

Istanbul Chamber of Industry Türkiye PMI® Manufacturing Index

PMI back above 50.0 mark in January

January 2023 Key findings:

- Business conditions broadly stable in January
- Softer moderations in output and new orders
- Cost inflation accelerates amid minimum wage rise

Summary

The latest PMI® survey data from Istanbul Chamber of Industry and S&P Global signalled stability in the health of the Turkish manufacturing sector in the opening month of 2023. Both output and new orders moderated only marginally in January, while employment increased for the third month running. Meanwhile, the higher minimum wage in Türkiye added to company cost pressures.

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 moved back above the 50.0 no-change mark in January, thereby ending a ten-month sequence of sub-50 readings. At 50.1, the index was up from 48.1 in December and signalled broadly stable business conditions in the sector.

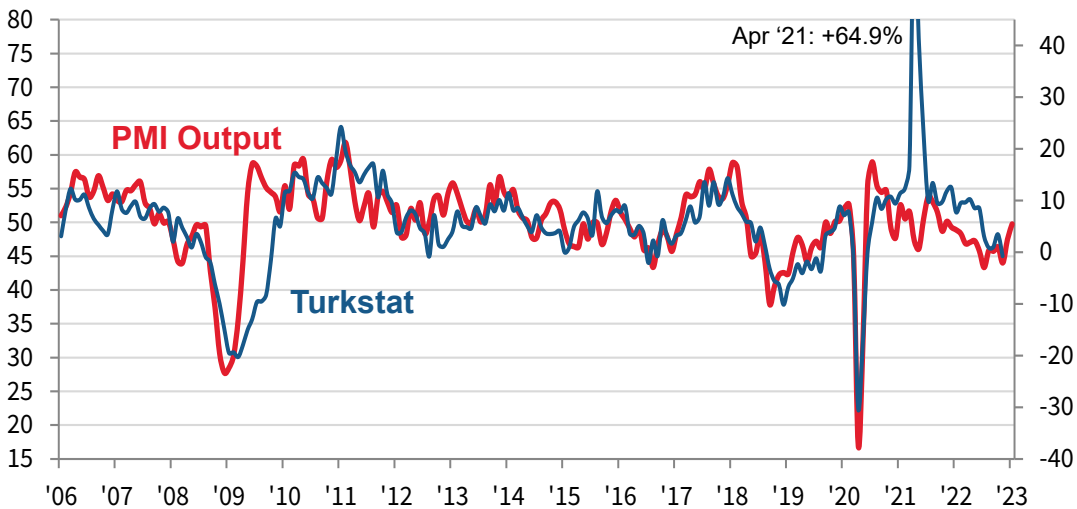
Both output and new orders moderated to much lesser extents than seen in December as some firms pointed to signs of demand improving. Output eased to the least degree in 14 months, while the slowdown in new orders was the softest in the current sequence of moderation which began in October 2021.

The pace at which new export orders eased also softened in January, but remained solid and more pronounced than that seen for total new business.

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



Embargoed until: 10:00 (ISTANBUL) / 0700 (UTC) February 1 2023

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Employment increased for the third month running in January, with the pace of job creation little-changed from that seen in December. Higher workforce numbers and slower new orders enabled firms to reduce backlogs of work again, but as with output and new business the rate of moderation eased.

The rate of input cost inflation accelerated sharply in January, largely as a result of an increase in the minimum wage in Türkiye. Input prices rose at the fastest pace in six months, with higher raw material costs and currency weakness adding to overall cost burdens. In turn, firms also raised their own selling prices, and at the fastest pace since June 2022.

Suppliers' delivery times lengthened marginally in January, following a three-month period of shortening lead times. That said, slower demand for inputs meant a relative lack of pressure on supply chains.

Stocks of both purchases and finished goods were reduced as firms responded to moderations in new orders.

Comment

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

"The latest PMI data suggest that the Turkish manufacturing sector could soon be set for a return to growth. Business conditions were stable in January, while the upward trajectories of the output and new orders indices amid signs of demand improving provide hope that expansions can be recorded in the coming months.

"While rates of input cost and output price inflation did pick up due to the rise in the minimum wage, they remained some way below the highest points seen in 2021 and 2022."

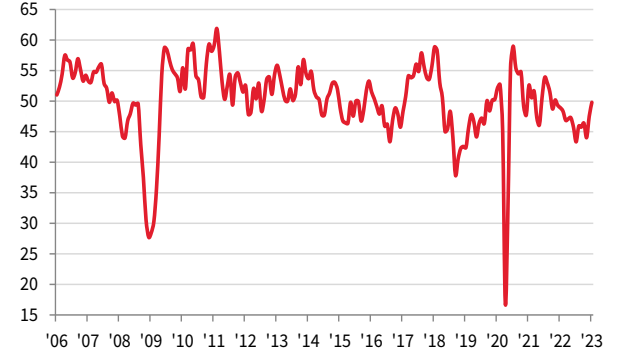
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Output Index

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

Manufacturing production neared stabilisation during January as the seasonally adjusted Output Index reached a 14-month high. A number of respondents indicated that demand had shown signs of improvement at the start of the year, leading them to raise output. That said, this was balanced by those firms that continued to face challenges securing new business.

sa, 50 = no change on previous month

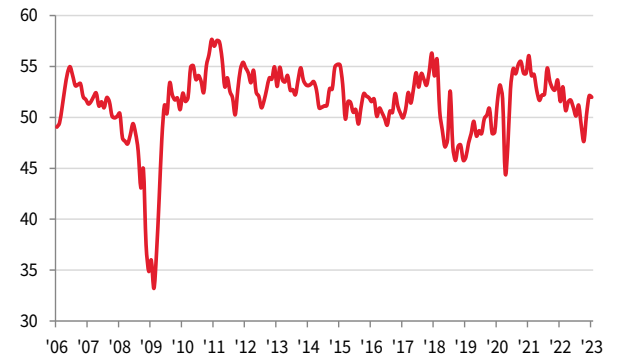


Employment Index

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

Staffing levels continued to rise in January, thereby extending the current sequence of job creation to three months. The modest increase in employment was broadly in line with that seen in December. Anecdotal evidence suggested that staffing levels had been expanded in line with future production requirements.

sa, 50 = no change on previous month



For further information, please contact:

Istanbul Chamber of Industry

Nesrin Akçay, Economic Research and Corporate Finance
Department Mng.

Telephone +90 212 252 29 00 Ext: 180

Email: nakcay@iso.org.tr

S&P Global Market Intelligence

Andrew Harker, Economics Director

Telephone +44 1491 461 016

Email: andrew.harker@spglobal.com

Sabrina Mayeen, Corporate Communications

Telephone +44 (0) 7967 447030

Email: sabrina.mayeen@spglobal.com

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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:

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com

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.

January data were collected 12-24 January 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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