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HSBC Turkey Manufacturing PMI™

Rate of job creation quickened to survey-high as output growth remained marked.

Key findings:

- New export orders increased at the fastest pace since October 2009.
- Lead times for inputs continued to lengthen.
- Input prices rose at fastest rate in eight months.

In December, conditions within the Turkish manufacturing sector improved at a marked rate. Both output and new orders continued to increase at a strong pace, with new export order growth the fastest since October 2009. Reflective of this, the number of people employed by Turkish manufacturers increased at the fastest rate in the survey's history.

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, unchanged from November, the headline index was indicative of strong growth. This partly reflected a strong rate of output growth. Survey respondents attributed the latest rise in output to greater new orders.

The amount of new orders received by Turkish manufacturers also increased at a strong pace in December. Moreover, the rate of new export order growth was the fastest in fourteen months, and the third-highest in the series history as the global economic environment continued to improve.

In light of this, survey respondents sought to expand their production capability during the survey period. The amount of people employed within the manufacturing sector increased at a marked rate, with the rate of job creation the fastest in the survey's five-and-a-half year history.

Despite output growth being stronger than that of new orders,

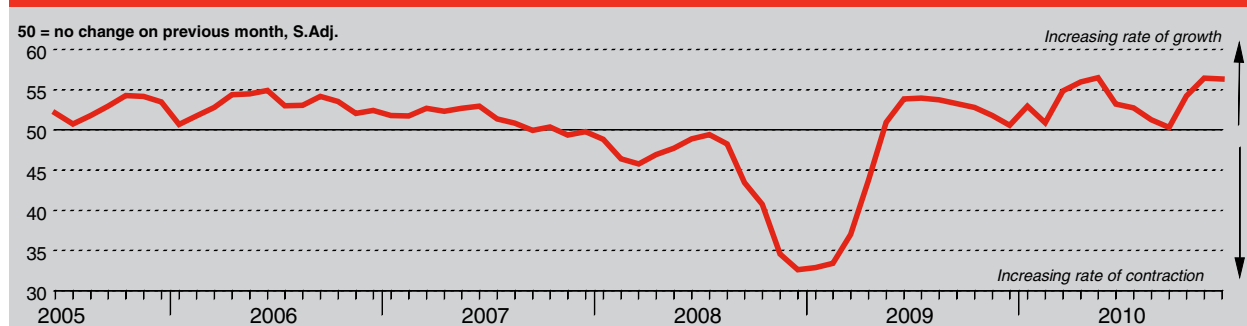
the amount of outstanding business rose during the survey period. However, the increase was only marginal, with the rate of accumulation slower than in November. Turkish manufacturing companies reduced their holdings of finished goods to help supply new orders. Post-production inventories have now been depleted for the past twenty-seven months.

Meanwhile, Turkish manufacturers increased the amount of input goods purchased in December. The rate of growth quickened from the previous survey period to the fastest rate recorded for the series. Stocks of pre-production goods were depleted for the second month running. Evidence from the latest survey indicated respondents reduced their stock holdings of inputs to compensate for further suppliers' delivery delays.

The time it took for vendors to deliver input goods to Turkish manufacturers lengthened at the third-fastest pace in the history of the series in December. Surveyed firms suggested suppliers faced difficulty in sourcing raw materials, especially due to recent bad weather.

Partly reflective of greater demand for input goods, the rate of input price inflation quickened to an eight-month high. Panellists highlighted oil, cotton and steel as rising in price. Consequently, monitored companies attempted to pass higher cost burdens on to clients. The average price charged by Turkish manufacturers increased for the thirteenth successive month.

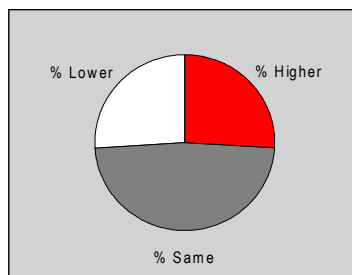
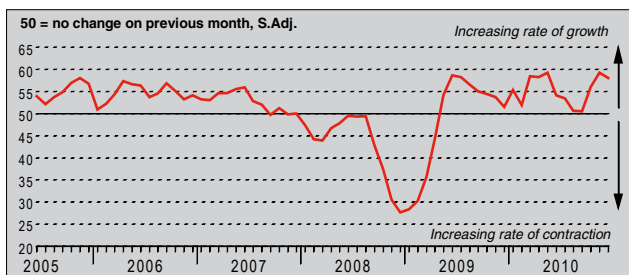
HSBC Turkey Purchasing Managers' Index (PMI™)



