

Istanbul Chamber of Industry Türkiye PMI® Manufacturing Index

PMI at 49.0 in August

August 2023
Key findings:

- New orders moderate amid price pressures
- Output and purchasing activity scaled back
- Employment rises fractionally

Summary

The health of the Turkish manufacturing sector moderated in August as firms faced challenges in securing new business. In response, output and purchasing activity were scaled back, although employment continued to rise marginally. Inflationary pressures remained elevated, slowing only slightly from the recent peaks recorded in July.

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 posted 49.0 in August, from

49.9 in July, below the 50.0 no-change mark for the second month running and thereby signalling a further slowdown in the Turkish manufacturing sector. The rate of moderation implied by the index was only slight.

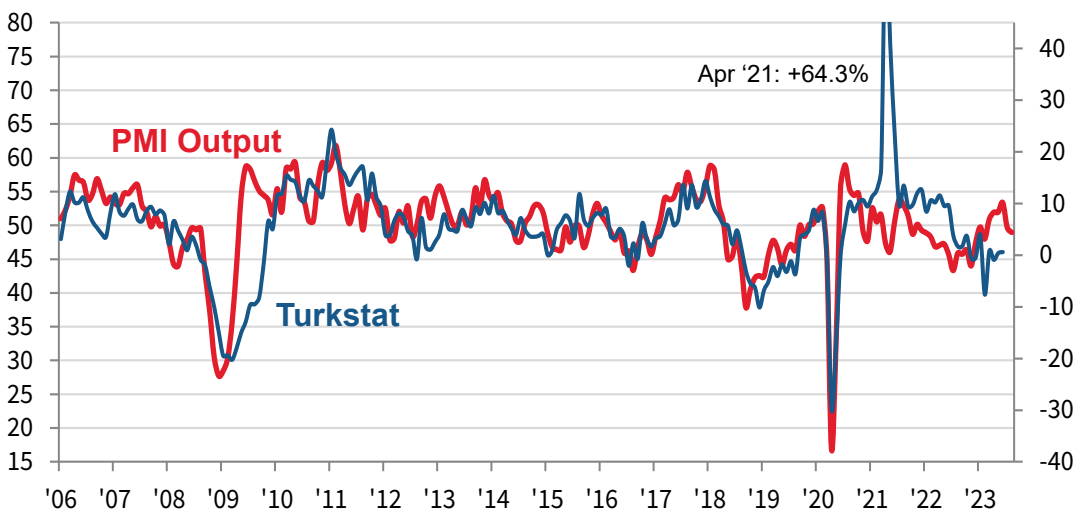
Firms reportedly struggled to secure new orders over the course of the month, seeing new business moderate again, and to a greater extent than in the previous survey period.

A key factor deterring customers from committing to new orders was strong price pressures. Input costs increased sharply, and at a pace that was only slightly softer than the 16-month high posted in July. Weakness of the Turkish lira against the US dollar and rising wages were the main factors leading to

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



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higher input costs.

In turn, the rate of output price inflation also remained elevated as around 30% of respondents increased their charges over the month.

The aforementioned slowdown in new orders led manufacturers to scale back their production in August, the second consecutive month in which that has been the case. Although only slight, the latest moderation was more pronounced than that seen in July.

Purchasing activity eased, while softer new order inflows also led firms to deplete their inventories of both purchases and finished goods.

On a more positive note, employment increased for the fourth successive month as some firms continued to report the need for additional workers. That said, the rate of job creation was only fractional and the softest in the current growth sequence.

Comment

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

"It was a familiar story for the Turkish manufacturing sector in August, with price pressures acting to restrict demand and leading to a general moderation of business conditions. Inflationary pressures did moderate somewhat in the latest survey period, but they remained elevated. The main positive element in the latest report was that firms continued to hire additional staff, although the rate of job creation was only fractional so it remains to be seen if this growth will continue should demand conditions remain subdued."

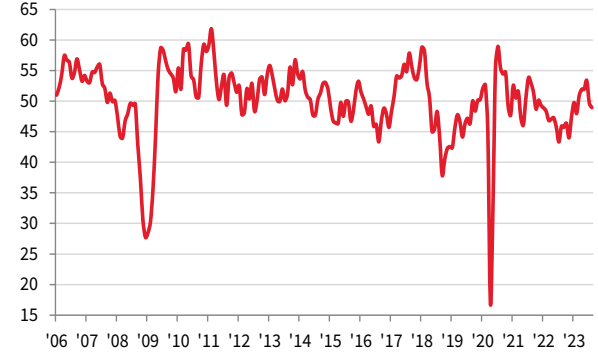
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Output Index

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

August data pointed to a second successive monthly slowdown in Turkish manufacturing production. The pace of moderation was only slight, but strengthened from that seen in July to the most marked since February. Respondents indicated that a softening of new orders amid strong cost pressures had been behind the scaling back of production.

sa, 50 = no change on previous month

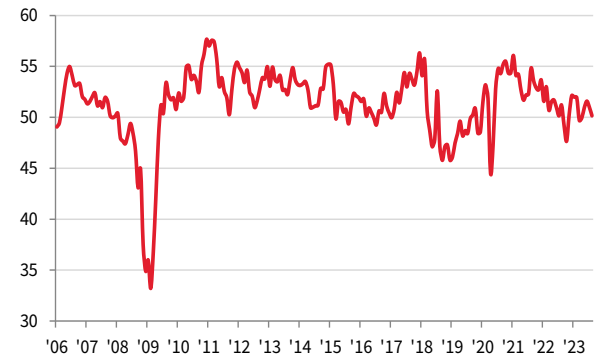


Employment Index

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

Staffing levels continued to rise in August, extending the current period of job creation that began in May. That said, the rate of increase was only fractional and the slowest in this sequence. Some firms indicated that they still needed additional workers, but others opted to scale back workforce numbers in response to softer new orders.

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.

August data were collected 10-23 August 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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