

HSBC Turkey Manufacturing PMI™

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

Summary

At 57.2, up from December's reading of 56.4, the headline PMI signalled that the Turkish manufacturing sector improved at its fastest pace since the survey began in June 2005. 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 respondents 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 since June 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.

Comment

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

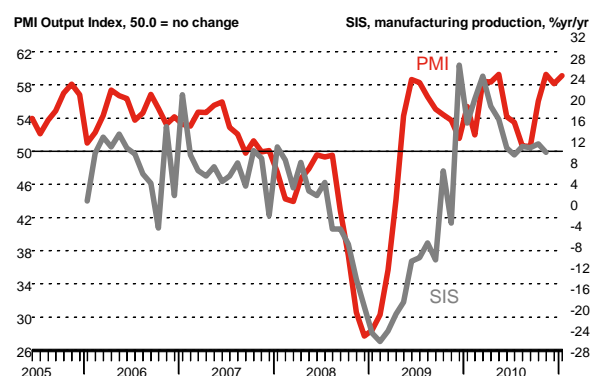
"The Turkish manufacturing sector expanded at the fastest pace in this survey's history during the first month of 2011, thanks to near record growth in both new orders and production. New export orders also grew at a respectable pace, albeit slightly slower than December, suggesting that domestic demand still remains the biggest driver of the manufacturing sector's impressive performance. Expanding manufacturing activity also continued to generate jobs, as employment conditions improved at a very robust pace. The backlogs of work declined in January, although only marginally, despite strong demand conditions. Meanwhile, manufacturers cite supply shortages, which is evident in lengthening suppliers' deliver times and a sharp increase in input prices. Manufacturers are passing this pressure to their output prices with the fastest rate of increase since June 2006. Overall, we expect to see some re-balancing in manufacturing activity towards export orders in the coming months reflecting the recent changes in monetary policy strategy."

Key points

- 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.

Historical Overview

HSBC Turkey Manufacturing PMI vs SIS Manufacturing Prdn.



For further information, please contact:

HSBC

Dr. Murat Ulgen, Chief Economist, HSBC Turkey

Telephone +90-212-376-4619

Email muratulgen@hsbc.com.tr

Ömer Kayalıoğlu, Corporate Communications

Telephone +90-212-376-4361

Email asliarbel@hsbc.com.tr

Aslı Arbel, Corporate Communications

Telephone +90-212-376-4365

Email asliarbel@hsbc.com.tr

Markit

Mark Wingham, Economist

Telephone +44-1491-461-004

Email mark.wingham@markit.com

Caroline Lumley, Corporate Communications

Telephone +44-20-7260-2047 / +44-781-581-2162

Email caroline.lumley@markit.com

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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