

Istanbul Chamber of Industry Türkiye PMI® Manufacturing Index

August sees PMI tick up to 47.4

August 2022 Key findings:

- Softer moderation in output, but new orders slow sharply
- Employment continues to rise
- Inflationary pressures weaken

Summary

The latest PMI® survey data from Istanbul Chamber of Industry and S&P Global pointed to an ongoing moderation in the Turkish manufacturing sector, with demand slowing sharply. There was a weaker softening of output, however, and employment continued to rise. Rates of both input cost and output price inflation eased further, and were the weakest in 31 and 18 months respectively.

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 ticked up in August, posting 47.4 from 46.9 in July. This signalled a slightly softer moderation in the health of the manufacturing sector, although business conditions have now eased in six successive months.

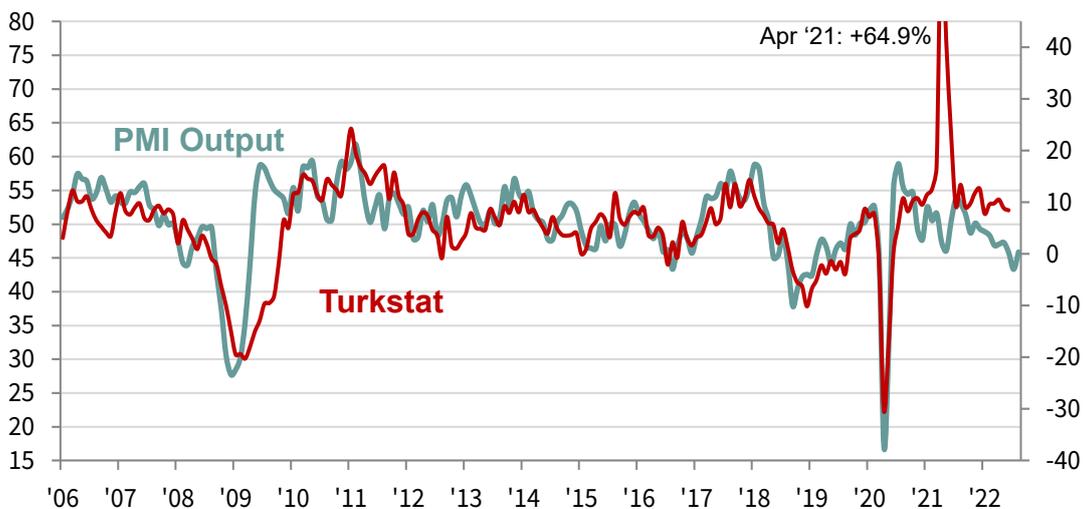
In line with the headline figure, manufacturing output moderated to a lesser degree midway through the third quarter of the year. That said, production still slowed solidly amid challenging market conditions and high prices.

New orders meanwhile slowed at a sharper pace in August, with the rate of moderation the fastest since May 2020. Panellists reported a lack of demand, price rises and weakness in the global economy. As such, new export orders also eased, with some

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



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reports highlighting a lack of demand from Europe.

On a more positive note, employment continued to increase, with the rate of job creation picking up to a three-month high.

Although price pressures continued to impact customer demand and production volumes, there were further signs of inflation softening midway through the third quarter. Higher costs for raw materials, transportation and energy, a rise in the minimum wage and currency weakness all contributed to increases in both input costs and selling prices, but rates of inflation eased to 31- and 18-month lows respectively.

With inventories of purchases generally sufficient to deal with current output requirements, manufacturers reported an easing of input buying during August. Where purchases were made, firms continued to experience longer delivery times as suppliers faced challenges sourcing materials.

A slowdown in sales led to a further build-up of stocks of finished goods, extending the current period of accumulation to four months. Moreover, the rate of increase was the fastest since September 2015.

Comment

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

"While output moderated to a lesser extent in August, the trend in new orders was more concerning as new business slowed to the greatest extent since the outbreak of the COVID-19 pandemic. Market conditions are clearly challenging at present, with weakness in both domestic and export markets.

"One area of respite for firms is that their cost pressures continued to fade in August. The slowest rise in input prices in over two-and-a-half years fed through to a softer rise in charges. Less pronounced price rises may help to limit the slowdowns in demand over the months ahead."

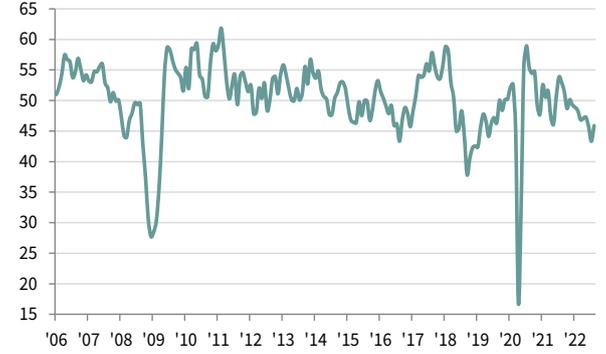
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Output Index

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

Although Turkish manufacturing output continued to be scaled back during August, the rate of moderation eased to the softest in three months. While some firms indicated that challenging market conditions and high prices had been behind a slowdown in production, others mentioned signs of improvement.

sa, 50 = no change on previous month

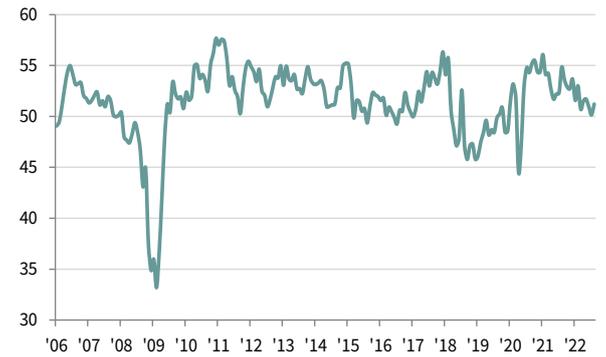


Employment Index

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

Efforts to support production meant that Turkish manufacturers expanded their staffing levels again during August. Employment has now increased in each of the past 27 months. The latest rise was modest, but quickened from the previous month to the fastest since May.

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.

About S&P Global:

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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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 12-23 August 2022.

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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