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HSBC Turkey Manufacturing PMI

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

Key findings:

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

June survey data, collected and compiled for HSBC by Markit, signalled a solid expansion of the Turkish manufacturing sector. However, this slowed from the series high reported in May. This was driven by weaker rises in both new order and output growth during the month. Meanwhile, backlogs continued to fall, indicating that spare capacity persisted within the sector. Despite this, employment rose again. Input cost inflation eased since May, although remained strong.

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. The headline index 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.

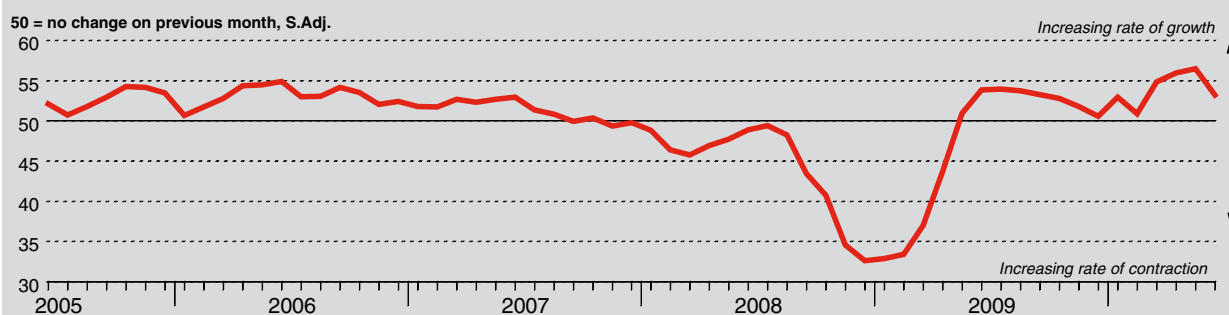
Despite the fall in outstanding business, stocks of finished goods reduced. Anecdotal evidence suggested that manufacturers utilised inventories in order to partially fulfil new order obligations.

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. Nonetheless, this remained strong in the context of historical data. In line with increased purchasing activity, suppliers' delivery times lengthened during the month.

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.

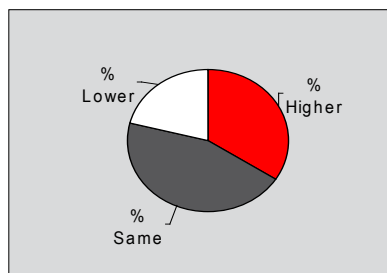
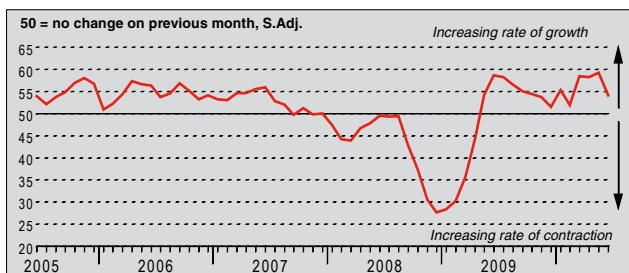
HSBC Turkey Purchasing Managers' Index (PMI™)



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.

Output Index

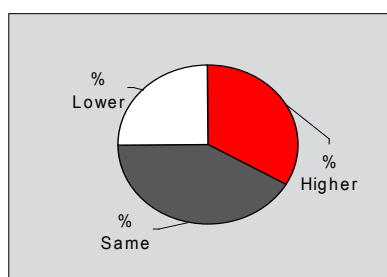
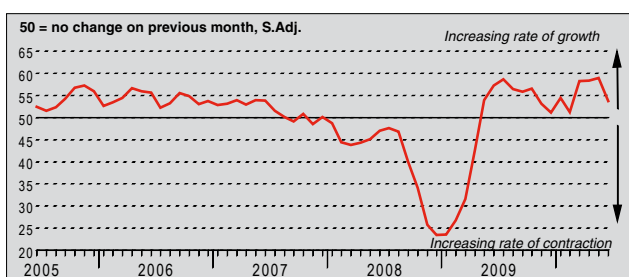
Q. Please compare your production/output this month with the situation one month ago.



