

Embargoed until: 10:00 (ANKARA), 1 December 2010

HSBC Turkey Manufacturing PMI™

Output growth quickened to a joint-survey high as new orders continued to increase at marked pace.

Key findings:

- New orders grew at the fastest rate in six months as economic recovery continued.
- Fastest rate of job creation since survey began in June 2005.
- Input price inflation remained marked.

Conditions within the Turkish manufacturing sector improved at a marked rate during November. Moreover, the rate of growth was the second fastest recorded in this survey's history, slower only than the series record seen in May. Strong output and new order growth contributed to improved manufacturing conditions and led to a sharp increase in employment.

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. At 56.4, up from 54.3 recorded in October, the seasonally adjusted headline index posted the highest reading since May. This reflected strong output growth which posted the joint-fastest rate since the survey began in June 2005.

Survey respondents recorded increased output during November as new orders continued to grow at a sharp pace. The rate of new order growth quickened from October to the fastest in six months. Anecdotal evidence indicated this was due to greater consumer activity within both domestic and foreign markets as the economic recovery continued.

Given the strong rise in new orders, the amount of outstanding work rose during the survey period. This was the fifth successive month where the amount of backlogged work increased. Monitored companies attempted to reduce the

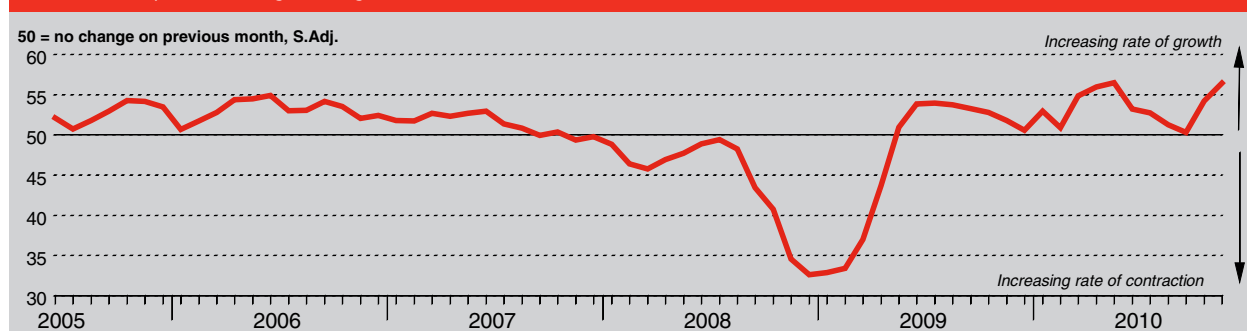
level of unfinished work by expanding production capacity. Consequently, the number of people employed within the Turkish manufacturing sector increased. Moreover, the rate of job creation quickened to a survey-high during November.

Panellists reported depleting stocks of finished goods to supply increased orders. The amount of finished goods held by Turkish manufacturers has now decreased for twenty-six months in a row.

Faster new order and output growth resulted in firms purchasing more inputs during November. Moreover, the rate of increase in purchasing activity quickened to a survey-high. Meanwhile, the amount of input goods held by Turkish manufacturing companies fell at a marginal pace during the survey period. Anecdotal evidence suggested this was due to firms using input stocks alongside purchases to support production growth and mitigate against further vendors' delivery delays.

During November, the time it took for suppliers to deliver pre-production goods lengthened further. Panellists suggested vendors had difficulty in meeting increased demand, emphasising supply constraints. Reflective of this, input prices rose at a marked rate with panellists particularly mentioning metals and wheat-related goods as rising in price. Firms attempted to pass these greater cost burdens on to clients by raising the price charged for finished goods. Output price inflation has now been recorded in every month for a year.

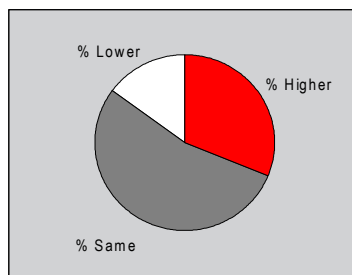
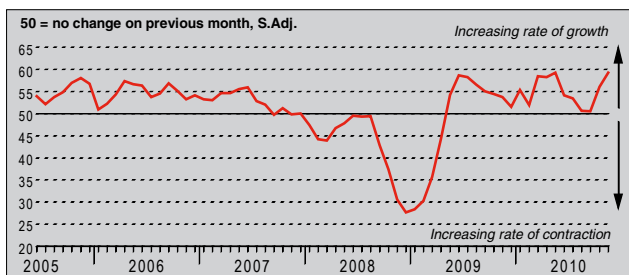
HSBC Turkey Purchasing Managers' Index (PMI™)



