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## HSBC Turkey Manufacturing PMI™

Headline PMI at survey-high as both output and new orders increased at marked rates.

### Key findings:

- Output growth quickened to third-fastest pace in series history.
- Suppliers' delivery times lengthened to the greatest extent since July 2006.
- Fastest rate of input cost inflation in fifty-four months.

Business conditions within the Turkish manufacturing sector continued to improve at a strong pace in January. This reflected marked rates of growth for both output and new orders. Despite this, manufacturers were under pressure from the persistently high rate of input cost inflation and the further lengthening of vendors lead times during January.

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 57.2, up from December's reading of 56.4, the Turkish manufacturing sector improved at its fastest pace since the survey began in June 2005. The headline index rose during January as output and new orders grew at near-record rates and job creation remained steep.

In January, monitored companies recorded increased output, extending the sequence of expansion to twenty-one months. Panellists largely attributed this to a greater level of new orders received during the latest survey period. New order growth was marked as Turkish manufacturers experienced greater demand for their goods. Data suggested that domestic demand was stronger than that of international markets. In fact, new export order growth slowed during January.

Reflective of new order growth being faster than that of output, firms depleted existing stocks of post-production

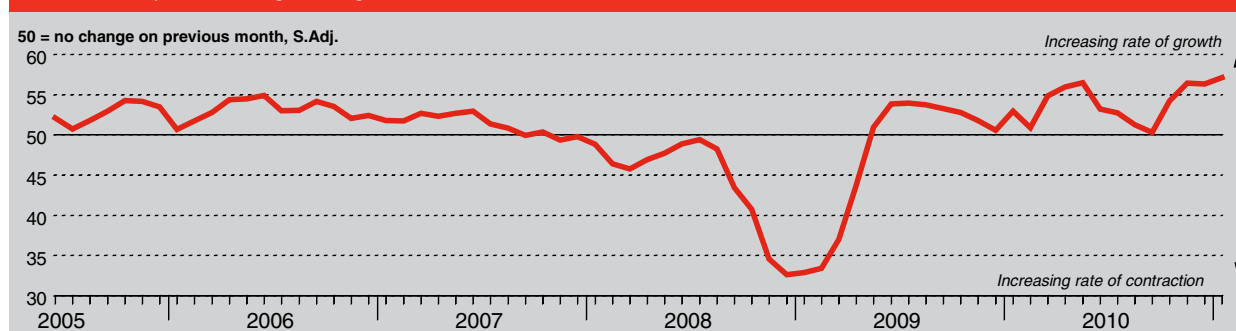
goods to partly meet new order requirements. Moreover, a number of monitored companies sought to expand their production capability by hiring additional staff. Employment grew at the second-fastest rate in the series five-and-a-half year history – second to the pace registered in December.

Meanwhile, the amount of outstanding business fell during January. Although the rate of decrease was only marginal, it was the first time in seven months that a fall has been recorded by Turkish manufacturers.

Firms within the Turkish manufacturing sector, however, continued to face supply-side problems. The time it took for suppliers to deliver inputs lengthened for the fourteenth consecutive month, with the latest increase the fastest since July 2006. Moreover, the rate of input price inflation quickened further in January. The latest rise was sharp and the strongest in fifty-four months. Panellists particularly highlighted oil, cotton, wheat and metals as increasing in price during January.

Turkish manufacturers attempted to minimise the effects of marked input cost inflation by raising their prices charged and building their stocks of inputs. Output prices rose at a strong rate in January that was the fastest in fifty-four months; whilst stocks of inputs grew at a six-month high. Surveyed companies successfully built stocks of pre-production goods by purchasing a greater amount of inputs in January. Purchasing activity rose at the second-fastest pace in the series history.

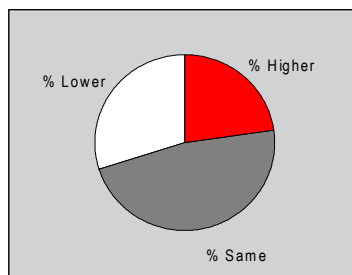
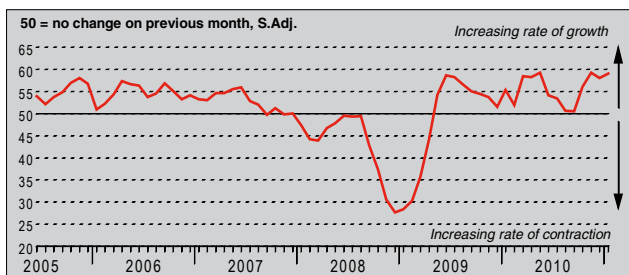
HSBC Turkey Purchasing Managers' Index (PMI™)