Turkish manufacturing output increased solidly during June, extending the sequence of sustained growth to fourteen months. Panellists commented that a further rise in new orders had supported the expansion in production. However, the rate at which output increased slowed from the series high reported in May as new order growth weakened. Nonetheless, the latest increase in output remained above the long-run average for the series.

New Orders Index

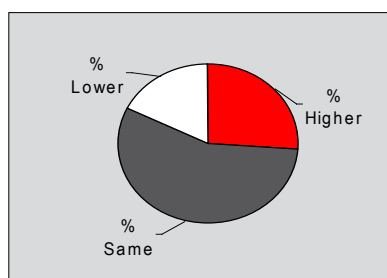
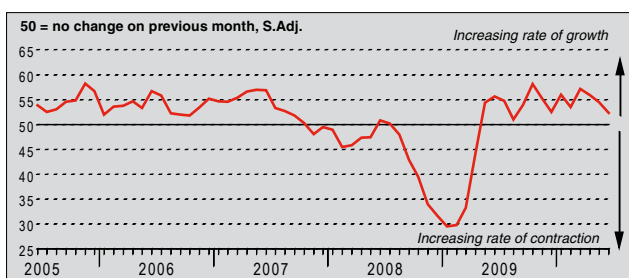
Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.



New business received by manufacturers in Turkey increased solidly during June, supported by the ongoing improvement in global economic conditions. However, the extent to which new order volumes rose slowed markedly since May. Anecdotal evidence suggested that growth in demand had eased over the month. Nonetheless, the latest increase in new orders remained strong in the context of historical data, and was the fourteenth in successive months.

New Export Orders Index

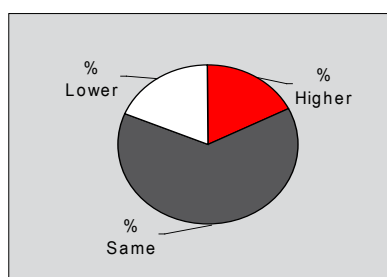
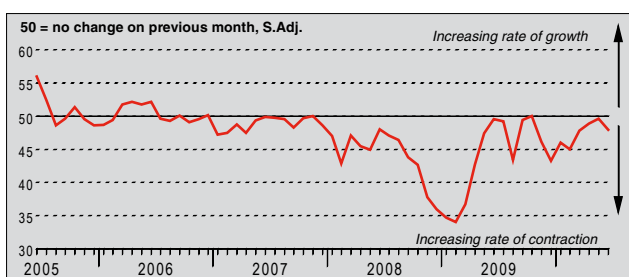
Q. Please compare the level of new export orders received this month with the situation of one month ago.



June data signalled a modest rise in incoming new business received by Turkish manufacturers from overseas markets. New export orders have increased continuously since May 2009. Approximately 26% of panellists reported a rise in new export business, attributing this to improved global demand. However, the growth in new business received from overseas slowed for the third successive month to the weakest in ten months.

Backlogs of Work Index

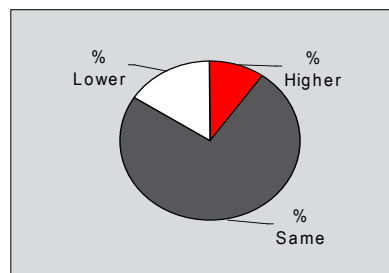
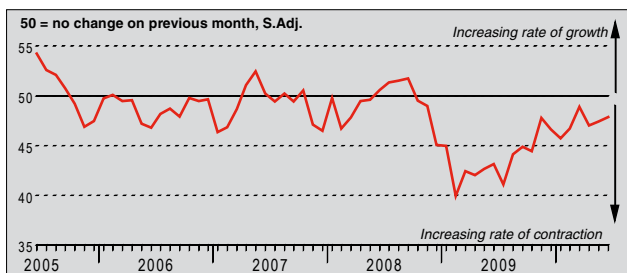
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Backlogs of work at Turkish manufacturers fell during June, extending the sequence of sustained decline to eight months. Moreover, the pace at which outstanding business decreased accelerated since May, and was the fastest in the second quarter. The sustained decline in backlogs suggested that spare operating capacity persisted at Turkish manufacturers. However, the rate at which outstanding business reduced remained slower than the long-run average for the series.

