

## HSBC Turkey Manufacturing PMI™

Turkish manufacturing business conditions improved only slightly as number of new orders fell for the first time since April 2009

### Summary

The headline Turkey Manufacturing PMI™ in September registered 50.3 – only marginally above the 50.0 no-change threshold. The seasonally adjusted index fell from August's posting of 51.3 to a seventeen-month low.

Output growth weakened marginally from the previous month with a number of surveyed firms attributing this to stagnant markets. Meanwhile, the seasonally adjusted New Orders Index registered a fall during September for the first time since April 2009. The rate of decrease in overall new business was softened by continued growth in new export orders, although this was at a weak pace. Anecdotal evidence indicated the number of export orders increased because of successful investments.

Given weaker output growth and falling new orders, the rate of job creation in the Turkish manufacturing sector continued to slow, hitting a six-month low. Subsequently, the amount of backlogged work increased, albeit at a marginal rate. However, some panellists reported using stocks of finished goods to supply some outstanding business. The seasonally adjusted Stocks of Finished Goods Index fell to the lowest value since January.

On the supply side, delivery times of inputs lengthened for the tenth month running. Anecdotal evidence suggested this was due to increased demand for scarce resources, transport delays and import problems. Monitored companies utilised existing stocks of inputs to compensate against longer delivery times. In addition, firms actively reduced stocks of purchases as stock holding policies changed.

The amount of pre-production goods purchased in September fell for the first time in seventeen months. Panellists reported this was due to a fall in the number of orders and lower output growth.

Input prices rose sharply since the last survey period with survey respondents particularly highlighting energy resources, metals, cotton and wheat as increasing in price. Panellists reported this was due to increased global demand and unfavourable exchange rates. Turkish manufacturing firms were partly successful in passing these higher cost burdens onto clients by raising the price of finished goods.

### Comment

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

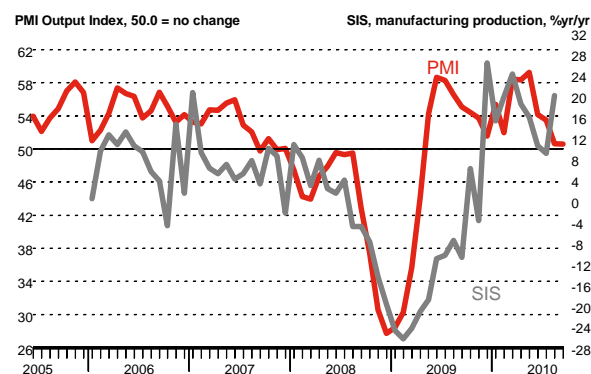
*"The Turkish manufacturing sector expanded only marginally in September and at its lowest pace in seventeen months. This was due to slow output growth and a decline in new orders for the first time since April 2009. The latter was likely caused by falling domestic orders since export business managed to grow in September, albeit at a fairly slow rate. Parallel to the softening momentum in manufacturing activity, improvement in employment conditions also slowed to a six-month low in September. Backlogs of work rose for the third month, whilst stocks of finished goods were slashed to partly cover outstanding business. Meanwhile, input costs rose sharply again as panellists suggested increased pressure from rising commodity prices. Manufacturers were able to pass this on to their end-user prices to some extent. Overall, manufacturing sector performance appears to be softening further, whilst cost pressures still remain in the pipeline."*

### Key points

- Output growth weakened to a seventeen-month low...
- ... and rate of job creation continued to slow.
- Rate of input cost and output price inflation accelerated in September.

### 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](mailto:economics@markit.com).

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