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**

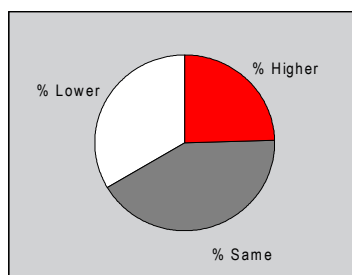
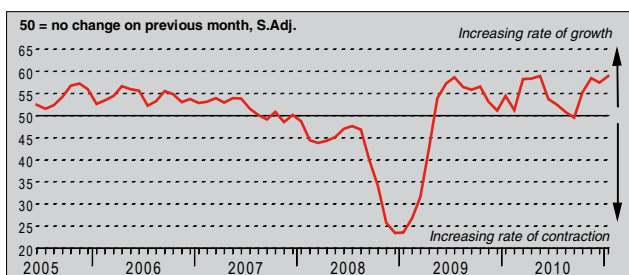
Q. Please compare your production/output this month with the situation one month ago.



Turkish manufacturing companies recorded increased output for the twenty-first successive month in January. Moreover, the latest rise was marked, with the seasonally adjusted Output Index posting the third-highest reading in the series history. Survey respondents attributed the latest increase in output to greater demand and higher new orders.

**New Orders Index**

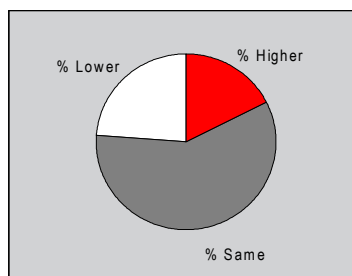
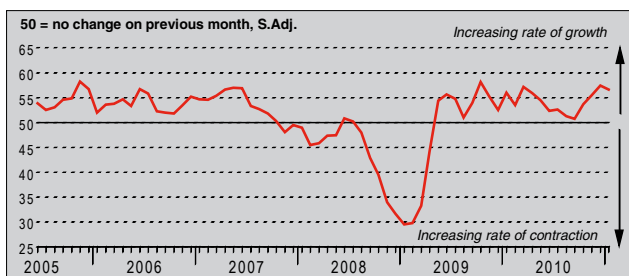
Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.



The amount of new orders received by Turkish manufacturers increased at a strong pace in January. The rate of new order growth quickened since December to an eight-month high and was the second-fastest in the survey's five-and-a-half year history. Anecdotal evidence suggested demand for Turkish manufactured goods increased as markets became more active. Nevertheless, volatile input costs, and their subsequent effect on output prices, limited new order growth slightly for a number of monitored companies.

**New Export Orders Index**

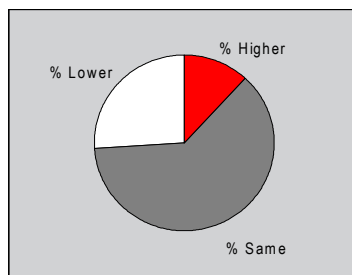
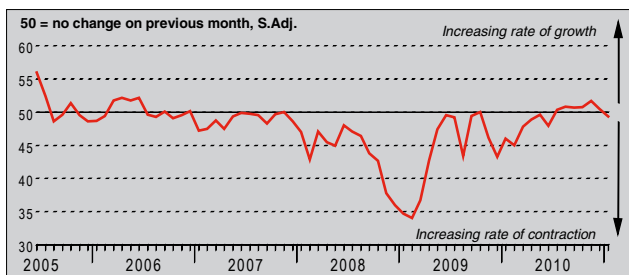
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The level of new export orders received by survey respondents rose in January, extending the current sequence of expansion to twenty-one months. The rate of increase slowed from that registered in December, but remained above the long-run series average for the fourth consecutive month. Evidence from the latest survey indicated demand was higher as global economies continued to show improvement. Despite this, new export order growth was slower than that of total new orders.

