

Istanbul Chamber of Industry Türkiye PMI® Manufacturing Index

Solid rise in new orders in March

March 2023 Key findings:

- Business conditions improve amid renewed increases in output and new orders
- Rates of input cost and output price inflation ease
- Staffing levels moderate for first time in five months

Summary

Growth momentum picked up in the Turkish manufacturing sector during March. Although February's earthquake continued to impact the sector, a reduced level of disruption and reconstruction efforts contributed to improvements in new orders and output. Meanwhile, rates of inflation and supply-chain disruption showed signs of easing.

The headline Istanbul Chamber of Industry Türkiye 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 headline PMI rose to 50.9 in March from 50.1 in February to signal a modest monthly improvement in business conditions in the manufacturing sector. Operating conditions strengthened to the greatest extent since December 2021.

Central to the improvement in the overall health of the sector were renewed expansions in output and new orders during March.

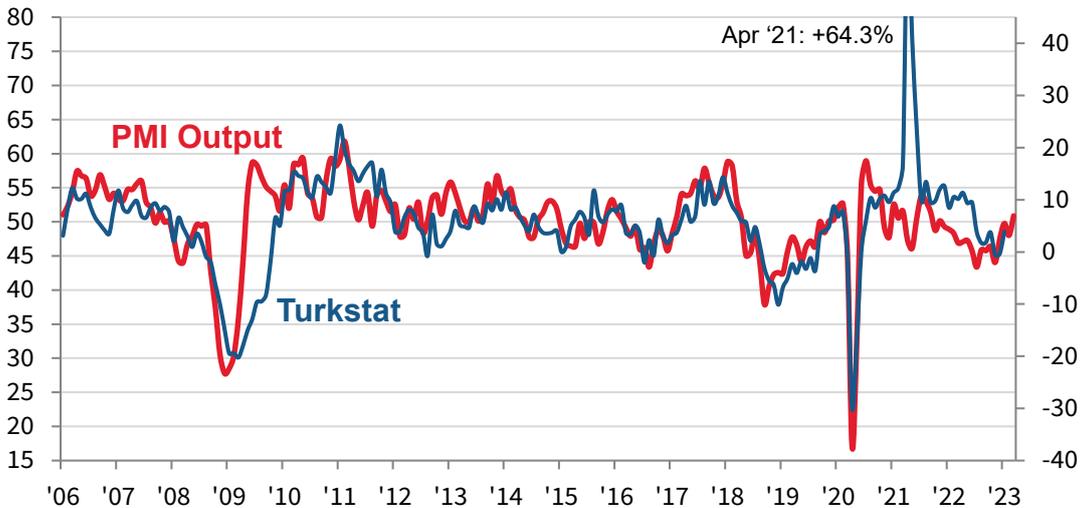
Manufacturing production increased for the first time in 16 months. Some firms continued to face disruption as a result of February's earthquake, but others reported having restarted production. Reconstruction efforts in the affected regions also led to higher output in some cases.

New orders, meanwhile, returned to growth for

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



Embargoed until: 10:00 (ISTANBUL) / 0700 (UTC) April 3 2023

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the first time in a year-and-a-half as new business increased solidly over the month. A similar pace of expansion was seen for new export orders, which rose for the first time in a year.

Despite the increase in production requirements, employment dipped for the first time in five months, in part due to the earthquake but also as a result of the new early retirement law.

Manufacturers remained able to deal with new order inflows and work through outstanding business, but there were some signs of capacity pressures emerging as the rate of depletion in backlogs of work was the softest in 13 months.

Both input costs and output prices rose sharply again in March amid higher raw material costs, currency weakness and increased wages. In both cases, however, the rate of inflation eased from February.

There were also signs of supply-chain disruption alleviating. Lead times lengthened for the third month running, but with the amount of earthquake-related disruption easing since February the rate of deterioration in vendor performance was only marginal.

Comment

Commenting on the Istanbul Chamber of Industry Türkiye Manufacturing PMI survey data, Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"Renewed output growth in the Turkish manufacturing sector was a welcome development in March following the marked impact of the earthquake in February. Although some firms were still affected, the start of reconstruction efforts supported the overall return to growth. With new orders also up, we are hopefully seeing an end to the relatively soft conditions experienced by firms over the past year or so."

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Output Index

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

Turkish manufacturing production returned to growth in March, thereby ending a 15-month sequence of moderation. The rise was only slight, however. While a number of respondents continued to be negatively impacted by February's earthquake, others reported having restarted production or expanding output to help with reconstruction efforts.

sa, 50 = no change on previous month



Employment Index

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

Turkish manufacturers recorded a dip in employment during March, thereby ending a four-month sequence of job creation. Some firms indicated that they had taken on additional staff in response to higher workloads, but this was outweighed by reports of staff leaving due to the new early retirement law. Some firms also lost colleagues in the earthquake.

sa, 50 = no change on previous 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 Türkiye'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 Türkiye'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.

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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. ihsmarkit.com/products/pmi.html.

Notes to Editors:

The Istanbul Chamber Of Industry Türkiye Manufacturing PMI® (Purchasing Managers' Index) is produced by S&P Global. 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.

S&P Global 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 S&P Global. 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.

March data were collected 10-24 March 2023.

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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