

Istanbul Chamber of Industry Türkiye PMI® Manufacturing Index

Output growth at near two-year high in June

June 2023 Key findings:

- Solid expansion in manufacturing production
- Employment up for second month running
- Currency weakness leads to faster rise in costs

Summary

Turkish manufacturers continued to expand production at the end of the second quarter of the year as demand improved further. That said, new order growth softened in June amid the impacts of currency depreciation, which also led to a renewed strengthening of price 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 posted at 51.5 for the third month running in June, signalling a further modest

improvement in the health of the manufacturing sector. Business conditions have now strengthened in each of the past six months.

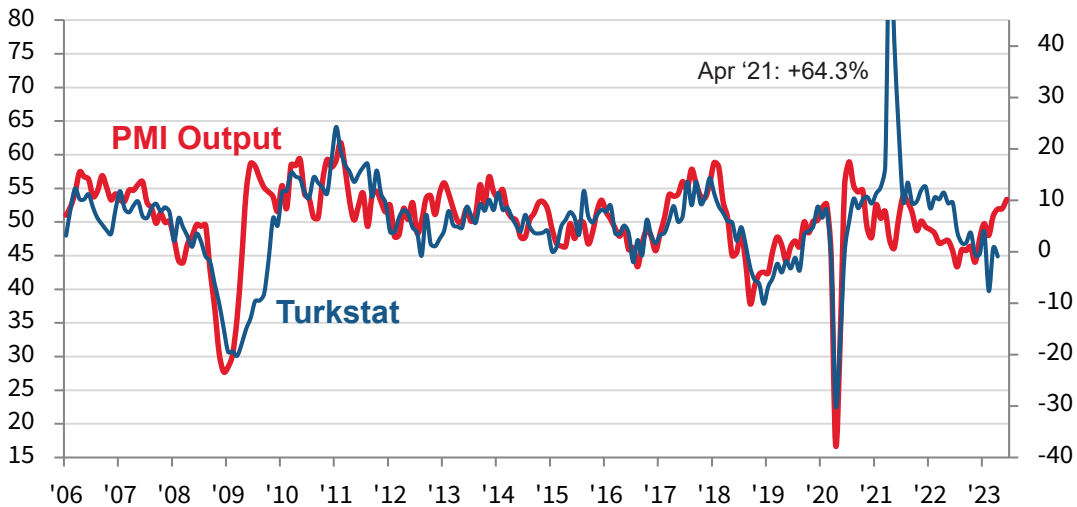
The main positive from the latest survey was a solid and accelerated rise in manufacturing production. Output was up for the fourth month running, with the rate of growth the fastest since July 2021. Alongside improvements in demand, firms also attributed the latest rise in production to an ongoing recovery from the earthquake and a pick-up in activity following the election period.

While new orders rose for a fourth straight month, the rate of increase was only marginal and the softest in the current sequence of expansion. The slowdown in growth was partly reflective of a depreciation of

Historical overview

PMI Output Index, 50.0 = no change

industrial production yr/yr%



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the Turkish lira against the US dollar, anecdotal evidence showed.

Exchange rate fluctuations also contributed to reaccelerations in both input cost and output price inflation in June after sustained slowdowns in previous months. Input prices increased at the fastest pace in just under a year, while charges were up to the greatest extent since February.

Meanwhile, suppliers' delivery times lengthened markedly as vendors struggled to respond to increasing demand for inputs. Accordingly, firms used existing holdings of items to support production, leading to a reduction in stocks of purchases.

Job creation was signalled for the second month running in response to greater production requirements. The rate of expansion was modest, but slightly faster than that seen in May. Backlogs of work increased, however, for the second time in the past three months.

Comment

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

"Manufacturing production kicked on nicely in June, and the goods-producing sector as a whole finished the first half of the year in broadly positive shape as demand improved further. Firms were battling the familiar foe of currency weakness, however, which limited new order growth and brought an abrupt halt to the recent easing of inflationary pressures. More positively, manufacturers continued to expand their employment levels and purchasing activity, suggesting that they remained optimistic about prospects for the second half of the year."

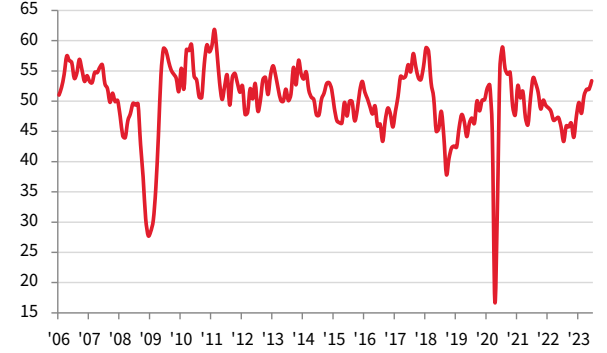
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Output Index

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

Turkish manufacturing production increased for the fourth successive month in June. Furthermore, the rate of expansion was solid and the fastest since July 2021. Firms linked higher output to improving demand, a continued recovery from the earthquake and a pick-up in activity following the election period.

sa, 50 = no change on previous month

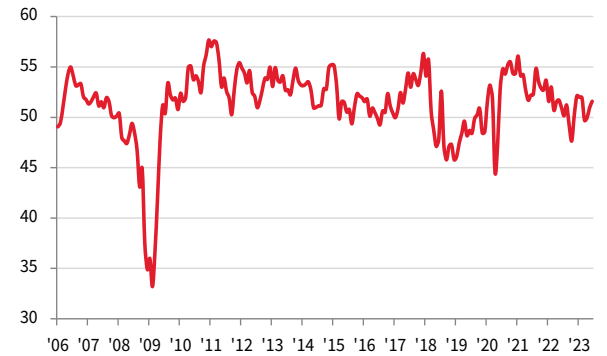


Employment Index

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

Higher production requirements led Turkish manufacturers to take on additional staff again at the end of the first half of the year, the second month running in which job creation has been recorded. The pace of increase was modest, but quicker than that recorded in 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.

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.

June data were collected 12-23 June 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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