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

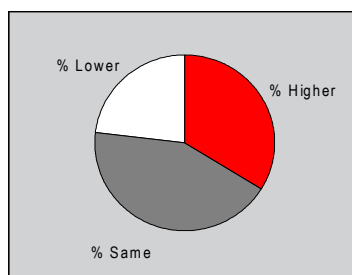
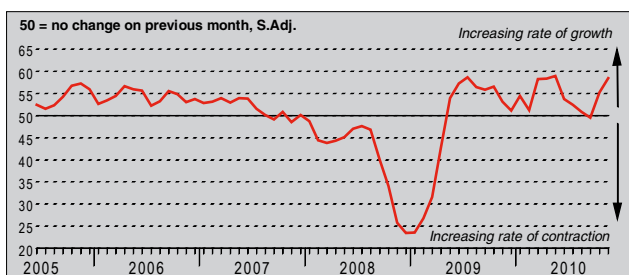
Q. Please compare your production/output this month with the situation one month ago.



During November, Turkish manufacturing firms reported a sharp rise in output, with the rate of growth the joint-fastest in this series history. Consequently, the sharp upward trend from September's seventeen-month low continued. Monitored companies attributed this to increased orders as the global economy continued to improve. Meanwhile, a number of panellists reported enacting plans to increase production capacity.

New Orders Index

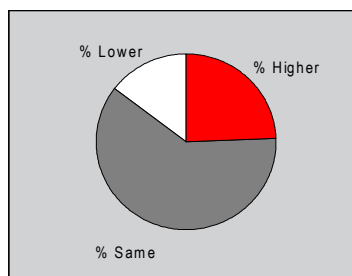
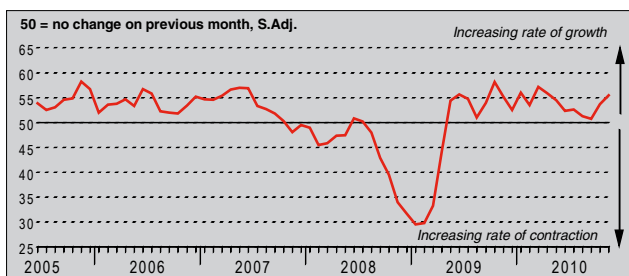
Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.



New orders at Turkish manufacturers increased for the second consecutive month in November. Moreover, new business growth quickened from October to the fastest pace in six months, and was the third-fastest in the series history. Surveyed companies attributed the strong growth to increased consumer activity as the economic recovery from the 2008-09 recession continued. Despite this, over 23% of total respondents reported lower new orders during the survey period with anecdotal evidence attributing this to strong competitive pressures.

New Export Orders Index

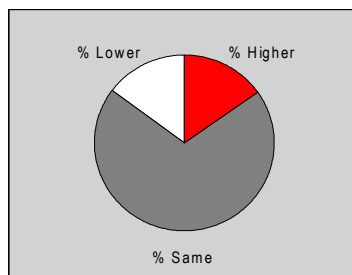
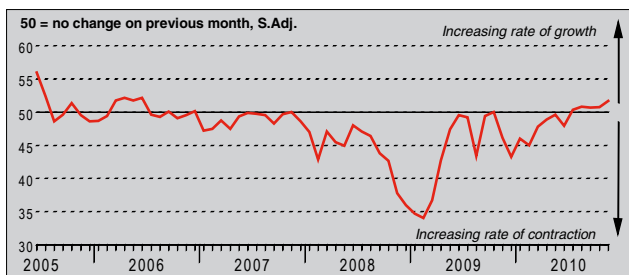
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The seasonally adjusted New Export Orders Index posted a seven-month high in November. This indicated the number of new export orders received at Turkish manufacturing companies increased from October at a marked rate. Growth in export orders has now been recorded in each of the past nineteen months. Panellists commented on developing export channels during the survey period that consequently increased the number of orders. In addition, a number of monitored companies attributed new export order growth to favourable exchange rates.

