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HSBC Turkey Manufacturing PMI™

PMI at fresh survey high, but input price inflation continued to strengthen.

Key findings:

- Both output and new orders increased at fastest pace in their respective series histories.
- Strongest rate of input cost inflation since July 2006.
- Suppliers' delivery times lengthened further.

Conditions within the Turkish manufacturing sector improved at a marked rate in February. This reflected steep output and new order growth, which both strengthened since January to survey highs. However, longer lead times and a marked rate of input price inflation added to the sector's supply pressures during the latest survey period.

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 58.5 in February, up from January's reading of 57.2, the headline PMI reached a fresh survey high and indicated a marked improvement in the Turkish manufacturing sector.

Turkish manufacturers recorded output growth for the twenty-second month running in February. Moreover, the rate of increase was the fastest in the survey's five-and-a-half year history. Panellists attributed the latest rise in production to greater demand for Turkish goods. Monitored companies received a higher number of new orders in February, with sales originating from both domestic and international markets.

Surveyed companies depleted stocks of finished goods in February to partly fulfil new order requirements. Nonetheless, the amount of work-in-hand (but not yet completed) rose during the latest survey period. However, the accumulation of backlogged work was only marginal and was attributed to difficulty in sourcing some raw materials by panellists.

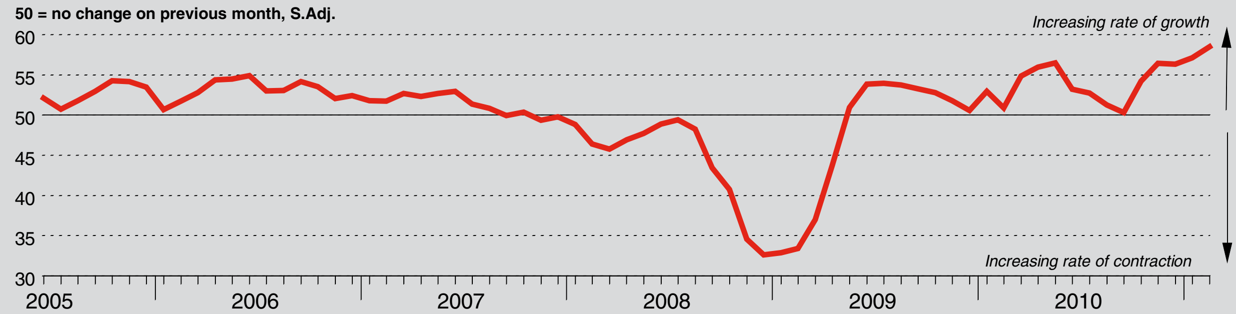
The number of people employed within the Turkish manufacturing sector increased at a marked pace in February. Job creation has now been recorded since June 2009, with the latest rise the second-fastest in the series history.

Reflective of the marked increase in output, the amount of inputs purchased by manufacturers rose during the latest survey period. Purchasing activity increased at a marked rate that was also a series high. Meanwhile, stocks of inputs grew only modestly, as firms attempted to mitigate against longer vendors' lead times.

Suppliers' delivery times lengthened further in February, extending the current trend to fifteen months. Anecdotal evidence suggested that vendors also experienced difficulty in sourcing some raw materials during the latest survey period. Moreover, a number of monitored companies commented that suppliers struggled to control escalating cost burdens as a result of a marked rate of raw material price inflation.

The average price of inputs rose at the strongest pace since July 2006 in February. Turkish manufacturers recorded higher prices across a wide range of goods, although particularly highlighted fuel and metals. Panellists partly passed higher costs on to clients during the latest survey period. The rate of output price inflation was the third-fastest in the series history, but remained slower than that of input costs.

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.

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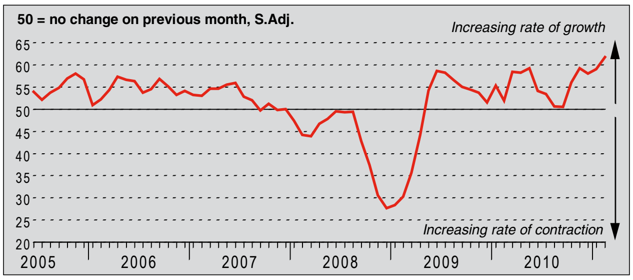
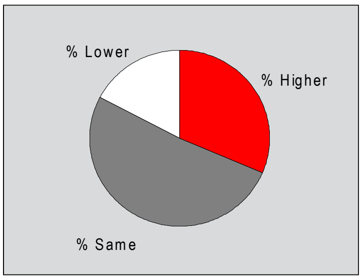
Output Index

