

Istanbul Chamber of Industry Türkiye PMI® Manufacturing Index

Renewed rise in employment amid new order growth

May 2023 Key findings:

- Staffing levels increase for first time in three months
- Output and new orders continue to expand
- Inflationary pressures soften

Summary

The recovery in the Turkish manufacturing sector was sustained in May amid further reports by PMI survey respondents of improving customer demand. As a result, new orders and output increased, while firms also expanded their purchasing activity and staffing levels. There were further signs of easing inflationary pressures, although input costs and selling prices continued to increase amid reports of currency weakness pushing up prices.

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 was unchanged at 51.5 in May, posting above the 50.0 no-change mark for the fifth successive month to signal a further improvement in business conditions in the Turkish manufacturing sector. The modest strengthening in the health of the sector was the joint-largest since the end of 2021.

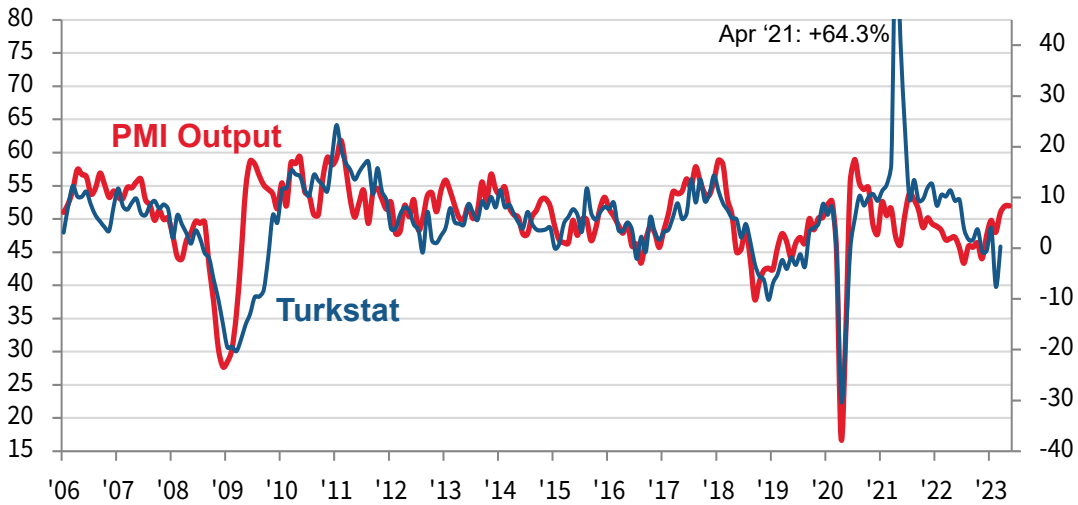
There were widespread reports of demand improvements within the latest survey. The most direct impact of this was on new orders, which increased solidly and for the third month running. New export orders were also up.

In turn, manufacturers increased their production volumes, also for the third successive month. Some respondents indicated that they were just resuming operations following February's earthquake.

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



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Manufacturers were able to successfully increase their staffing levels for the first time in three months in response to higher new orders. There were still some reports, however, of early retirements limiting workforce numbers.

Higher staffing levels meant that firms were able to keep on top of workloads and reduce outstanding business following an increase in the previous survey period.

Also contributing to efforts to meet demand were a rise in purchasing activity and the use of inventories of both inputs and finished goods.

May pointed to a further easing of inflationary pressures in the sector. Although input costs continued to rise, often reflecting currency weakness, the rate of inflation eased to the weakest in the year-to-date. In turn, the pace of increase in selling prices softened for the fourth month in a row and was the weakest since April 2020.

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 gradual recovery of the Turkish manufacturing sector, both from February's earthquake and the lingering disruption caused by the COVID-19 pandemic, remained on track in May. Helping firms respond to greater new business volumes was a renewed increase in employment as firms were able to make progress on building up workforce numbers.

"There was more respite on the price front, with inflationary pressures moderating and remaining much less pronounced than has generally been the case since the pandemic. This relatively benign environment should help to sustain the recovery in the months ahead."

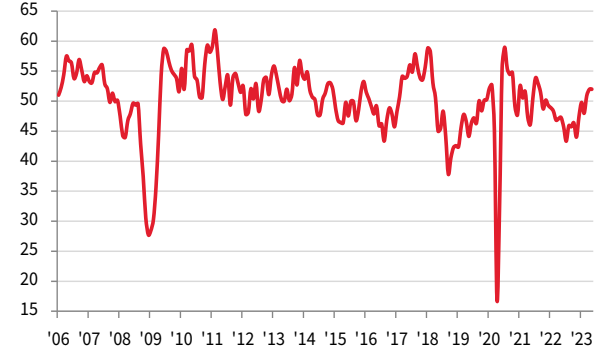
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Output Index

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

The recovery in the Turkish manufacturing sector continued to build midway through the second quarter of the year. Production was up for the third month running, and the rate of growth quickened to the fastest since August 2021. Improving demand was often mentioned, but there were also reports from some firms that they had just resumed operations following the earthquake.

sa, 50 = no change on previous month

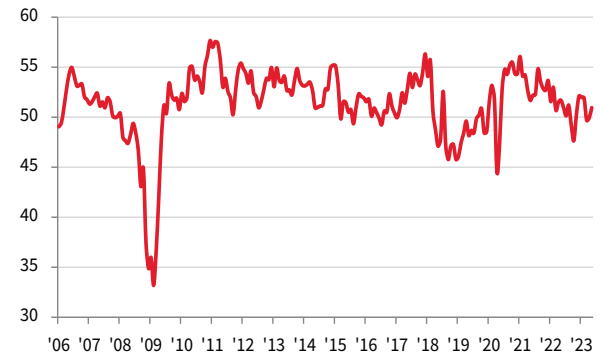


Employment Index

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

Manufacturers were able to build their workforce numbers in May, the first time in three months in which employment growth has been recorded. Respondents indicated that extra staff had been hired in line with rising new orders. There were still some reports, however, of firms losing workers to early retirement.

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.

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.

May data were collected 12-23 May 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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