Backlogs of Work Index

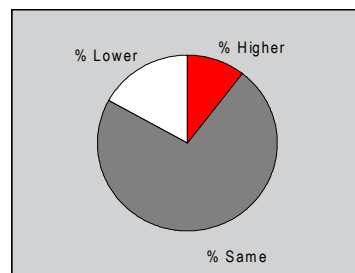
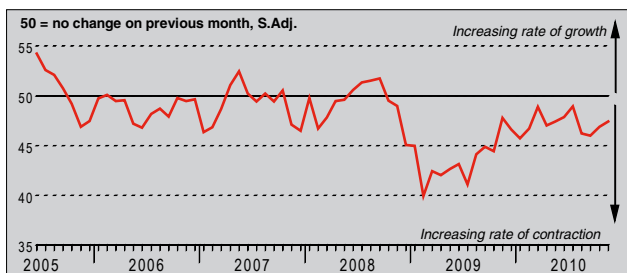
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Reflective of strong new order growth, the amount of unfinished work increased during November extending the current sequence of expansion to five months. Moreover, the rate of accumulation gathered pace from October and was the fastest recorded since June 2006. Surveyed firms reported increased work-in-hand (but not yet completed) as they struggled to meet the higher demand for manufactured goods.

Stocks of Finished Goods Index

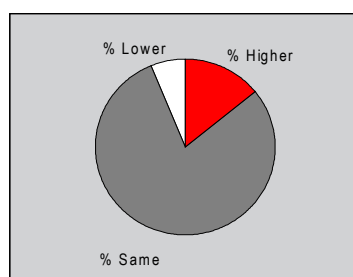
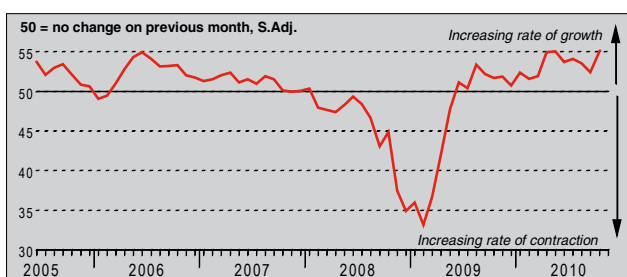
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



For the twenty-sixth month running the amount of finished goods held by Turkish manufacturers decreased during November. Monitored companies commented on using stocks of finished goods to supplement production and supply increased new orders. However, the seasonally adjusted Stocks of Finished Goods Index increased modestly from October, with survey respondents attributing this to expanded production capability.

Employment Index

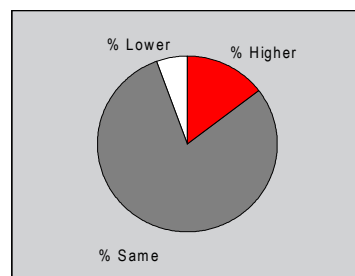
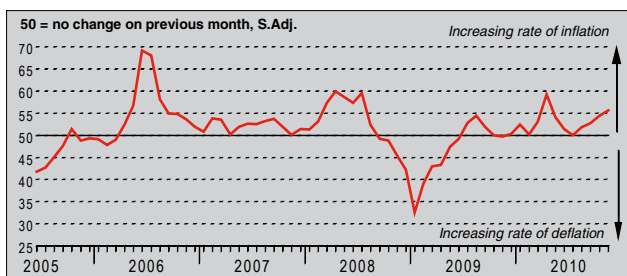
Q. Please compare the level of employment at your unit with the situation one month ago.



In November, the rate of job creation quickened to the fastest pace recorded since this survey began in June 2005. Surveyed firms increased their workforces at a strong rate, with this continuing to rise from September's six-month low. Anecdotal evidence indicated panellists required a higher number of employees as production capacity expanded and new orders increased.

Output Prices Index

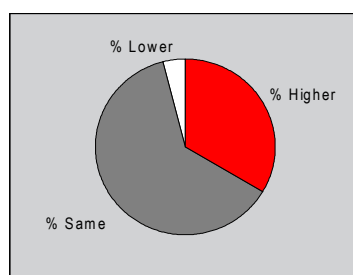
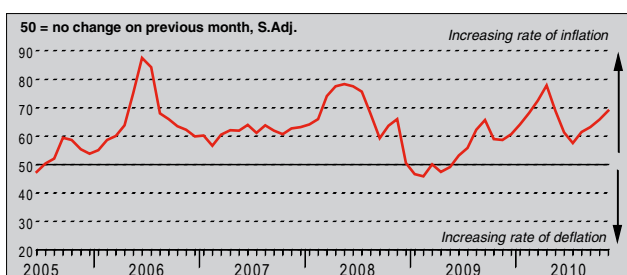
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Turkish manufacturing companies increased the prices charged for finished goods in November. Higher output prices have now been recorded in every month for the past year. Moreover, the rate of output price inflation quickened from October to the fastest pace in seven months. Panellists attributed the rise in output prices to attempts made to pass on higher input costs to clients. In addition, a number of survey respondents commented on raising their prices charged as a response to higher demand.

