

## Istanbul Chamber of Industry Turkey PMI® Manufacturing Index

# Headline PMI posts 49.0 in July

### July 2018 Key findings:

- PMI continues to suggest challenging business conditions
- Export orders and employment increase
- Price pressures mount

### Summary

The challenging business conditions faced by the Turkish manufacturing sector continued during July, as signalled by the latest PMI® survey data from Istanbul Chamber of Industry and IHS Markit. Further slowdowns in output and total new orders weighed on the headline figure. On the other hand, new export orders rose for the first time in three months and goods producers increased staffing levels.

Inflationary pressures meanwhile rose in the manufacturing sector amid a weaker lira. Input prices rose at a marked and accelerated pace which subsequently led firms to increase their average selling prices further.

The headline Istanbul Chamber of Industry Turkey Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived

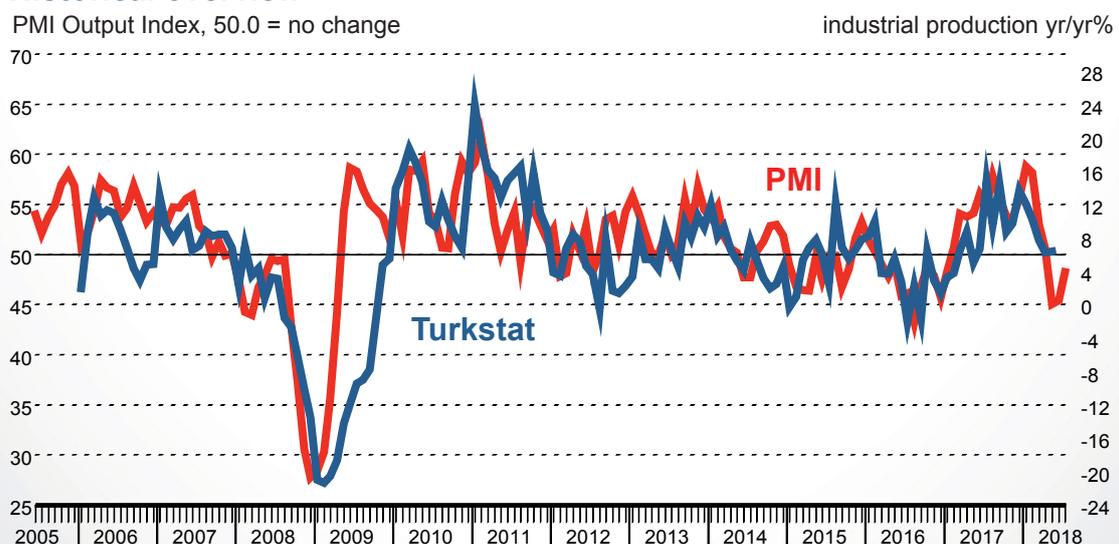
from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

At 49.0 in July, up from 46.8 in June, the headline figure signalled further challenging business conditions in the Turkish goods-producing sector as output and new orders continued to slow. However, the health of the sector slowed down only marginally and at the weakest rate observed across the current four-month slowdown.

Total new orders continued to weigh on the headline figure in July. Output also lost pace in response to demand conditions. However, both slowed down at a more moderate pace compared to the prior survey period.

On a more positive note, foreign demand

### Historical overview



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strengthened with exports entering expansion territory following two successive months of slowdown. As a result, Turkish goods producers increased their staffing levels for the first time in four months at the start of the third quarter.

Elsewhere, price pressures continued to strengthen as exchange rates remained unfavourable. Raw material prices rose as a result of the weak lira causing input prices to increase at a marked pace. In fact, input price inflation recorded the fastest pace since June 2006. Consequently, output price inflation sharpened to a 12-year high.

### Comment

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

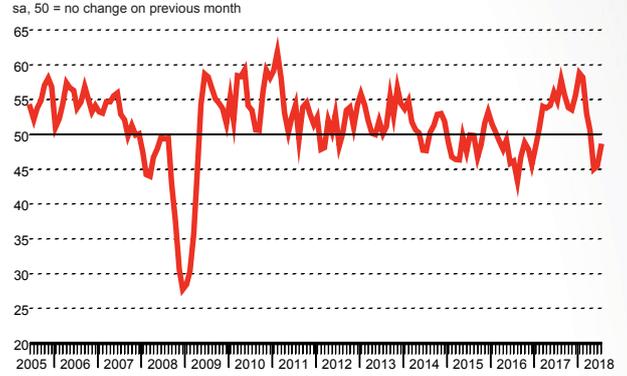
*“The headline figure suggested that challenging business conditions continued in the Turkish manufacturing sector during July, though the slowdown moderated. On a positive note, export orders and employment increased, partially offsetting slowdowns in total new orders and output. Inflationary pressures sharpened further with output price inflation rising to a 12-year high.”*

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### Output Index

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

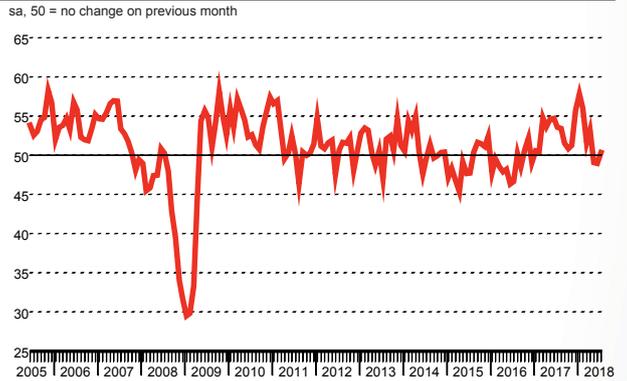
Output continued to slow down in the Turkish manufacturing sector during July. Panel members frequently mentioned that market conditions and insufficient demand were key factors influencing this development. That said, the rate of reduction eased from June and was the slowest observed in the current slowdown.



### New Export Orders Index

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

New export orders increased in the Turkish manufacturing sector for the first time in three months during July. A number of monitored businesses reported that new markets and a strong global economic environment underpinned the rise in foreign demand.



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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](http://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](mailto: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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