**Backlogs of Work Index**

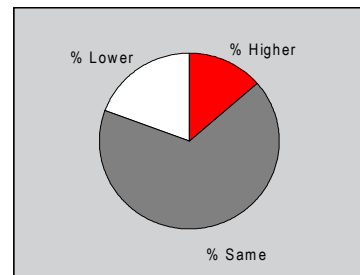
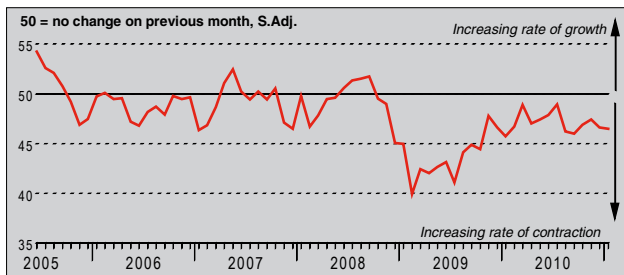
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The seasonally adjusted Backlogs of Work Index posted below the 50.0 no-change threshold for the first time in seven months during January. The latest reading was indicative of a decline in the level of work-in-hand (but not yet completed), however the fall was only marginal. A number of monitored companies attributed reduced outstanding business to recent sales deliveries.

## Stocks of Finished Goods Index

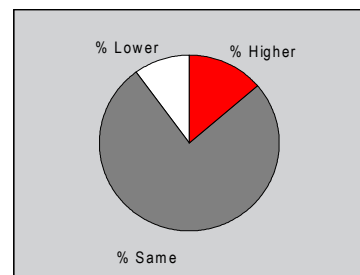
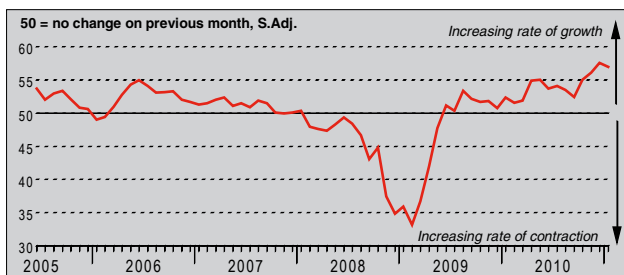
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The amount of post-production goods held as stock by Turkish manufacturers decreased during January. Stocks of finished goods have now been reduced for twenty-eight consecutive months, with the latest fall the fastest since September. Panellists commented on partly fulfilling new order requirements by actively depleting their existing stock during the latest survey period.

## Employment Index

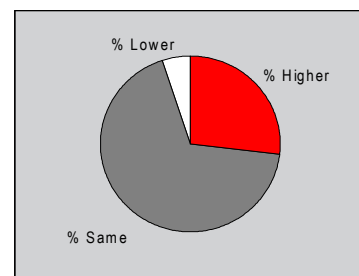
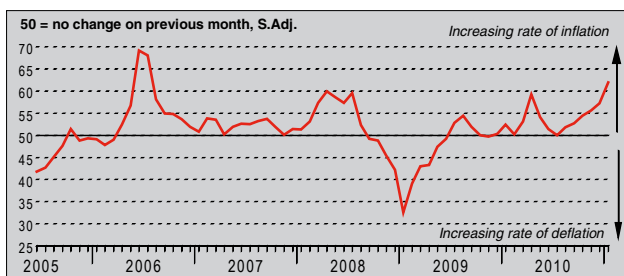
Q. Please compare the level of employment at your unit with the situation one month ago.



During January, the number of people employed within the Turkish manufacturing sector increased. The rate of job creation remained marked, despite weakening from December's survey-high, and remained well above the series' long-run average. In fact, employment levels increased at the second-fastest pace in the series history. Monitored companies largely attributed the latest expansion in their workforces to greater production requirements and stronger new order growth.

## Output Prices Index

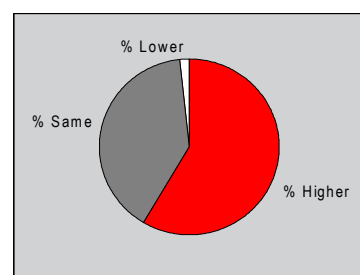
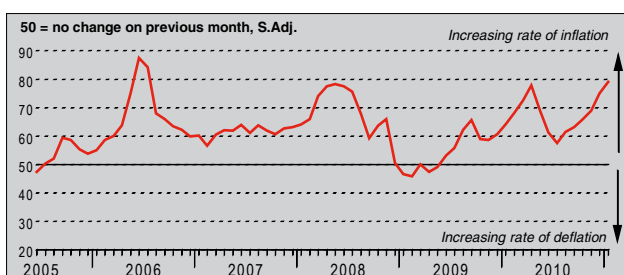
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



The average price charged by manufacturing companies increased at a marked rate in January. Moreover, the seasonally adjusted Output Prices Index posted its highest reading since July 2006. Turkish manufacturers raised their prices charged for finished goods as the cost of raw materials, such as oil, wheat and metals, increased sharply during the latest survey period. Moreover, a number of panellists commented on passing the effects of unfavourable exchange rates on to clients in January.

