



Istanbul Chamber of Industry Turkey PMI™ Manufacturing Index

Manufacturing business conditions deteriorate further in September

Key findings:

- Headline PMI falls to 48.8 from 49.3
- Stronger decline in new orders, despite growth in exports
- Inflationary pressures continue to build

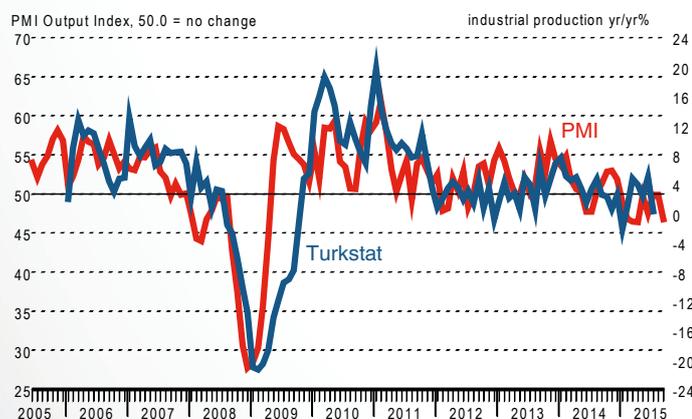
Summary:

Latest PMI™ survey data from Istanbul Chamber of Industry and Markit signalled a worsening downturn in Turkish manufacturing operating conditions at the end of the third quarter. Production fell at the strongest rate since April as new orders declined for the ninth month running. Firms cut purchasing activity at the fastest rate since July 2014 and continued to run down their input stocks, citing weak market conditions. The weakening lira continued to place upward pressure on input prices, which rose at the fastest rate since February 2014. Correspondingly, output price inflation also hit a 19-month high. The main bright points from the latest survey were a faster increase in new export business, linked to the weak exchange rate, and a modest rise in employment.

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 remained below the no-change mark of 50.0 in September, indicating deteriorating Turkish manufacturing business conditions. Moreover, the Index declined to 48.8, from 49.3, the lowest since April. Manufacturing in Turkey has declined throughout 2015 except for brief periods of stabilisation in May and July.

Historical overview



The downward movement in the headline PMI figure reflected faster declines in both output and new orders. Having been broadly stable in July and August, production fell at the strongest rate since April in the latest period. New business, meanwhile, declined for the ninth straight month, and at the fastest rate since June. Firms generally reported weak market conditions and economic and political uncertainty. The volume of new export business rose for the second month running, however, and at the strongest rate since April 2014. Export demand was linked by firms to the weakening lira exchange rate.

The weak currency was also reported as being the main factor driving inflationary pressures during the month. Average input prices rose at the fastest rate since February 2014, with the rate of inflation again running well above the average since the survey started in mid-2005. Manufacturers raised their own prices at a sharper rate as a result, with output price inflation also hitting a 19-month high.

Weak demand impacted on manufacturers' purchasing operations in September, as the volume of inputs ordered declined for the first time in three months. Moreover, the rate of contraction was the sharpest since July 2014. Stocks of inputs declined for the third month running as a result. In contrast, inventories of final goods rose at the fastest rate since February 2012, reflecting weakening sales.

On a more positive note, manufacturing employment in Turkey rose in September, having declined slightly in August. That said, the rate of growth was only modest and weaker than the trend shown in recent years.

Comment:

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

"Turkey's manufacturing sector remained in a downturn in September, with new orders and output both falling at faster rates and firms cutting back on purchases. That said, the PMI average for the third quarter as a whole was slightly higher than in both the first and second quarters of the year. The latest survey again highlighted growing inflationary pressures linked to the weak lira, but on the flipside the currency was reported to have boosted exports during the month."

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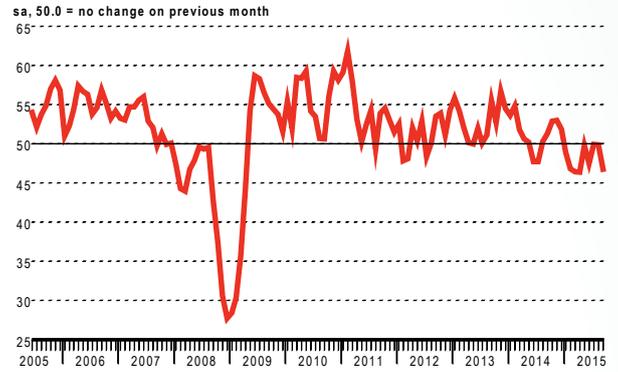


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Output Index

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

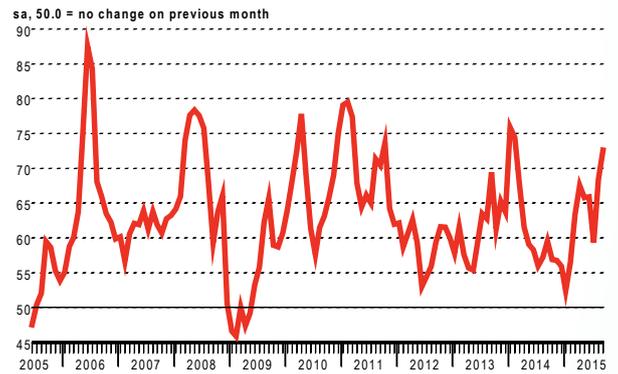
The seasonally adjusted Output Index remained below 50.0 in September, signalling a further fall in Turkish manufacturing production. Production has failed to grow throughout the first nine months of 2015, and the latest contraction was the strongest since April. Lower output reflected weak market conditions, political uncertainty and cost pressures resulting from exchange rate movements.



Input Prices Index

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

Latest survey data signalled a further acceleration in the rate of input price inflation at Turkish manufacturers. Average input costs rose at the fastest rate in 19 months. The seasonally adjusted Input Prices Index posted well above its long-run trend of 62.9. Companies overwhelmingly attributed higher input prices to the weakening lira.



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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 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.

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.

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 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.

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.

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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