Stocks of Finished Goods Index

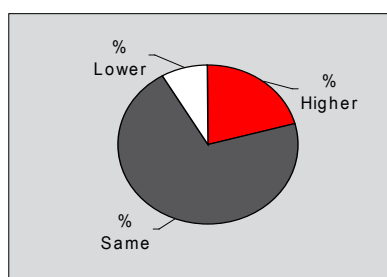
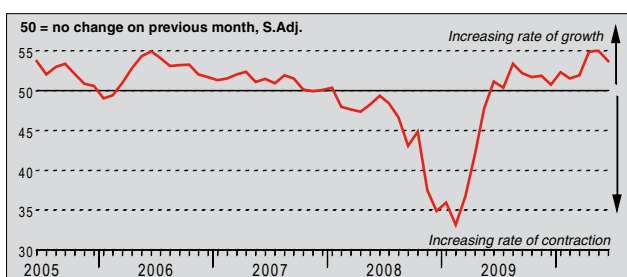
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Stocks of finished goods at manufacturers in Turkey decreased during June. Approximately 15% of panellists indicated that post-production inventories had fallen during the month, and commented that this was due to stocks being utilised in order to partially fulfil new order obligations. The pace of reduction in finished goods stocks eased marginally for a second successive month, and was broadly in line with the long-run average for the series.

Employment Index

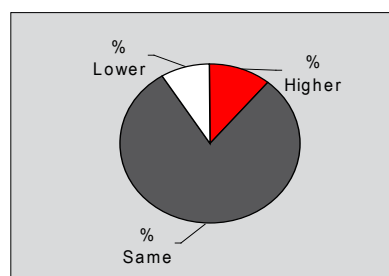
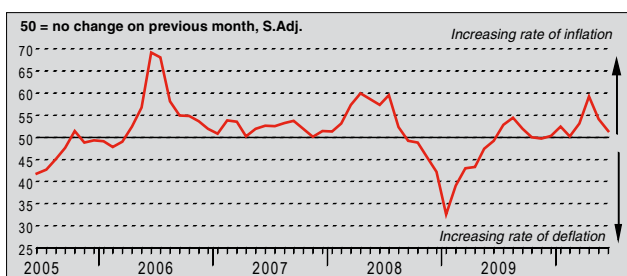
Q. Please compare the level of employment at your unit with the situation one month ago.



June data signalled a solid rise in employment within the Turkish manufacturing sector. The rate at which staffing levels increased slowed from the series high reported in May, although remained strong in the context of historical data. Anecdotal evidence suggested that the rise in employment reflected sustained increases in both new orders and output. Higher staffing levels have now been reported for thirteen successive months.

Output Prices Index

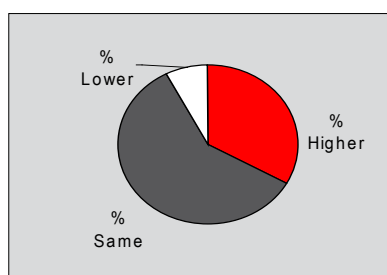
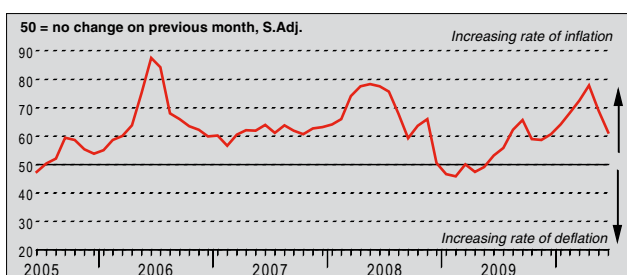
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Turkish manufacturers reported a rise in output prices during June, extending the sequence of sustained increases to seven months. Panellists attributed higher charges to continued rises in input costs. However, the rate of output price inflation slowed for a second successive month from the twenty-one month high recorded in April. This reflected current discounting initiatives. The latest increase in charges was broadly in line with the historical average for the series.

