**HSBC Purchasing Managers' Index™ Press Release**

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compiled by markit

# HSBC Turkey Manufacturing PMI™

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

## Summary


At 58.5 in February, up from January's reading of 57.2, the seasonally adjusted 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.


## Comment

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

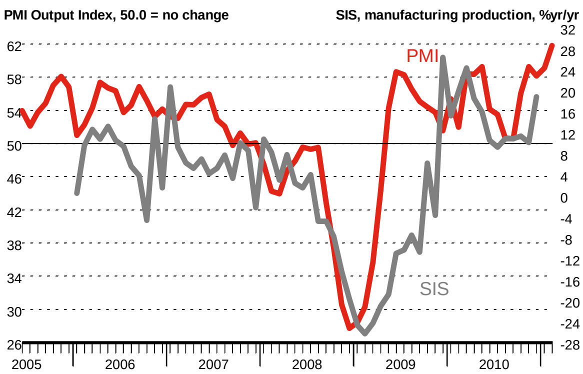
*"Turkish manufacturing sector performance broke more records in February, with the headline PMI index reaching a fresh survey high of 58.5. Both output and new orders also reached their all-time high levels. New export orders, while not at its peak, accelerated slightly from January. This impressive performance continued to create jobs, as manufacturers recorded improvement in employment conditions for twenty-one months in a row. Finished goods inventories declined further to meet order demand, whilst there was a marginal increase in backlogs. On the other hand, further lengthening of suppliers' delivery times and acceleration in both input and output prices added to cost channel pressures. This could be traced in official producer inflation data that is already at double digits. In sum, the Central Bank's unconventional policy mix since December has not yet slowed manufacturing activity. However, it is still early to say. Ongoing unrest in the Middle East and North Africa, together with rampant oil prices, will likely prove a drag on activity going forward, whilst also boosting input costs further via higher energy prices."*

## Key points

- 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.

## 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.

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