

Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

Manufacturing growth fastest in 82 months

January 2018 Key findings:

- PMI registers 55.7, signalling marked improvement in health of Turkish manufacturing sector
- Total new orders grow at fastest pace since February 2011
- Purchasing activity expands at quickest pace in nearly seven years

Summary

The latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit signalled a marked overall improvement in the health of the Turkish manufacturing sector at the beginning of 2018. Heightened demand through domestic and foreign channels formed the basis for growth, as volumes of new orders increased at the fastest pace in close to seven years. This in turn supported stronger growth of increases in output and purchasing activity, which also quickened from December. On the price front, unfavourable exchange rates and a lack of materials led to an uptick in cost pressures. Data suggested that firms often passed on rising cost burdens to customers.

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,

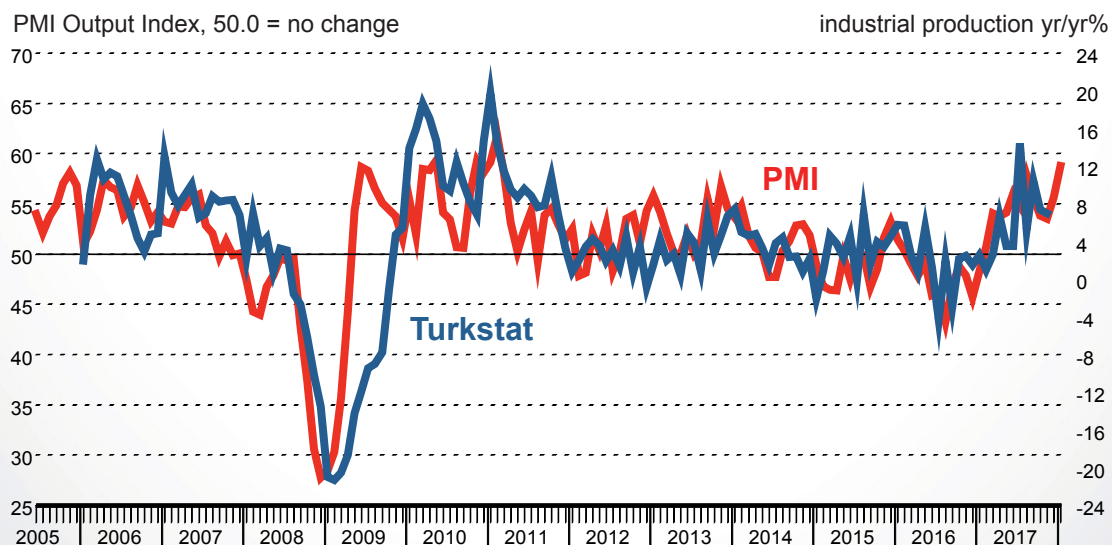
suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI rose to 55.7 in January from 54.9 in December, signalling a strong improvement in business conditions in the sector. In fact, the overall performance was the best since March 2011 amid strong underlying demand.

The upward movement in the headline index was supported by sharp and accelerated output growth at the beginning of 2018. Notably, manufacturing output rose at the quickest pace since February 2011.

Firms continued to win new business in January, as demand rose domestically as well as globally. This led volumes of new orders to grow at the quickest pace seen in 83 months.

Historical overview



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



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Strong production growth was supported by a further rise in employment during the month, with workforce numbers increasing solidly, albeit at a slightly slower pace.

Manufacturers continued to increase their purchasing activity during January in line with efforts to improve productive capacity. Moreover, the rate of growth was marked, sharpening to a near seven-year high.

Meanwhile, cost burdens increased sharply again amid unfavourable exchange rate movements and higher raw material prices. In response to higher cost pressures, manufacturers raised their selling prices. Furthermore, the rate of inflation in output charges was the fastest observed over the past 12 months.

Comment

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

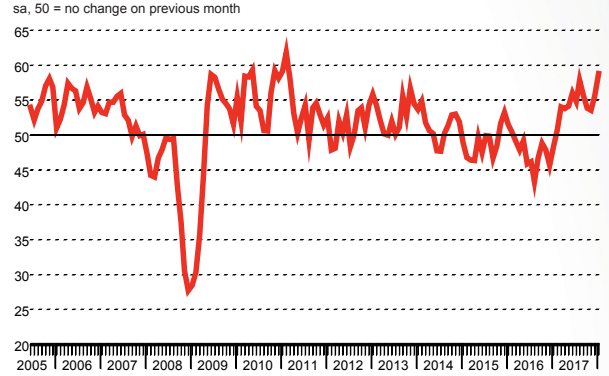
“Business conditions in the Turkish manufacturing sector improved at a strong and accelerated pace at the beginning of 2018. Bolstered by strong demand, growth in new orders and purchasing activity quickened, leading to the fastest expansion in output observed for almost seven years.”

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Output Index

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

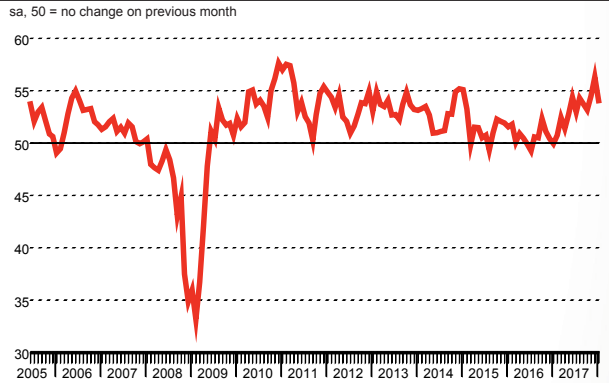
January saw a further increase in Turkish manufacturing production, lengthening the current sequence of growth to a full year. Furthermore, the rate of expansion was marked, soaring to an 83-month high. Growth in manufacturing output was linked by panel members to a larger client base and improved product quality.



Employment Index

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

January saw a further solid rise in employment in the Turkish manufacturing sector, albeit at a slightly softer pace than in the preceding survey period. Respondents mainly linked higher staffing levels to greater volumes of new orders as well as new investment.



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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 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.

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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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