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

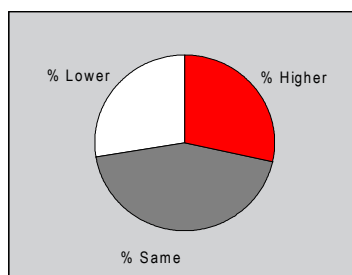
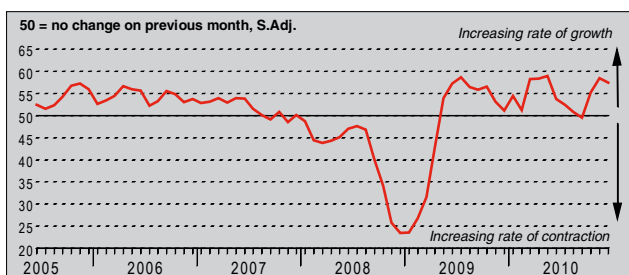
Q. Please compare your production/output this month with the situation one month ago.



During December, Turkish manufacturers reported a rise in output that extended the period of expansion to twenty months. Moreover, the seasonally adjusted Output Index continued to post above the series long-run average. Surveyed companies attributed the marked increase in output to greater new orders during the survey period. Nevertheless, the rate of growth weakened from November's joint-survey high as greater cost burdens, particularly from higher prices for raw materials, constrained output growth.

New Orders Index

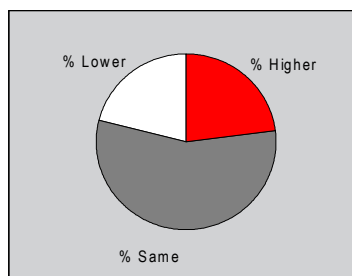
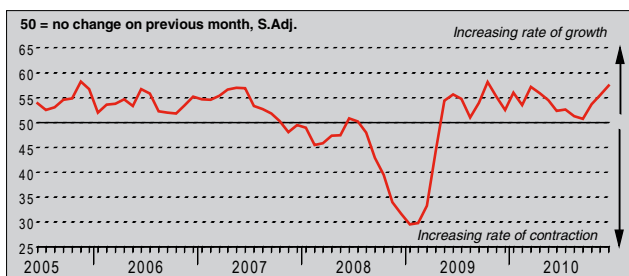
Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.



The amount of new orders received by Turkish manufacturing companies increased at a strong rate in December. New order growth has now been recorded for three successive months and the rise was in marked contrast to the fall recorded in September. Survey respondents suggested new orders increased as improved market conditions resulted in higher demand. Moreover, anecdotal evidence indicated new orders came from both domestic and international markets.

New Export Orders Index

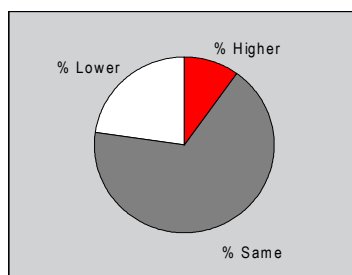
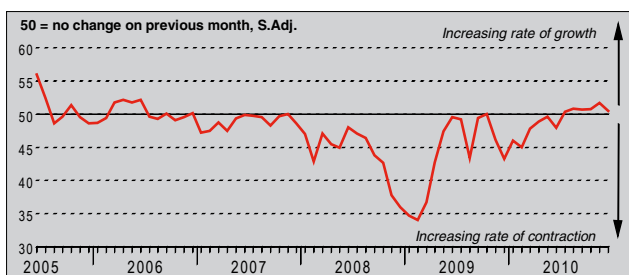
Q. Please compare the level of new export orders received this month with the situation of one month ago.



During December, the seasonally adjusted New Export Orders Index posted the highest reading since October 2009. The latest index reading was indicative of a marked rise in orders received by Turkish manufacturers. Monitored companies attributed increased export orders to greater demand, especially as the global economic environment improved. Moreover, a number of firms commented that the successful launch of new products helped increase new orders.

