

Macro: Manufacturing industry weakened in March due to demand conditions

According to anecdotal information, The Istanbul Chamber of Industry's Purchasing Managers' Index (PMI) weakened in March due to weak demand conditions. The index decreased by 1.0 point mom to 47.3, the lowest level since October. According to quarterly averages, the outlook similar to 2024Q4 was in line with our previous assessments that the rapid recovery in industrial production in Q4 would not continue in Q1. However, the absence of a sharp pullback also suggests that we will not see a significant correction.

According to monthly data, the production question continued to slow down due to the weakness in new orders. The course of production also had a negative impact on employment decisions. Suppliers' delivery times shortened for the first time in six months as firms reduced their purchases of goods and input demand fell. Although inflationary pressures eased slightly compared to the previous month, we believe that the recent exchange rate movements were not reflected in the results due to the timing of the survey. On a sectoral basis, all sectors except food, wood and paper and vehicles remained below the threshold level.

According to the sub-indices of the survey;

- **The slowdown in production continued due to demand conditions.** According to anecdotal information, the decline in March was at the highest rate since October. In fact, new export orders and total new orders continued to slowdown. The slowdown in new orders was the most pronounced since October, while new export orders fell at the sharpest pace since November 2022.
- **The employment index** has been declining for the last four months. According to anecdotal information, firms stated that the slowdown in new orders was effective in the decline in employment.
- **Inflationary pressures:** Survey participants assessed that input prices continued to increase due to the depreciation in the Turkish lira, but inflation slowed down. The increase in final product price inflation also slowed down.
- **Suppliers' delivery times** decreased, which survey participants attributed to weak demand.

Looking at the sectoral data, in seasonally adjusted terms;

- **According to the headline indices,** all sectors except food, wood and paper and vehicles remained below the threshold level. The sharpest decline was observed in the base metal sector (Chart 2). On a quarterly basis, all sectors except food remained below the 50-threshold level. The most significant quarter-on-quarter decline took place in the chemicals sector. Food, textiles and electricity-electronics sectors lost momentum on a quarterly basis.
- The most significant decline in the **production index** was seen in the chemical sector, with the index at its lowest level since April 2020. A sharp decline was also observed in the base metal sector (Chart 3). The most notable increases were seen in vehicles and wood and paper, with indices above the threshold level.
- **The new orders** index declined significantly in the base metal, electrical and electronics and chemicals sectors, but increased strongly in the wood and paper sector (Chart 3).
- The strongest increase in the **employment index** was also recorded in the wood and paper sector. Employment increased in sectors other than base metals and chemicals (Chart 3).
- The sharpest decline in the **input cost** index was recorded in textiles and wood and paper sectors. Sectors other than food and minerals saw a decline (Chart 3).

Chart 1. ICI Türkiye Manufacturing PMI (seasonally adjusted, level)

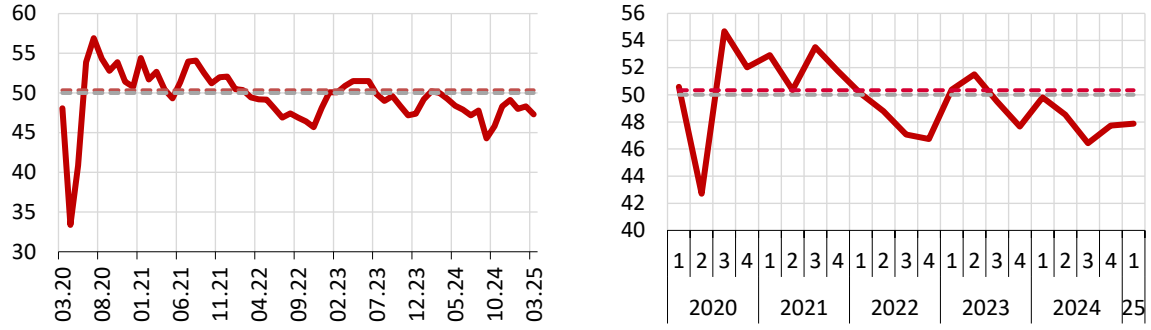


Chart 2. PMI by Sectors (seasonally adjusted, level)

