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HSBC Turkey Manufacturing PMI

Rate of expansion of Turkish manufacturing sector eased marginally during August.

Key findings:

- Output and new orders rose at near record rates.
- Growth in new export orders slowed notably.
- Employment levels increased further, as output requirements continued to rise.

August survey data, collected and compiled for HSBC by Markit, signalled that the manufacturing sector in Turkey continued to expand. New orders posted a further marked rise, boosted by domestic demand, which lifted output levels higher. Increased production requirements stimulated a rise in the volume of purchases, alongside a continued depletion in stocks of purchases. Employment also rose to accommodate growth in output capacity.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ provides a convenient single-figure measure of the overall health of the manufacturing economy. PMI readings above 50.0 signal an improvement in business conditions while readings below 50.0 signal deterioration.

PMI data signalled a further strengthening of the Turkish manufacturing sector in August, as the headline index posted 53.7. The speed of growth of the industry fell only marginally compared to July's record, continuing the largely unchanged rate of expansion recorded over the last three months.

Strong domestic demand fuelled a sustained rise in incoming new business received by Turkish manufacturers. Improved economic conditions were reported to be behind maintained sales growth, with new order levels rising for a fourth successive month. New export orders were indicated to have increased only marginally, showing little improvement on levels experienced in July.

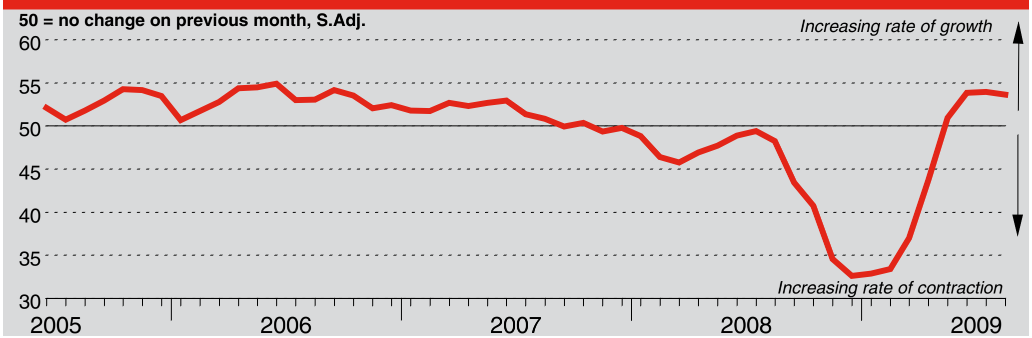
Production was increased within Turkish manufacturing companies during August, reflecting higher order levels received. The rise in output slowed modestly on July's survey record, in line with marginally weaker growth in new orders. Increased production capacity was sufficient for order fulfilment, demonstrated through the sustained fall in backlogs of work posted in August. However, stocks of finished goods reduced markedly in the month, as manufacturers depleted stocks wherever possible to meet order obligations.

Purchasing activity increased in August, also in response to higher output. Despite this, suppliers continued to improve lead times, although at only a marginal rate. Manufacturers also signalled continued reductions in stocks of purchases, with inventory used in higher production.

Employment levels rose for the third consecutive month, with the rate of growth accelerating over July data, as panellists indicated higher labour requirements to cope with increased orders and production.

Input costs rose substantially during August, as respondents signalled shortages in a number of raw materials, leading to higher prices. Manufacturers were able to partially pass on higher costs to customers, although the extent of this was restricted, with a number of panellists indicating that strong competition remained common within the industry.

HSBC Turkey Purchasing Managers' Index



The HSBC Turkey Purchasing Managers' Index (PMI) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index.

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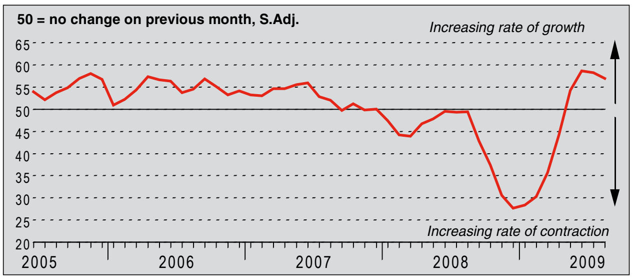
The HSBC Turkey Manufacturing PMI series is produced by Markit Economics, an independent research company that produces highly-regarded surveys of business conditions in nations around the world.

