

## Turkey's PMI continues to contract

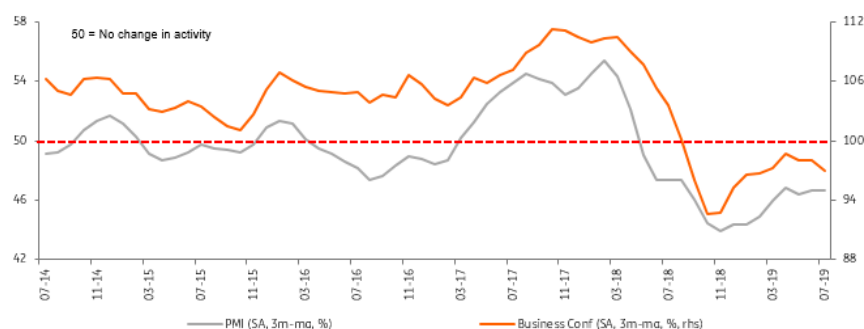
The July PMI data recorded another reading below the key 50 level, showing that manufacturing activity has continued to contract as demand conditions remain challenging



Source: iStock

July's PMI came in below the key 50-threshold for a sixteenth straight month, falling to 46.7 from 47.9 a month ago, showing ongoing weakness in economic activity. This is the lowest monthly figure since April, hinting at a deterioration in business conditions, as evidenced by last month's business sentiment survey, which is still close to the lows seen during the global financial crisis.

## PMI & Business Confidence



Source: TurkStat, Markit, ICI, ING

Softening industrial production is attributable to a further moderation in total new orders as domestic conditions remain challenging although export orders are relatively strong. Whether this strength will continue in the period ahead is unclear, however, given the current slowdown in the EU, which is Turkey's main export market.

The PMI survey also shows weakening price pressures due to a deceleration in input costs and output prices, supporting the central bank's easing cycle, which kicked off in July with a deeper than expected cut.

After hitting a bottom of 42.7 in September 2018, Turkey's PMI bounced back. But this recovery has stalled in recent months, reflecting the weakness of the rebound fuelled by stimulus measures and an expansionary fiscal stance.

### Author

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

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