

HSBC Turkey Manufacturing PMI™

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

Summary

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.

Comment

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

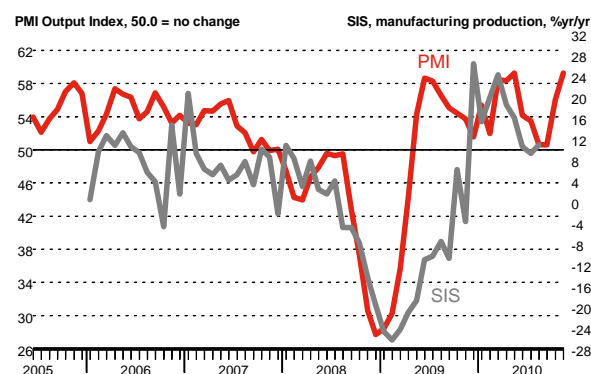
"The Turkish manufacturing sector expanded at an accelerated pace in November, reaching its fastest rate of growth since May. This was due to production volume increasing at the joint-fastest rate in the survey's history and very buoyant new business orders, both domestically and externally. The expansion in the manufacturing sector also generated jobs as the employment index reached its highest level since the beginning of this survey in June 2005. This strong performance also caused backlogs of work to increase to its highest level since June 2006 despite greater output. As such, manufacturers continued to slash stocks of finished goods to meet order demand. Similarly, quantity of purchases also rose at the highest pace ever. Unsurprisingly, this brisk outlook leads to further input cost pressures for Turkish manufacturers, which is also evident in lengthening supplier delivery times. Inevitably, manufacturers are passing these costs to their clients as output prices rose to a six month high. Therefore, this argues pipeline inflationary pressures are building up within the industry."

Key points

- 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.

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.

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