Input Prices Index

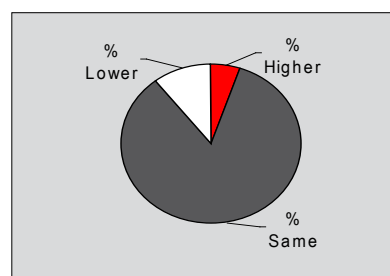
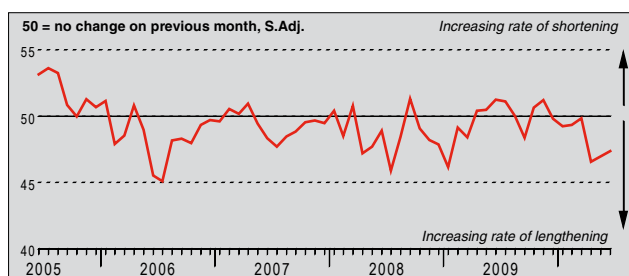
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input prices faced by manufacturers in Turkey increased substantially during June. Anecdotal evidence suggested that rising raw material prices and unfavourable exchange rate variations drove the rise in costs, which was the thirteenth in successive months. However, the rate of input cost inflation eased during the month, and was the weakest since December 2009. Moreover, it was lower than the long-run average for the series.

Suppliers' Delivery Times Index

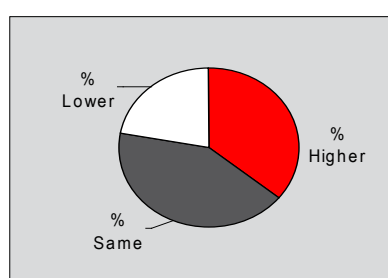
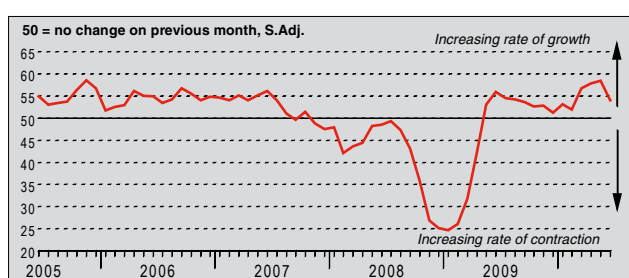
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Turkish manufacturers reported a lengthening in suppliers' delivery times during June. This deterioration in vendor performance was attributed to a further rise in purchasing activity, putting pressure on operating capacity at suppliers, alongside shipping delays. The rate at which lead times lengthened eased marginally since May, although remained strong in the context of historical data. However, the majority of panellists (approximately 84%) indicated that suppliers' delivery times remained unchanged during the month.

Quantity of Purchases Index

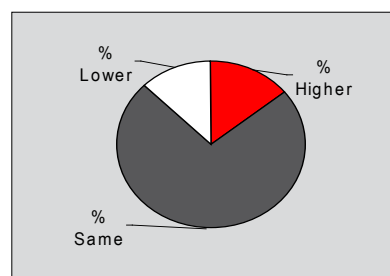
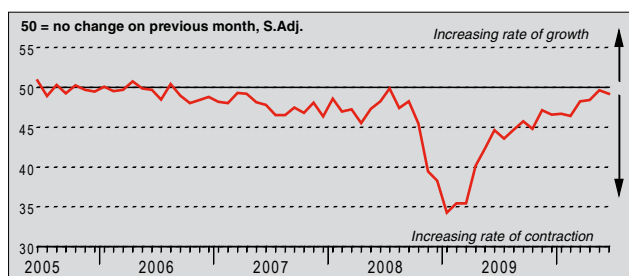
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



June data signalled a solid rise in purchasing activity at manufacturers in Turkey. Anecdotal evidence suggested that input buying had increased in line with the sustained expansion in output. However, reflective of the weaker rate of output growth recorded during the month, the pace at which purchasing activity increased slowed from the recent high recorded in May. Nonetheless, the latest rise in input buying remained above the long-run average for the series.

Stocks of Purchases Index

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



After allowing for seasonal factors, Turkish manufacturers reported a fall in stocks of purchases during June. This occurred despite the sustained rise in purchasing activity. Panellists commented that pre-production inventories had been utilised for production purposes, and that they were not aiming to re-build stocks. The rate at which stocks of purchases fell accelerated slightly since May. However, the pace of decline remained slow in the context of historical data.

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 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 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. 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.

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