

HSBC Turkey Manufacturing PMI™

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

Summary

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.

Comment

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

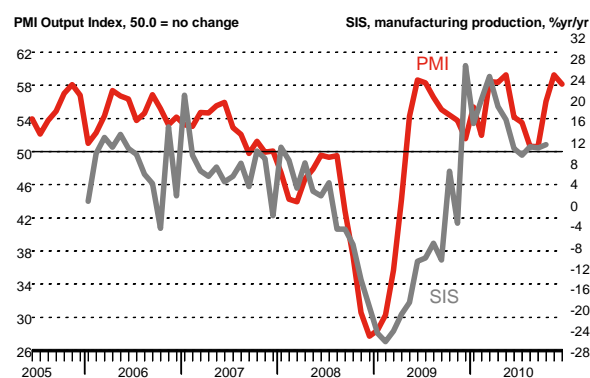
"The Turkish manufacturing sector maintained November's impressive performance in December, expanding at its fastest rate since May. The pace of output and new order growth moderated slightly from the previous month, though still remained impressive. New export orders, on the other hand, showed the fastest improvement since October 2009. More encouragingly, this bright picture supported employment creation with conditions reaching their best level ever in the survey history. Backlogs of work increased marginally in December, while manufacturers continued to slash their finished goods inventories to meet order demand. In the meantime, this stellar performance also led to some price and margin pressures. Input prices soared at a very high rate, reminiscent of 2008 Q1 with rampant global commodity prices, whilst suppliers' delivery times lengthened at a close to record rate. As such, manufacturers continued to reflect this in output prices that rose at the fastest pace in eight months."

Key points

- 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.

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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