

# Istanbul Chamber of Industry Turkey PMI™ Manufacturing Index

## Slump in manufacturing continues

### Key findings:

- PMI below 50.0 for third straight month, but indicative of slower contraction
- New export business declines for fifth month running despite weak lira
- Output price inflation hits eight-month high

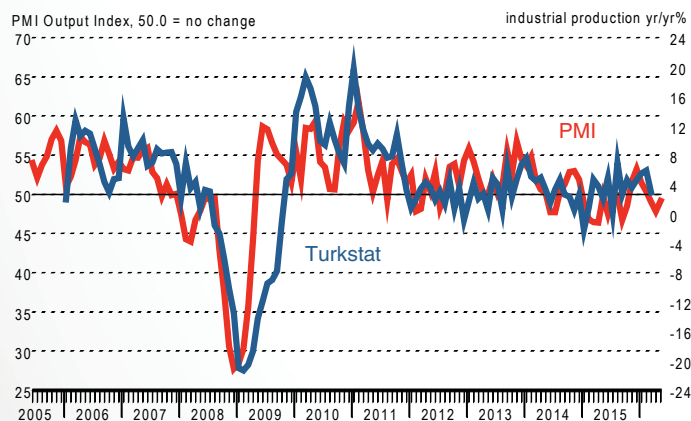
### Summary:

The Turkish manufacturing sector remained in a downturn mid-way through the second quarter of 2016, PMI™ survey data from Istanbul Chamber of Industry and Markit showed. Business conditions worsened for the third successive month, although the rates of decline in output, new orders and exports all eased since April. Firms continued to raise headcounts, which contributed to a sharper decline in backlogs during the month, but continued to pare back their inventories of both inputs and finished goods. The weak lira continued to be a key contributory factor to input price inflation, while firms raised their own charges at the strongest rate in eight months.

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 for the third month running in May, signalling an ongoing deterioration in manufacturing business conditions at the mid-point of the second quarter of 2016. That said, the headline figure rose from April's seven-month low of 48.9 to 49.4, signalling only a fractional rate of decline. The PMI was negatively influenced by four of its five components in May, the exception being employment.

### Historical overview



Central to the overall deterioration in manufacturing business conditions was a further drop in new order intakes. New business fell for the third month running, but at a weaker rate than those registered in March and April. New export business declined for the fifth month running, the second-longest sequence of contraction in over seven years.

Output mirrored the trend in new orders, falling for the third month running but at the slowest rate over this period. Production was partly supported by work on existing contracts, as backlogs declined at the fastest rate since March 2015.

Manufacturing employment rose further in May, extending the current sequence of job creation to nine months. That said, the rate of workforce growth eased since April and was the second-weakest over the current period of expansion.

Weak underlying demand conditions were highlighted by supply chain data, with average input delivery times shortening for the seventh consecutive month. This was despite a reduction in the volume of purchasing activity by manufacturers for the third time in four months. Subsequently, goods producers reported a fourth successive contraction in input stocks.

Input prices rose at the fastest rate in three months in May, mainly attributed to the weak lira. Meanwhile, prices charged for finished Turkish manufactured goods rose at the strongest pace since September 2015.

### Comment:

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

*“Business conditions in the Turkish manufacturing sector remained subdued in May with output and new orders falling further. The weak lira continued to drive up input prices for manufacturers but has failed to stimulate exports so far this year, which fell for the fifth month running in May. Firms continued to de-stock and hiring growth slowed to a crawl, suggesting the near-term outlook remains subdued.”*

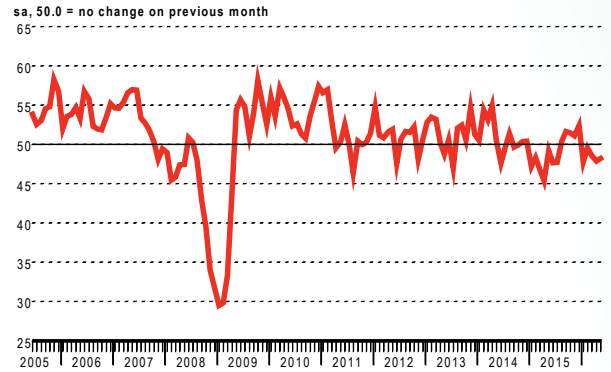
Embargoed until: 10:00 (ISTANBUL) / 0700 (UTC) June 1 2016

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### New Export Orders Index

*Q. Please compare your new export orders received (in units) this month with the situation one month ago.*

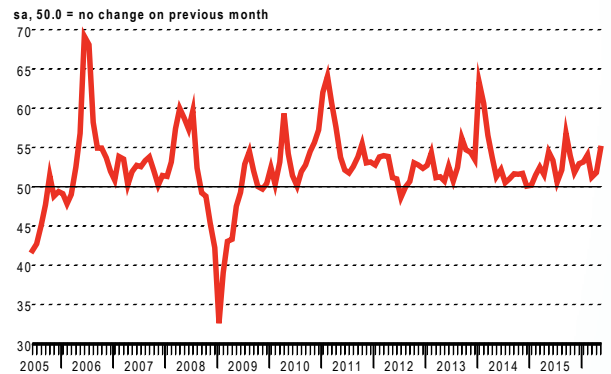
The current sequence of falling new export orders was extended to five months in May. The rate of decline was moderate, and broadly in line with the average over 2016 so far. Firms linked lower international business wins to an economic crisis, stagnant global markets and political factors. The current downturn is the second-longest in over seven years.



### Output Prices Index

*Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.*

Turkish goods producers continued to hike their prices in May. Output charges rose for the forty-fifth consecutive month, and at the fastest rate since September 2015. The seasonally adjusted Output Prices Index was also above its long-run average of 52.5. Firms linked increased charges to higher raw material costs.



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## Istanbul Chamber of Industry Turkey PMI™ Manufacturing Index

### 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](http://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](http://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](mailto: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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