Input Prices Index

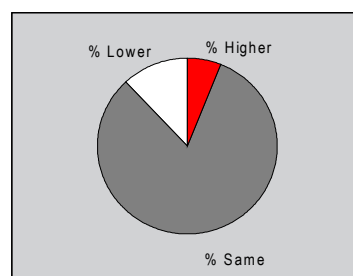
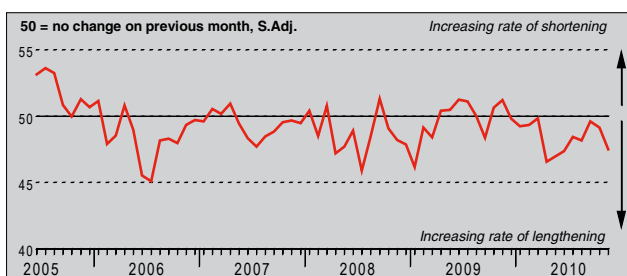
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



The rate of input price inflation continued to be marked during November, picking up modestly from October to the fastest pace since May. Turkish manufacturers reported higher costs for raw materials during the survey period, particularly highlighting metals and wheat-related produce. Nevertheless, some panellists indicated favourable exchange rates reduced the cost of some imported goods.

Suppliers' Delivery Times Index

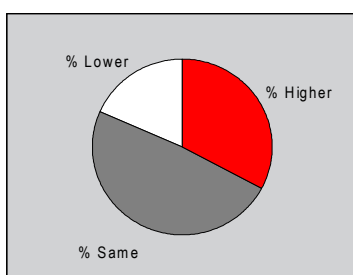
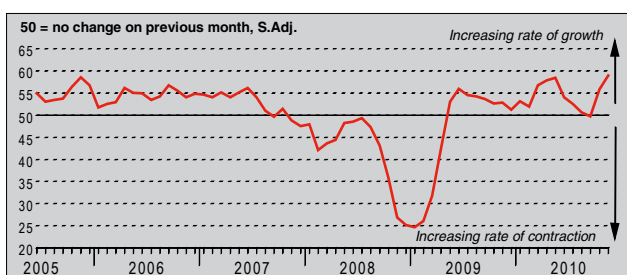
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



In November, the seasonally adjusted Suppliers' Delivery Times Index fell modestly from October to a five-month low. This indicated the average delivery time of pre-production goods lengthened during the survey period. Anecdotal evidence attributed longer lead times to vendors experiencing difficulty in coping with greater demand for inputs. Furthermore, survey respondents suggested suppliers had limited spare capacity that further added to delays.

Quantity of Purchases Index

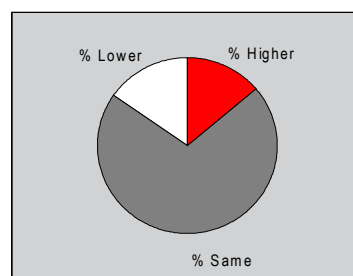
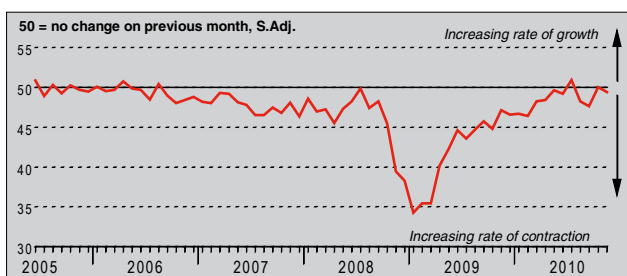
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Given the strong rise in output, the amount of pre-production goods purchased by Turkish manufacturing companies increased during November. The rate of increase quickened from the previous survey period to the fastest rate in this survey's history. Besides greater input requirements from the expanded production capability, monitored companies also reported greater purchasing activity as new orders grew further during the survey period.

Stocks of Purchases Index

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



Stock holdings of input goods decreased in November, in contrast to the weak growth observed during October. However, the rate of depletion was only marginal as the seasonally adjusted Stocks of Purchases Index posted slightly under the 50.0 no-change threshold. Anecdotal evidence indicated they had reduced stocks of pre-production goods to mitigate against prolonged input delivery delays and the prospect of further input price rises.

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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