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

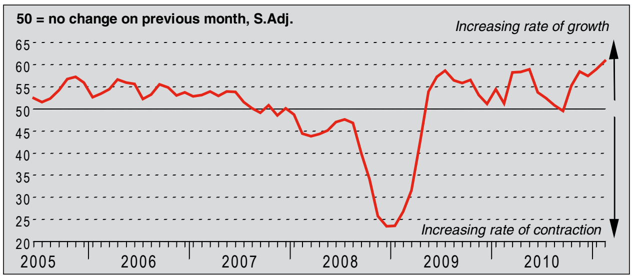


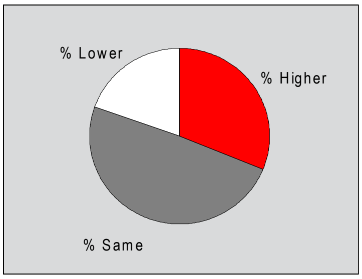


Turkish manufacturers recorded a marked rate of output growth in February. Production rose at the fastest pace in the series five-and-a-half year history as over 31% of total respondents registered a greater level of output compared to the previous survey period. Monitored companies largely attributed increased production to greater demand for Turkish goods during February. However, a number of surveyed firms suggested that the rise in output could have been greater if supply pressures, such as difficulty in sourcing some raw materials, were not present.

New Orders Index

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

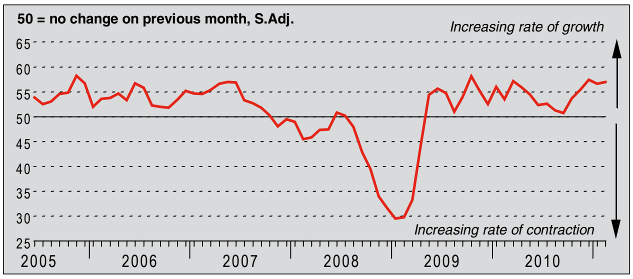


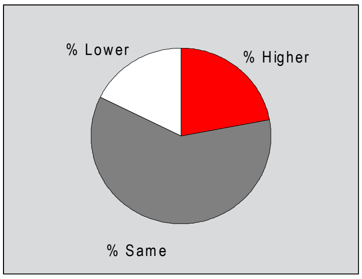


The level of new orders received by companies within the Turkish manufacturing sector increased at a marked rate in February. New order growth has now been recorded in each of the past five months, with the latest rate the strongest in the survey history. Anecdotal evidence attributed the recent rise in new orders to greater demand during the latest survey period.

New Export Orders Index

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

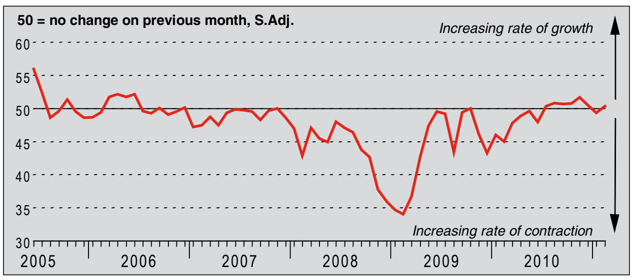


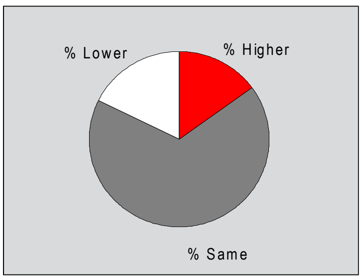


In February, the amount of export orders placed at Turkish manufacturing companies increased at a strong pace. This extended the sequence of expansion to twenty-two months. Survey respondents commented that demand from key foreign markets rose during the latest survey period, subsequently raising the number of export orders received by firms. Despite this, the rate of new export order growth remained slower than that of domestic orders.