## Input Prices Index

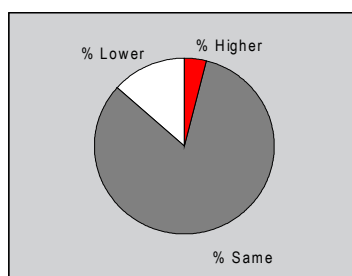
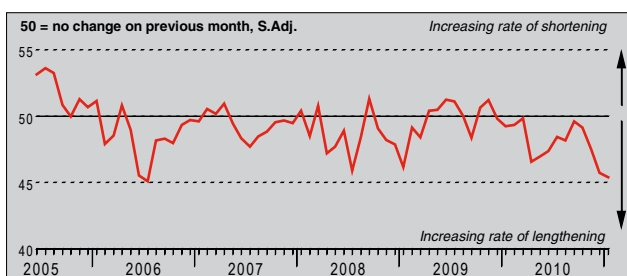
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



The rate of input price inflation quickened sharply from December to the fastest pace in four-and-a-half years in January. Over 58% of respondents registered an increase in cost burdens during the latest survey period with panellists recording higher prices across several goods. In particular, monitored companies highlighted oil, cotton and metals as rising in price during January.

## Suppliers' Delivery Times Index

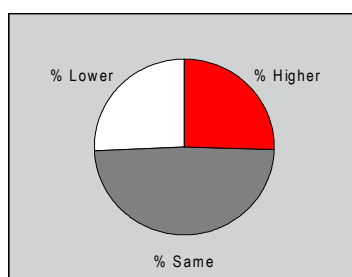
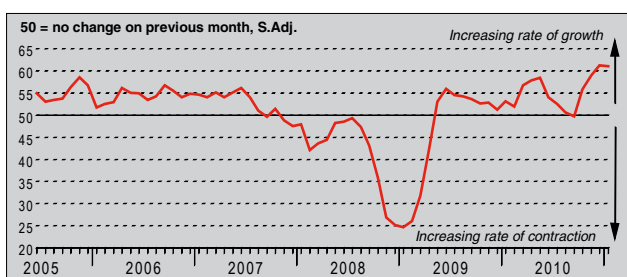
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Suppliers' delivery times lengthened further in January. This was indicated by the seasonally adjusted Suppliers' Delivery Times Index posting below the 50.0 no-change threshold as has been the case in each month since December 2009. Moreover, the latest increase in vendors' lead times was the fastest in fifty-four months. Anecdotal evidence indicated delivery times lengthened as suppliers struggled to cope with greater demand for inputs as well as experiencing difficulty in sourcing some raw materials.

## Quantity of Purchases Index

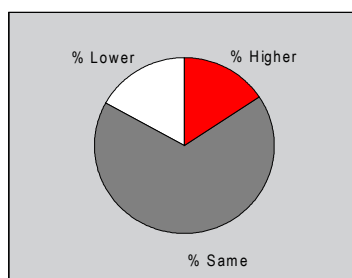
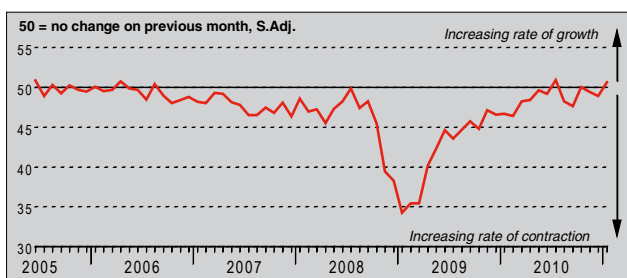
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



The amount of inputs purchased by Turkish manufacturers increased further during January. Purchasing activity grew at a slightly slower pace than that recorded in December, but still increased at the second-fastest rate in the series history. Panellists largely attributed the rise in purchases to higher production requirements. Also, a number of monitored companies commented on actively purchasing a greater level of pre-production goods to rebuild their stocks.

## Stocks of Purchases Index

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



In January, the level of pre-production goods held as stock by Turkish manufacturers increased for the first time in three months. The seasonally adjusted Stocks of Purchases Index indicated a marginal increase in stock levels during the latest survey period. The reading was the highest since July. Turkish manufacturing firms commented on increasing their stocks of pre-production goods to partly mitigate against prolonged input price inflation.

## 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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