Backlogs of Work Index

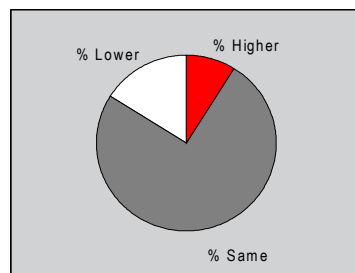
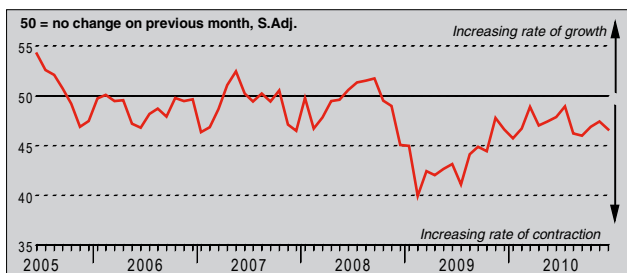
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



For the sixth month running, the amount of unfulfilled orders increased in December. However, with the seasonally adjusted Backlogs of Work Index posting marginally above the 50.0 no-change threshold, the increase was only slight. Panellists indicated the level of work-in-hand (but not yet completed) increased as new order growth continued.

Stocks of Finished Goods Index

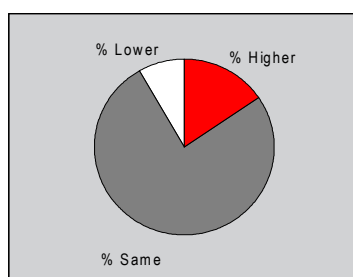
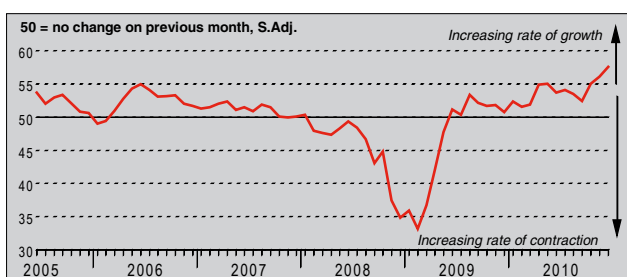
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The amount of finished goods held as stock by Turkish manufacturers decreased in December. The rate of depletion was solid and the fastest in three months. Evidence from December's survey indicated the latest fall in stock holdings was due to firms using finished goods to supply some new orders. Moreover, a number of survey respondents reported new stock controls required lower levels of goods being held.

Employment Index

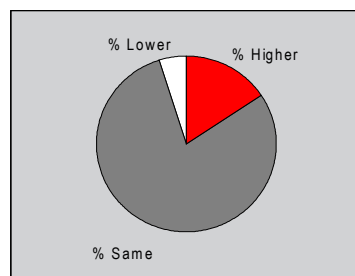
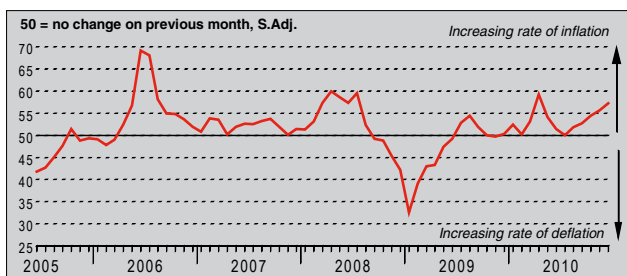
Q. Please compare the level of employment at your unit with the situation one month ago.



The number of people employed within the Turkish manufacturing sector increased at a marked rate in December. Noticeably, the rate of job creation gained momentum from November to the fastest pace in the survey's history. Surveyed companies primarily attributed the higher level of employment to greater demand for manufactured goods. This subsequently led to a rise in production requirements.

Output Prices Index

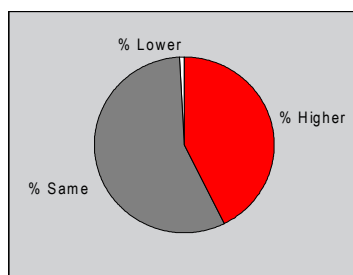
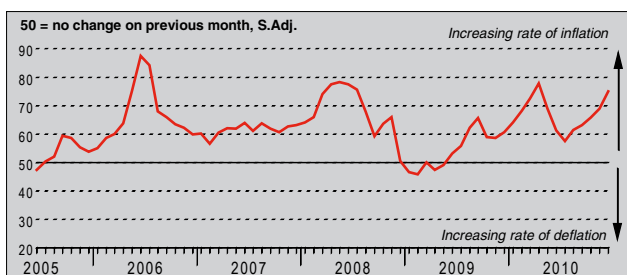
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



In December, the prices charged by Turkish manufacturing companies increased at a strong rate. Output price inflation has now been recorded for the past thirteen months. Moreover, the rate of inflation quickened from the previous survey period to the fastest since April. Monitored companies attributed higher output prices to successfully passing on greater cost burdens, particularly from higher raw material prices, to clients.

