

## Istanbul Chamber of Industry Turkey PMI™ Manufacturing Index

### PMI signals deterioration in Turkish manufacturing business conditions

#### Key findings :

- Headline PMI falls from 50.1 to 49.3
- Output remains flat as new orders fall further
- Marked acceleration in input price inflation to 18-month high

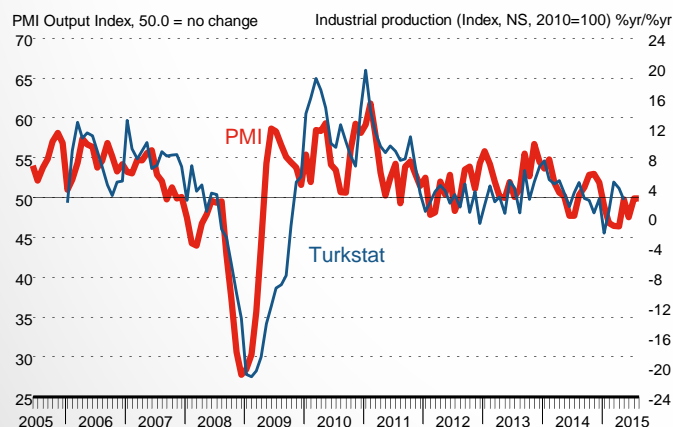
#### Summary:

Latest PMI™ survey data from Istanbul Chamber of Industry and Markit signalled a deterioration in Turkish manufacturing business conditions in August. An ongoing mild downturn in new business left output broadly unchanged for the second month in a row, leading firms to cut staff for only the second time in over six years. The overall decline in new business occurred despite a slight rise in new export orders, linked to the weak lira. The exchange rate also drove a sharp acceleration in inflationary pressure during the month.

The headline Istanbul Chamber of Industry/Markit 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 Istanbul Chamber of Industry Turkey Manufacturing PMI fell from 50.1 in July to 49.3 in August, signalling an overall deterioration in business conditions at Turkish manufacturers. The headline figure has registered in negative territory six times during the first eight months of 2015, and the latest figure was in line with the average over this period. Four of the PMI's five components provided negative influences during the month, most notably employment, stocks of purchases and suppliers' delivery times. Output was broadly neutral.

#### Historical overview



New orders received by Turkish manufacturers fell for the eighth successive month in August. Companies reported lacklustre market conditions and ongoing political uncertainty. The rate of decline was little-changed from July's marginal pace, however, and weaker than those registered in the first half of 2015. There was also a slight increase in new export business, linked by firms to the weak lira raising competitiveness.

Manufacturing output was broadly unchanged for the second month running in August. This occurred despite a further fall in backlogs of work during the month.

Firms adjusted capacity in line with weak new order inflows. Employment fell for only the second time since June 2009, and input stocks contracted at the fastest rate in seven months. Purchases of new inputs rose only fractionally, relieving pressure on suppliers whose delivery times improved during the month.

Input price inflation accelerated sharply in August to an 18-month high. According to survey respondents, the main contributing factor to greater cost pressures was the weak lira exchange rate. As a result, firms raised their own charges at a faster rate during the month.

#### Comment:

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

*"Having shown signs of stabilisation in July, the Turkish manufacturing sector slipped back into contraction in August. Domestic markets drove the overall decline in new orders during the month, as exports received a boost from the weak lira. That said, new export business rose only marginally. Both new work and output have failed to grow in every month of 2015 so far. Completing the weak picture of business conditions, employment fell slightly in August. Manufacturers also faced the strongest inflationary pressure on input prices for a year-and-a-half in the latest period."*

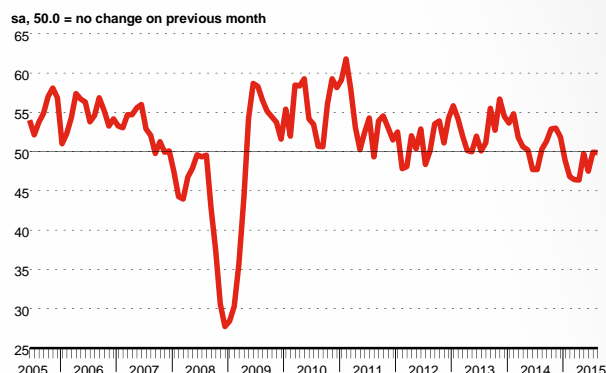
Embargoed until 10:00 (Istanbul) September 01 2015

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### Output Index

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

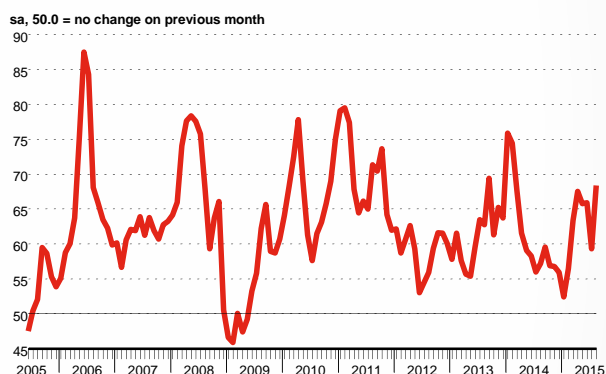
The seasonally adjusted Output Index was unchanged from August, signalling an ongoing stagnation in Turkish manufacturing production. Output was flat for the second month running, having fallen throughout the first half of 2015. Where firms cut output, this was partly linked to ongoing political instability and uncertainty following the elections, and also the strong US dollar.



### Input Prices Index

*Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.*

Input price inflation in the Turkish manufacturing sector accelerated sharply in August, to the highest since February 2014. Around 41% of survey respondents reported higher average input prices during the month, linked mainly to the weak lira. The seasonally adjusted Input Prices Index was higher than its long-run average of 62.8 in the latest period.



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## Istanbul Chamber of Industry Turkey PMI™ Manufacturing Index

### Istanbul Chamber of Industry

Driving its strength from its members' contributions to the Turkish economy since its foundation in 1952, the Istanbul Chamber of Industry (ICI) stands out as Turkey's largest chamber of industry and as 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 the Turkish industry. ICI members are responsible for approximately 34% of the production in the Turkish industry. Nearly 40% among the Turkey's Top 500 Industrial Enterprises are ICI members.

ICI promotes the sustainable development of Turkish industry and contributes the improvement of its competitiveness by offering innovative services to its members. For this purpose; it develops new projects and services and offers them to the use of the industrialists with local and international partnerships, in crucial fields such as innovation, technology development, university-industry cooperation, vocational training, international relations, environment and energy.

Thanks to the economic research studies that it makes and the data that it gathers, ICI which has the largest knowledge base about the industry of Istanbul, gives direction to its members on the one hand and contributes the shaping of economic and industrial policies of Turkey on the other.

### 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](http://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](http://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 Standard Industrial Classification (SIC) group, 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](mailto: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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