

HSBC Turkey Manufacturing PMI™

Output growth reached a sixteen-month low, as demand showed signs of faltering in August.

Summary

The headline Turkey Manufacturing PMI™ posted 51.3 in August, falling from July's value of 52.8 and to a six-month low. Nevertheless, the Turkish manufacturing sector continued to grow at a solid rate and has now expanded for sixteen-months in a row.

New orders also increased for the sixteenth consecutive month as manufacturing firms released new products and designs. This was particularly successful with foreign clients. However, the rate of increase in total new business was only marginal and the slowest in the current sequence of growth. A number of firms suggested markets had stagnated which reduced the pressure to raise production. Output subsequently increased only marginally in August.

Anecdotal evidence also suggested firms attempted to balance the need to expand production with efforts to control escalating costs, as input prices continued to markedly increase. Surveyed firms reported higher input prices were caused by increased demand and the scarcity of raw materials. Changes in the global economy, such as Russia banning grain exports, contributed to higher prices. Chemicals, metals and wheat were particularly highlighted as inputs which had increased in price. Data suggested the marked rise in input price inflation encouraged firms to utilise existing stocks of inputs rather than purchasing additional items. Stocks were also reduced to combat supply-side shortages, as average lead times for the delivery of inputs continued to lengthen in August.

Meanwhile, in parts of the manufacturing sector, survey participants indicated that capacity remained under pressure. Consequently, a number of panellists reportedly used finished goods from stock piles to meet orders.

Monitored companies attempted to pass on prolonged input price inflation to clients by raising their prices charged for finished goods. However, exchange rates movements prevented charges from rising faster than recorded.

Finally, Firms continued to expand production capability in August, primarily through an increase in their workforces. A number of respondents also introduced new staff to marketing and sales. However, the growth in job creation fell slightly from July's rate.

Comment

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

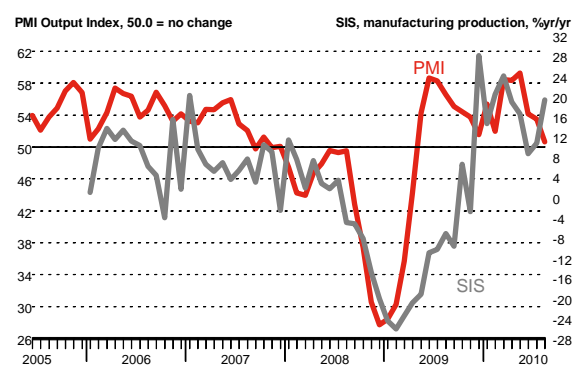
"While the Turkish manufacturing industry managed to retain an impressive sixteen-month long growth streak, the slowdown in rate of improvement signalled by the PMI became even more pronounced in August. Here the pace of expansion was the lowest since February. Similarly, improvements in output and new business orders were the softest in sixteen months and markedly lower compared to July. However export orders were relatively more buoyant. On a positive note, there was a healthy improvement in employment conditions, albeit at a marginally slower rate compared to the previous month. Stocks of purchases fell once again after a temporary increase in July as manufacturers tried to balance production needs with rising input costs. As a matter of fact, there was a sharp increase in input prices in August due to often cited raw material shortages. This was partly reflected in output prices. Overall, we note a softening in production momentum, while increases in input costs could add to pipeline price pressures."

Key points

- New products helped raise new orders and production for the sixteenth consecutive month.
- Prolonged input price inflation picked up in August, as raw materials availability remained limited.
- Firms continued active stock reduction policies to combat escalating cost burdens.

Historical Overview

HSBC Turkey Manufacturing PMI vs SIS Manufacturing Prdn.



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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.

HSBC:

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