Copies of the report are available on annual subscription from Markit. For subscription details please contact: **economics@markit.com**

Output Index

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

		Higher %	Same %	Lower %	Net +/-
2009	Mar	18.7	43.2	38.1	-19.3
	Apr	31.5	48.1	20.4	11.1
	May	41.2	48.0	10.9	30.3
	Jun	42.6	47.9	9.5	33.0
	Jul	29.0	53.6	17.4	11.6
	Aug	27.2	51.4	21.4	5.7

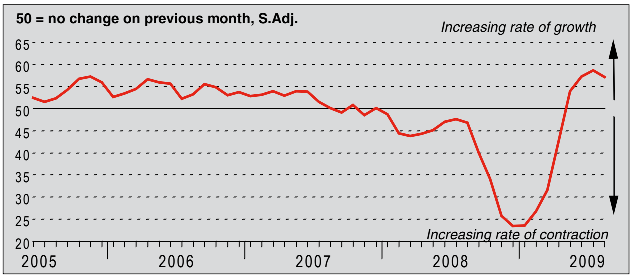


Turkish manufacturers reported a substantial increase in output during August. The rate of growth eased marginally over that recorded in July, although was still at one of the highest in the survey history. The Turkish manufacturing sector has now recorded growth for three consecutive months, and has shown a considerable recovery following the peak of the downturn at the end of 2008. Increased new orders, both domestically and internationally, have stimulated a rise in production. Some manufacturers also reported greater output capacity.

New Orders Index

Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Mar	19.8	32.6	47.6	-27.8
	Apr	38.5	37.0	24.4	14.1
	May	40.0	47.2	12.8	27.2
	Jun	34.1	51.2	14.6	19.5
	Jul	37.1	43.5	19.3	17.8
	Aug	35.1	34.2	30.7	4.4

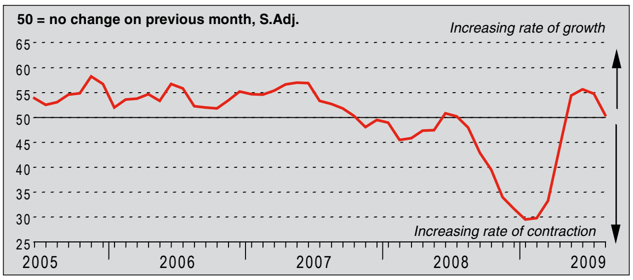


New orders rose markedly during August, although at a modestly slower pace than July's series record. Turkish manufacturers have reported expanding order books for four consecutive months, following a sixteen-month period where falling volumes of new business were reported. Improved economic conditions have helped to boost demand, resulting in a recovery in market activity. Some manufacturers reported that they had been able to gain new clients, therefore increasing new business.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Mar	16.3	36.7	47.1	-30.8
	Apr	21.7	53.6	24.7	-3.0
	May	31.6	54.4	14.0	17.5
	Jun	32.0	55.4	12.6	19.4
	Jul	27.9	46.8	25.4	2.5
	Aug	21.2	44.8	34.0	-12.7

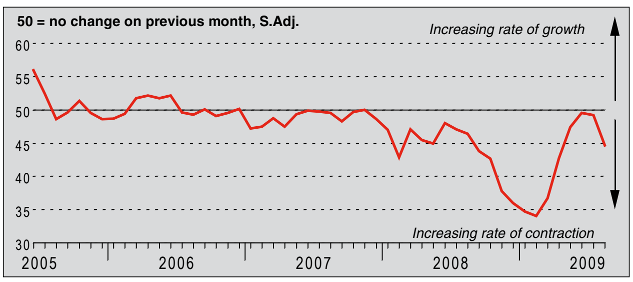


August data signalled a marginal rise in the volume of new export orders received by Turkish manufacturers, representing a marked easing on the rate of growth recorded in July. The proportion of respondents indicating lower levels of new export orders rose in August, with this being attributed to market stagnation, and decreased output of customers. Those panellists reporting higher export order volumes commented that this was due to exploitation of new export opportunities and increased demand from the automobile sector.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Mar	13.0	52.4	34.5	-21.5
	Apr	18.5	62.9	18.6	-0.2
	May	16.7	61.1	22.2	-5.4
	Jun	19.0	63.0	18.1	0.9
	Jul	16.4	57.6	26.0	-9.6
	Aug	11.6	51.7	36.7	-25.2

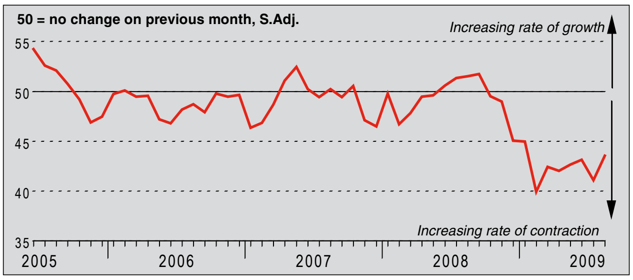


Despite markedly increased order levels, backlogs continued to decline in August, and at a rapid rate. Manufacturers indicated that the rate of contraction accelerated markedly over July data, and extended the sequence of decreasing levels of outstanding business to twenty-one months. The pace of decline in backlogs posted in August signalled a substantially weaker fall than the levels of contraction in outstanding business recorded earlier in the year.

Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Mar	15.8	54.9	29.3	-13.5
	Apr	12.4	61.3	26.2	-13.8
	May	9.9	62.6	27.6	-17.7
	Jun	11.4	60.1	28.5	-17.1
	Jul	12.9	56.5	30.6	-17.7
	Aug	17.9	55.3	26.8	-8.9

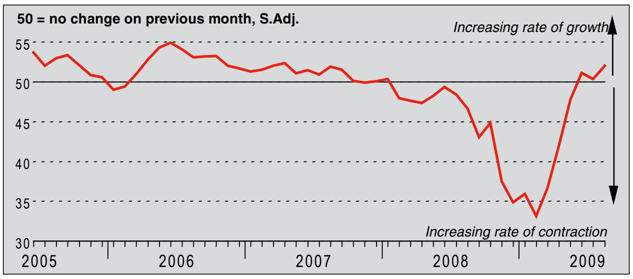


Stocks of finished goods were depleted further in August, with the seasonally adjusted Stocks of Finished Goods Index posting only modestly above the survey low registered in February. This suggested that Turkish manufacturers continued to reduce stock levels at a marked rate, and extended the sustained sequence of decline in finished goods inventory to eleven months. Increased sales have led manufacturers to utilise existing stock.

Employment Index

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

		Higher %	Same %	Lower %	Net +/-
2009	Mar	4.7	70.5	24.8	-20.1
	Apr	7.8	72.4	19.8	-12.0
	May	14.4	74.8	10.9	3.5
	Jun	18.5	70.6	10.9	7.6
	Jul	15.5	72.9	11.6	3.9
	Aug	20.3	73.2	6.5	13.8

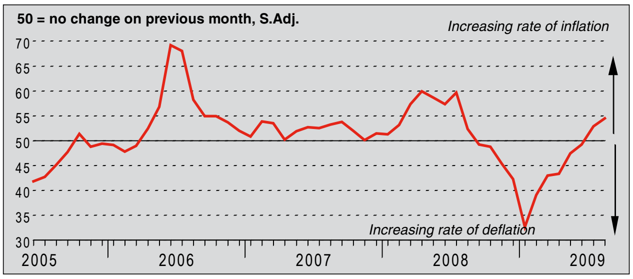


Turkish manufacturing companies increased staffing levels in August and, although modest, growth was the highest in twenty-eight months. Employment has now been rising for three consecutive months, reflecting increased production (in turn due to higher order levels). This led to manufacturers increasing output capacity, and therefore the need for additional staff. A number of panellists also cited expected business as a reason for increased hiring during August.

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.

		Higher %	Same %	Lower %	Net +/-
2009	Mar	11.6	66.7	21.8	-10.2
	Apr	10.0	69.2	20.8	-10.8
	May	8.6	80.7	10.7	-2.1
	Jun	10.3	74.1	15.6	-5.3
	Jul	17.1	74.4	8.4	8.7
	Aug	15.7	74.8	9.6	6.1

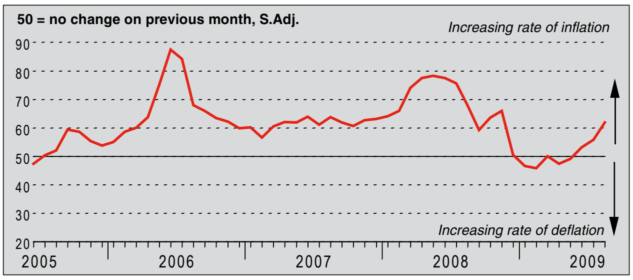


Manufacturers in Turkey increased their output prices in August, maintaining the inflation in charges that was recorded in July. The robust rate of increase in output prices was modestly higher than that posted in July, as manufacturers margins were impacted by further rises in raw material costs, which they were able to partially pass on to customers. The resulting rate of increase in charges was the highest in thirteen months, although market competition restricted inflation from rising further.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Mar	20.7	59.9	19.4	1.2
	Apr	11.1	76.8	12.1	-1.0
	May	17.1	73.4	9.4	7.7
	Jun	18.0	73.1	8.9	9.1
	Jul	27.1	64.3	8.6	18.5
	Aug	27.3	68.6	4.1	23.2