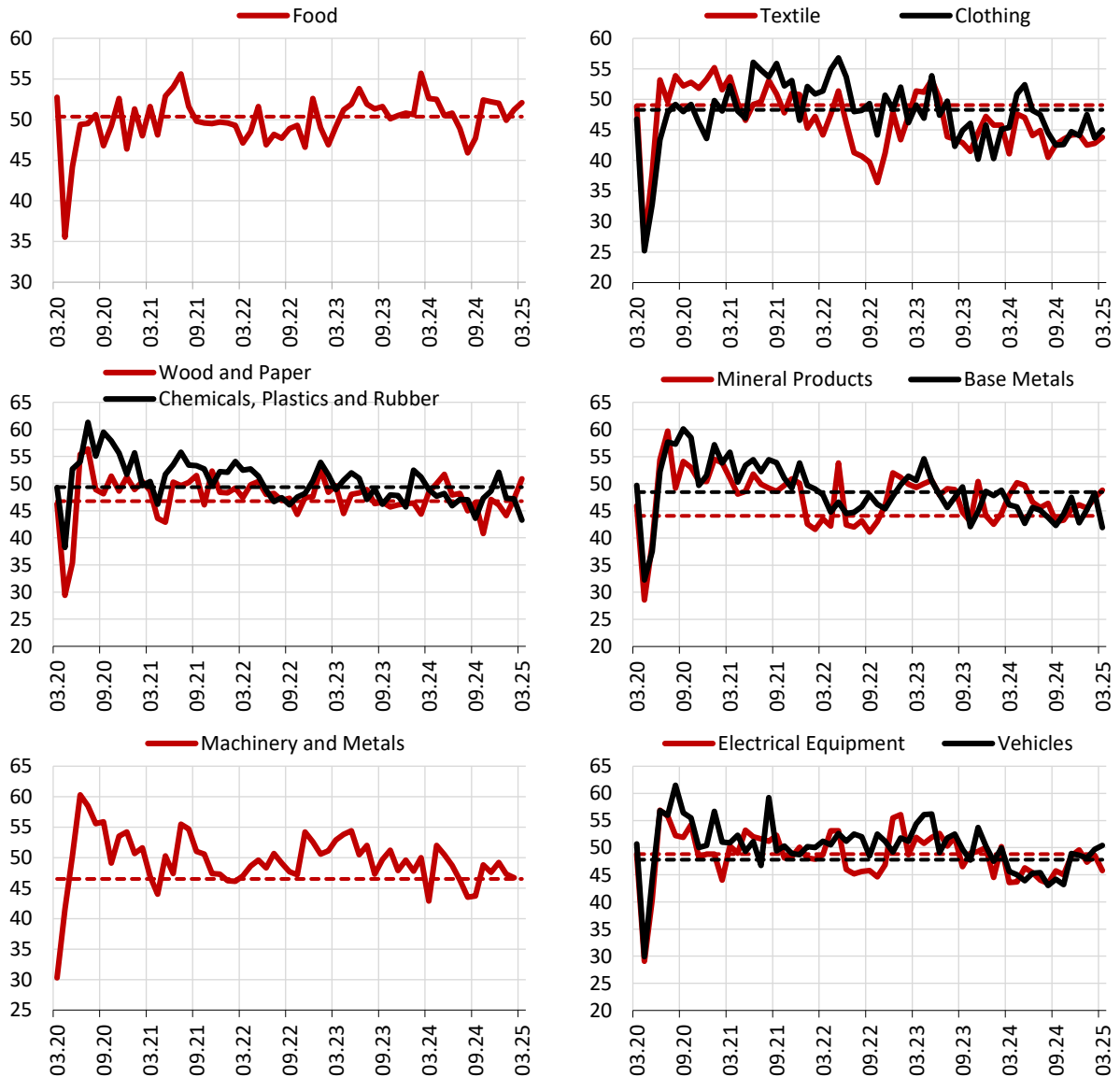
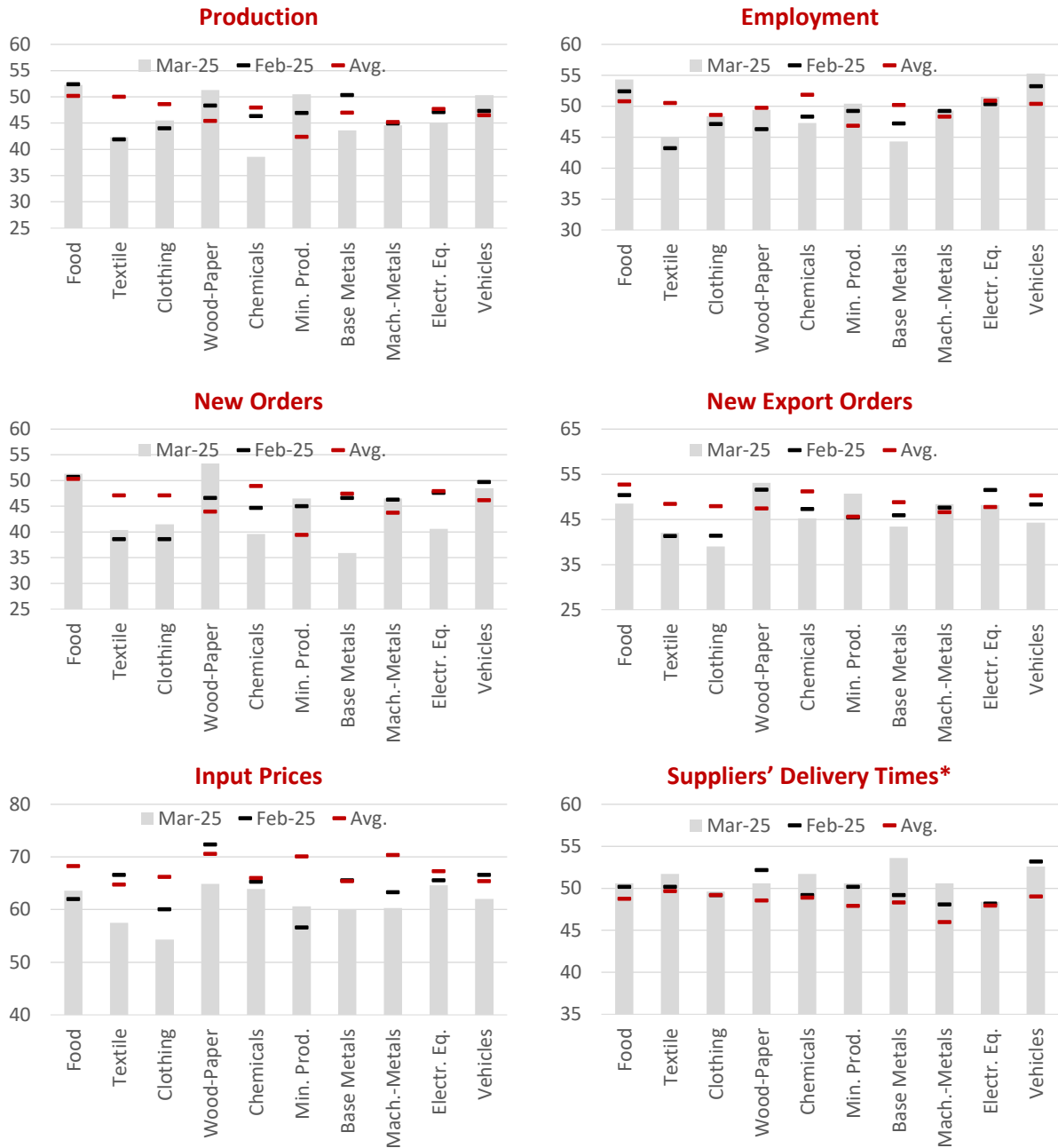


Chart 3. PMI Sub-Indices by Sectors (seasonally adjusted, level)



Source: S&P Global, ICI

* A lower value of the question indicates a longer delivery time.

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