Backlogs of Work Index

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

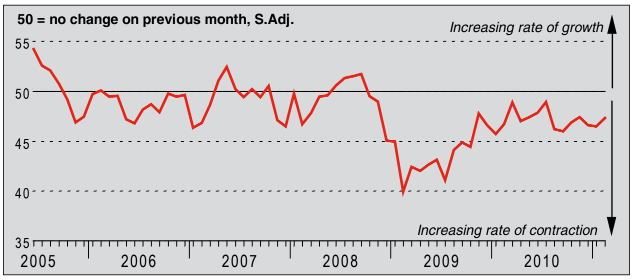


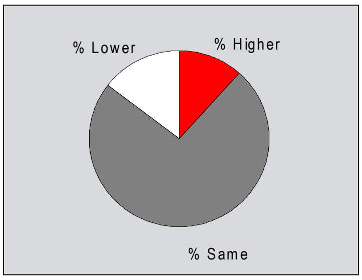


The seasonally adjusted Backlogs of Work Index posted marginally above the 50.0 no-change threshold in February. This indicated a slight accumulation of outstanding business during the latest survey period, and was in contrast to the decline registered in the previous month. Panellists that registered increased work-in-hand indicated that this reflected higher demand for Turkish manufactured goods. Moreover, a number of monitored companies experienced difficulty in sourcing raw materials in February, consequently creating some production delays.

Stocks of Finished Goods Index

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

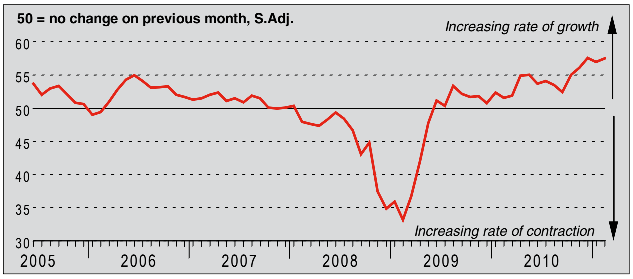


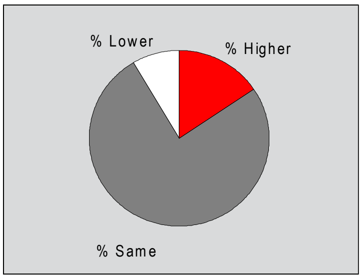


In February, the amount of finished goods held as stock decreased for the twenty-ninth successive month. The rate of depletion was modest, and slower than that registered in January. Monitored companies used some of their stocks of post-production goods to partly fulfil new order requirements during the latest survey period.

Employment Index

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

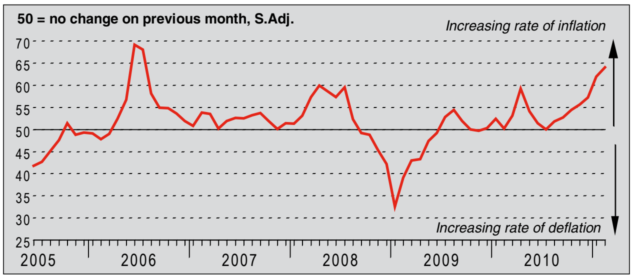


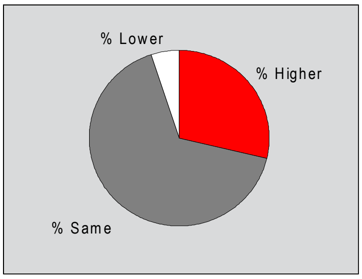


Turkish manufacturers employed a higher number of people in February, compared to the previous survey period. Job creation has now been recorded in each month since June 2009, with the latest increase the second-fastest in the series history (the strongest rate of employment growth was registered in December 2010). According to respondents, firms expanded their workforces in line with output growth and the subsequent 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.

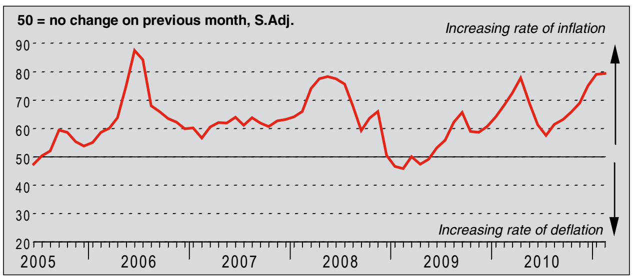


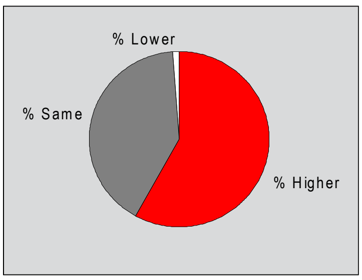


The seasonally adjusted Output Prices Index rose to a fifty-five month high in February. The reading indicated a marked rise in the average price charged by Turkish manufacturing companies, with almost 29% of total respondents increasing their prices during the latest survey period. Anecdotal evidence suggested that panellists partly passed greater cost burdens on to clients in February.