Input Prices Index

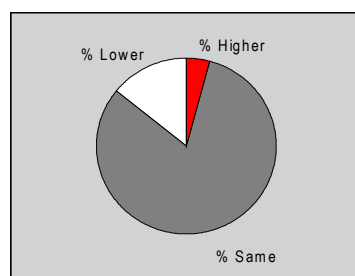
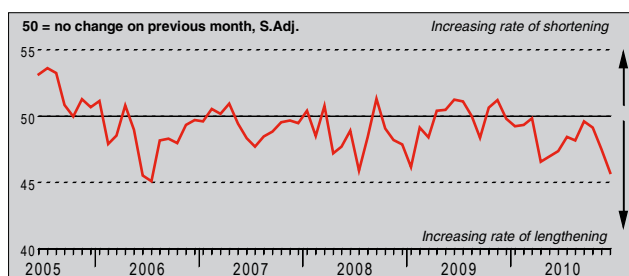
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



The rate of input price inflation continued to be substantial in December. Over 42% of total respondents registered higher average input prices during the survey period. Consequently, the seasonally adjusted Input Prices Index posted the highest reading since April. Anecdotal evidence suggested cost burdens increased due to unfavourable exchange rates and higher costs for raw materials. In particular, survey respondents highlighted oil, cotton and steel as rising in price during the survey period.

Suppliers' Delivery Times Index

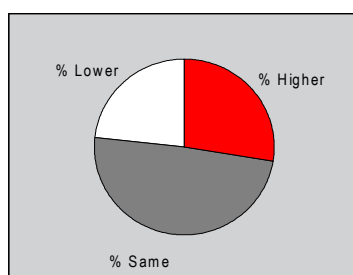
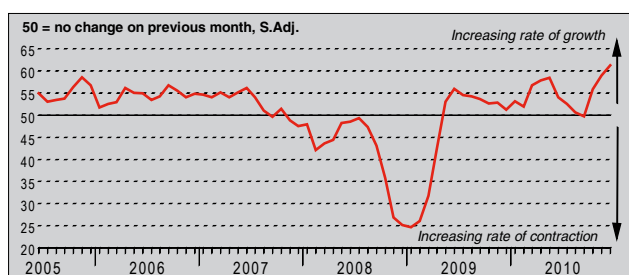
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



The time it took for suppliers to deliver pre-production goods lengthened further in December. This was indicated by the seasonally adjusted Suppliers' Delivery Times Index posting below the 50.0 no-change threshold for the thirteenth consecutive month. Moreover, the latest index reading fell from November to the lowest level since July 2006, and was the third-lowest in the series history. Turkish manufacturers suggested vendors experienced difficulty in sourcing input goods, particularly due to recent bad weather.

Quantity of Purchases Index

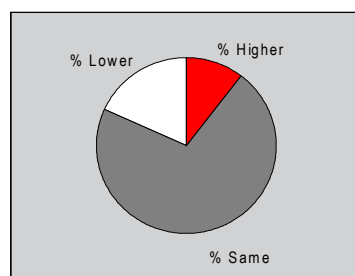
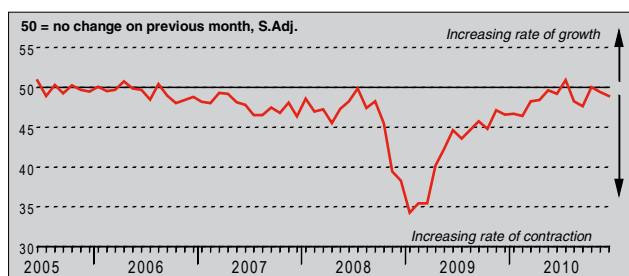
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



In December, the amount of inputs purchased by Turkish manufacturers increased at a marked rate for the third successive month. In addition, the rate of growth quickened from November to the fastest pace in this series history. Monitored companies increased their purchasing activity as production requirements grew during the survey period, the second successive month in which a survey record has been posted.

Stocks of Purchases Index

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



The amount of input goods held as stock fell for the second consecutive month in December. Moreover, with over 18% of total respondents reporting a fall in input stock levels, the rate of depletion quickened from November. Turkish manufacturing companies commented on reducing the level of input goods stock to compensate for further delivery delays from vendors.

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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