

Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

PMI posts 46.4 during May

May 2018 Key findings:

- PMI signals challenging business conditions
- Further slowdown in new orders weighs on output
- Cost burdens continue to rise

Summary

The latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit signalled a decline in the health of the Turkish manufacturing sector during May. A further slowdown in new orders formed the basis for this situation. Inflationary pressures accelerated in the manufacturing sector, reflecting an unfavourable exchange rate.

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 fell to 46.4 during May, from 48.9 in April, signalling challenging business conditions in Turkey's manufacturing sector. Survey respondents

generally linked the decline to a lull in demand and market fluctuations.

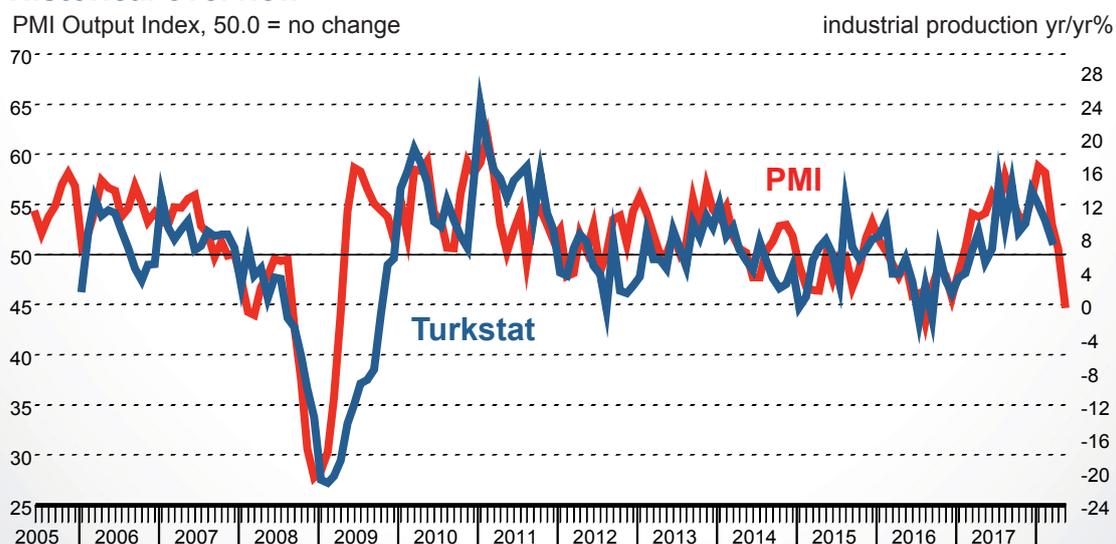
Total new orders placed with Turkish manufacturers declined in the middle of the second quarter, with respondents linking this situation to demand developments. Firms continued to decrease their purchasing activity and shed jobs during May, as new business slowed.

Furthermore, output slowed down in the manufacturing sector. Anecdotal evidence largely linked this situation to market conditions. Weaker exports were also an influencing factor.

Elsewhere, stocks of finished goods broadly stabilised during May as demand weakened.

On a positive note, businesses were able to work through their backlogs during May. Lower volumes

Historical overview



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of orders alleviated pressure on capacity, according to panel members.

Inflationary pressures remained marked in May. Cost burdens continued to rise in the manufacturing sector. Panellists largely blamed unfavourable exchange rates. Accordingly, higher input costs fed into average selling prices, which continued to rise during May. In line with the trend observed in input prices, output charges increased at quicker pace compared to April.

Comment

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

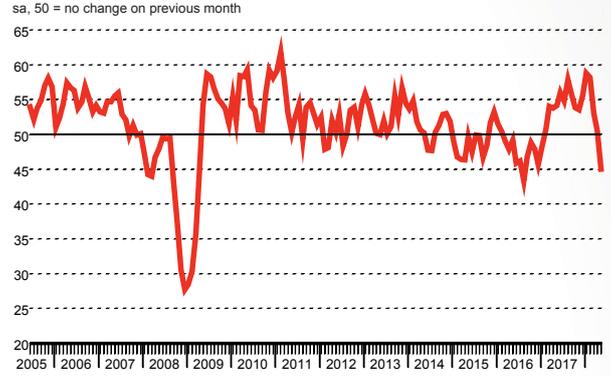
“The headline PMI figure signalled that the manufacturing sector struggled with more challenging business conditions in May. Slowdowns in output and new orders were evidence of this, with firms deciding to slowdown recruitment activities as a result. Meanwhile, an uptick in cost pressures led to a hike in output prices.”

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Output Index

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

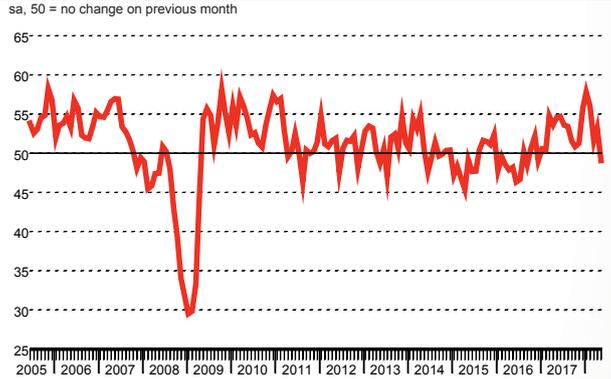
The seasonally adjusted Output Index registered below the 50.0 no-change threshold during May, signalling a slowdown in production in the Turkish manufacturing sector. Market conditions were behind the contraction, according to panel members.



New Export Orders Index

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

New business from abroad slowed down during May, as indicated by the respective seasonally adjusted index registering below the 50.0 no-change mark. Panel members mentioned that demand conditions were a key factor influencing this situation.



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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.

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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. To learn more go to www.markit.com/product/pmi.

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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