

## HSBC Turkey Manufacturing PMI

June's PMI fell from last month's series high, but still signalled solid expansion of Turkish manufacturing sector

### Summary

The headline HSBC Turkey Manufacturing PMI posted 53.2 in June, falling from May's reading of 56.5 - a series high. The latest PMI figure indicated a solid strengthening of business conditions in the Turkish manufacturing sector, albeit to a lesser extent than in the previous survey period. Nonetheless, June's expansion remained above the long-run series average.

New order volumes received by manufacturers in Turkey increased during June for a fourteenth successive month. However, the rate of new business growth eased markedly since May, indicating a slowing in the increase in demand. Similarly, the latest rise in new export orders eased during June. However, the expansions in both new business from overseas and overall new orders remained strong in the context of historical data.

June data signalled a solid rise in output, supported by growth in overall new business. However, the increase in production was the weakest in four months, reflective of the slower rise in new orders.

Backlogs of work at manufacturers in Turkey continued to fall in June, signalling that excess operating capacity persisted. Moreover, the rate of decline accelerated since May. However, this remained slower than the historical average for the series.

Despite the fall in outstanding business, stocks of finished goods reduced. Anecdotal evidence suggested that manufacturers utilised inventories in order to partially fulfil new order obligations.

Turkish manufacturers reported a rise in employment during June, and attributed this to the sustained growth in both new business and output. Staffing levels have now increased for thirteen successive months.

Purchasing activity increased solidly in June, reflective of the further rise in output. However, as the expansion in production eased, the growth in input buying also slowed.

Input prices faced by manufacturers in Turkey increased substantially during June, driven by rising raw material prices and unfavourable exchange rate variations. However, the rate of input cost inflation weakened during the month. Output prices rose for a seventh successive month.

### Comment

Commenting on the Turkey Manufacturing PMI survey, Dr. Murat Ulgen, Chief Economist for Turkey at HSBC said:

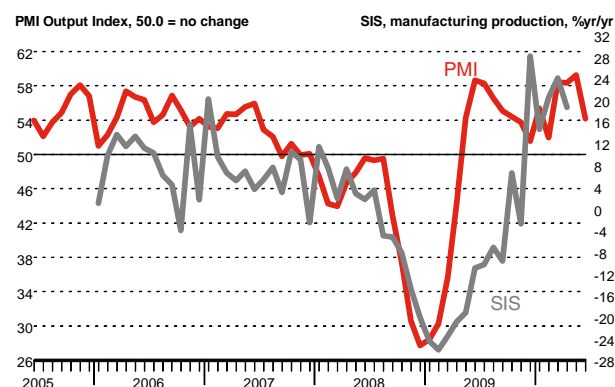
*"The Turkish manufacturing industry maintained its uninterrupted expansion trend in June, however there was a marked deceleration in manufacturing activity compared to May. This was caused by slowdowns in production volumes and new incoming business, even though both areas still expanded at a solid pace. New export orders also grew in June, albeit at the slowest rate of the last three months. This was possibly as a reflection of the ongoing debt problems in Turkey's main trading partner, the Euro area. Turkish manufacturers reported further reductions in their backlogs, which declined at a marginally faster pace than in May, still pointing to some spare capacity. In spite of that it was encouraging to see further improvement in employment conditions in June. On the other hand, input costs of manufacturers continued to rise sharply, although somewhat slower compared to earlier months, due to higher raw material prices and unfavourable exchange rate movements. This was duly reflected in output prices, which have risen for the past seven months."*

### Key points

- Growth of new orders and output slowed.
- Employment increased further, despite another fall in backlogs.
- Input cost inflation remained sharp.

### Historical Overview

HSBC Turkey Manufacturing PMI vs SIS Manufacturing Prdn.



## For further information, please contact:

### HSBC

Dr. Murat Ulgen, Chief Economist, HSBC Turkey

Telephone +90-212-376-4619

Email [muratulgen@hsbc.com.tr](mailto:muratulgen@hsbc.com.tr)

Ömer Kayalıoğlu, Corporate Communications

Telephone +90-212-376-4361

Email [asliarbel@hsbc.com.tr](mailto:asliarbel@hsbc.com.tr)

Aslı Arbel, Corporate Communications

Telephone +90-212-376-4365

Email [asliarbel@hsbc.com.tr](mailto:asliarbel@hsbc.com.tr)

### Markit

Sarah Ledger, Economist

Telephone +44-1491-461-050

Email [sarah.ledger@markit.com](mailto:sarah.ledger@markit.com)

Caroline Lumley, Corporate Communications

Telephone +44-20-7260-2047

Email [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

### Notes to Editors:

The HSBC Turkey Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 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: 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.

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).

### HSBC:

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 8,000 properties in 88 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,364 billion at 31 December 2009, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

### About Markit:

Markit is a leading, global financial information services company with over 1,400 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see [www.markit.com](http://www.markit.com)

### About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes (PMIs) have become 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).

**The intellectual property rights to the HSBC Turkey Manufacturing PMI provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.**