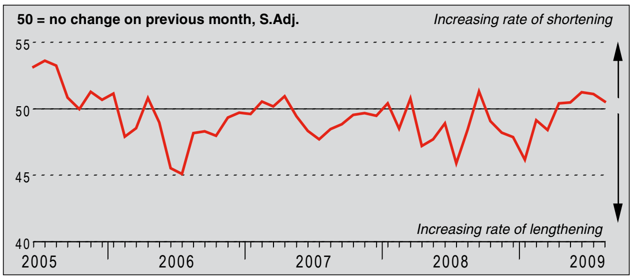


Input costs for companies in the Turkish manufacturing sector rose steeply in August to the highest level seen in nine months. The rate of increase rose markedly since July, and was in line with the historical average for the survey. Shortages of materials, exchange rate fluctuations, and raw material price rises were cited as causes of increased input costs. Particularly noted was the rise in the costs of oil, plastic, sheet iron, wheat, copper, PVC and aluminium.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

		Faster %	Same %	Slower %	Net +/-
2009	Mar	13.2	73.3	13.4	-0.2
	Apr	17.9	77.0	5.1	12.8
	May	10.5	82.0	7.5	3.0
	Jun	15.6	72.7	11.7	3.9
	Jul	9.5	78.4	12.1	-2.6
	Aug	15.3	67.0	17.7	-2.3

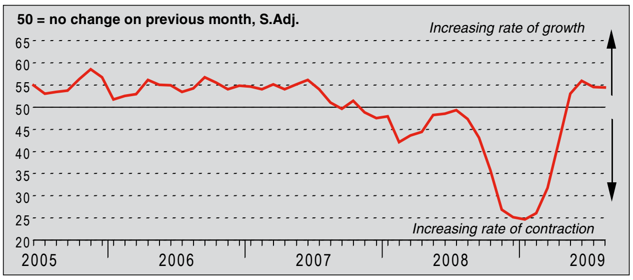


Suppliers marginally improved their delivery times in August, although to a lesser extent than registered in July. However, the rate at which lead times were shortened was above the average for the survey, and marked the fifth successive month of improved lead times. Where panellists reported faster delivery times, this was attributed to lower orders and an increase in capacity at vendors through higher staffing levels. Those manufacturers indicating longer lead times noted higher demand and shortages of raw material stocks as factors.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Mar	20.4	30.8	48.8	-28.4
	Apr	30.7	40.4	28.9	1.8
	May	38.1	42.2	19.7	18.4
	Jun	37.4	48.0	14.6	22.9
	Jul	29.4	45.6	25.0	4.4
	Aug	32.7	38.6	28.7	4.0

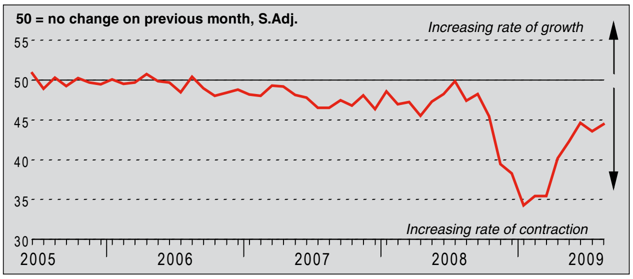


Purchasing activity increased robustly in August, as manufacturers lifted output levels. The pace of increase in the quantity of items purchased was in line with July data, and growth has now been recorded for four successive months following a period of steep declines. Many panellists reported that increases in purchasing volumes reflected higher levels of output required. It was also noted that items were being purchased ahead of the commencement of new projects, and also as a result of increased production capacity.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

		Higher %	Same %	Lower %	Net +/-
2009	Mar	9.0	54.2	36.8	-27.8
	Apr	16.2	53.5	30.4	-14.2
	May	12.6	61.6	25.8	-13.2
	Jun	19.2	53.4	27.5	-8.3
	Jul	10.7	64.6	24.7	-14.0
	Aug	16.0	59.1	24.9	-8.9



Stocks of purchases continued to be depleted in August, albeit at a marginally slower pace than in July. Manufacturers opted to utilise existing inventory for production (reflective of increased output capacity or higher purchase costs). Turkish manufacturers have historically reported a preference to reduce stocks, although the current rate of decline is stronger than the average for the survey. Nonetheless, August's data represented a vastly slower decline following the record pace of depletion recorded in January.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 310 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on regional and industry contribution to Turkish Industrial Production. 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'.

The Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

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.

Warning