Input Prices Index

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

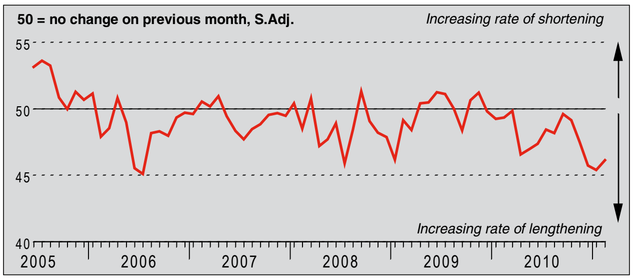


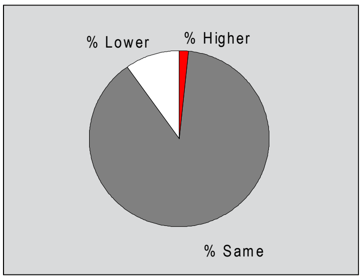


During February, the average price of inputs rose at a considerable pace, extending the current period of input cost inflation to twenty-one months. Moreover, the increase was the strongest since July 2006, as over 58% of survey respondents registered greater cost burdens in February. Panellists recorded higher prices across a wide range of goods, but particularly highlighted steel and oil as increasing in cost. In addition, a number of monitored companies commented that unfavourable exchange rates added to higher cost burdens in February.

Suppliers' Delivery Times Index

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

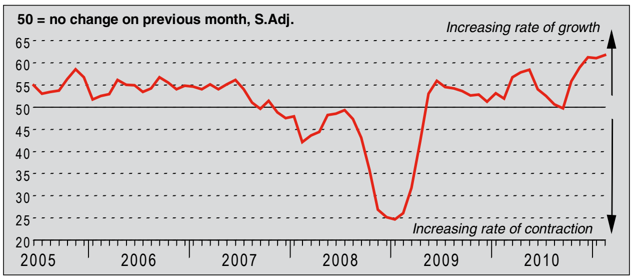


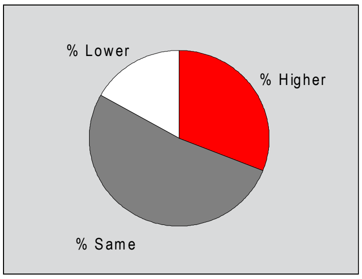


The time it took for suppliers to deliver inputs to Turkish manufacturing companies lengthened for the fifteenth successive month in February. Vendors' lead times increased at a strong rate, although the pace of deterioration weakened slightly to a three-month low. Evidence from the latest survey indicated suppliers had difficulty in sourcing some raw materials in February. Moreover, a number of panellists suggested suppliers struggled to control escalating cost burdens, further limiting supplies of inputs.

Quantity of Purchases Index

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

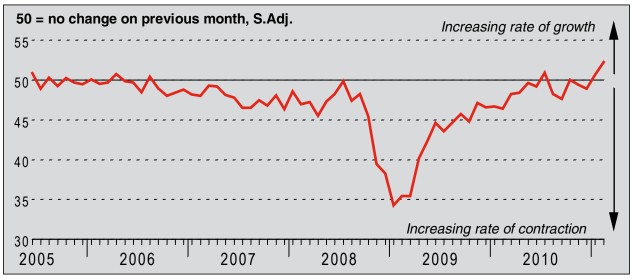


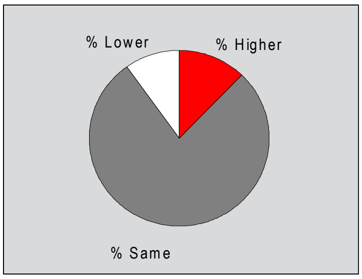


Panellists purchased a larger amount of inputs in February, as has been the case continuously since October 2010. Moreover, the rate of increase quickened since January to the fastest pace in the series five-and-a-half year history. Monitored companies attributed the rise in purchasing activity to stronger output growth during the latest survey period.

Stocks of Purchases Index

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





In February, the seasonally adjusted Stocks of Purchases Index rose from January's posting to a survey high. However, the reading taken in February was only modestly above the 50.0 no-change threshold and indicated only a moderate accumulation of input inventories during the latest survey period. Turkish manufacturers commented on storing a greater level of pre-production goods as they attempted to mitigate against further input cost rises and suppliers' delivery delays.

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.

Warning