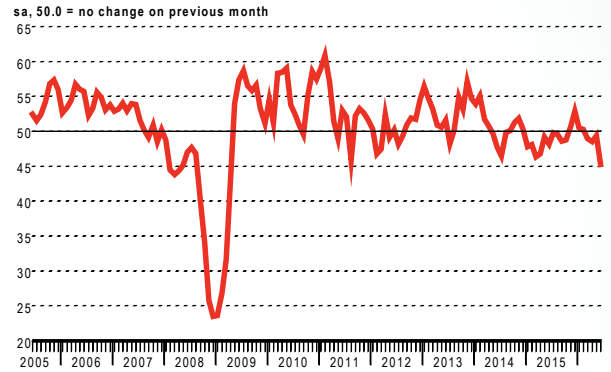
Embargoed until: 10:00 (ISTANBUL) / 0700 (UTC) July 1 2016

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New Orders Index

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

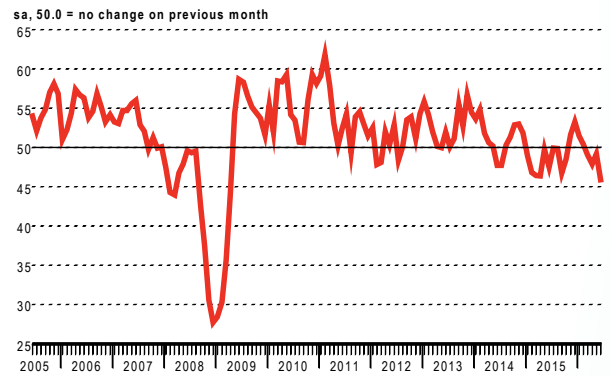
The seasonally adjusted New Orders Index remained below the no-change mark of 50.0 for the fourth successive month in June, signalling an ongoing decline in the volume of new work received by Turkish goods producers. In line with the trend shown for output, the pace of contraction in new orders was the fastest since April 2009. Firms reported poor market conditions.



Output Index

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

Turkish manufacturing production fell for the fourth month running in June. Firms linked lower output to weak demand and diminished new business volumes. Moreover, the rate of decline accelerated from May's marginal pace, to the strongest since April 2009. Around 23% of respondents reported lower output during the 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 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 Markit:

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

About PMI:

Purchasing Managers' Index® (PMI®) surveys are now available for over 30 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 www.markit.com/economics.

Notes to Editors:

The Istanbul Chamber Of Industry Turkey Manufacturing PMI® (Purchasing Managers' Index®) is produced by 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.

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 Markit. Please contact economics@markit.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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