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HSBC Turkey Manufacturing PMI™

Growth of Turkish manufacturing output eased from February's series high, but remained marked in March.

Key findings:

- New export growth slowed.
- Difficulties in obtaining raw materials led to a further lengthening of suppliers' delivery times.
- Inflationary pressures remained strong, despite easing since February.

March PMI data signalled a marked strengthening of the Turkish manufacturing sector. The rate of improvement eased to a five-month low, led by slower rises in new orders and output. However, the latest improvement in overall business conditions remained sharp in the context of historical data. Higher raw material prices continued to drive a steep increase in input costs which, in turn, led to a substantial rise in charges. However, inflationary pressures eased over the month.

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. Posting 56.1 in March, the headline PMI decreased from February's survey high of 58.5. Nonetheless, the latest reading signalled a marked strengthening of operating conditions in the Turkish manufacturing sector that was well above the long-run trend.

Growth of both overall new business and new export orders eased during March. Panellists commented that the slowdown in new work received from export markets reflected uncertainty in the Middle East, alongside high raw material prices. Nonetheless, the latest expansions of both new export orders and overall new business remained above their respective long-run series averages.

The rise in overall new work intakes supported a further marked increase in output. However, this slowed from the previous month's survey high. Despite the easing in output growth, backlogs of work at factories in Turkey fell, indicating a degree of spare capacity.

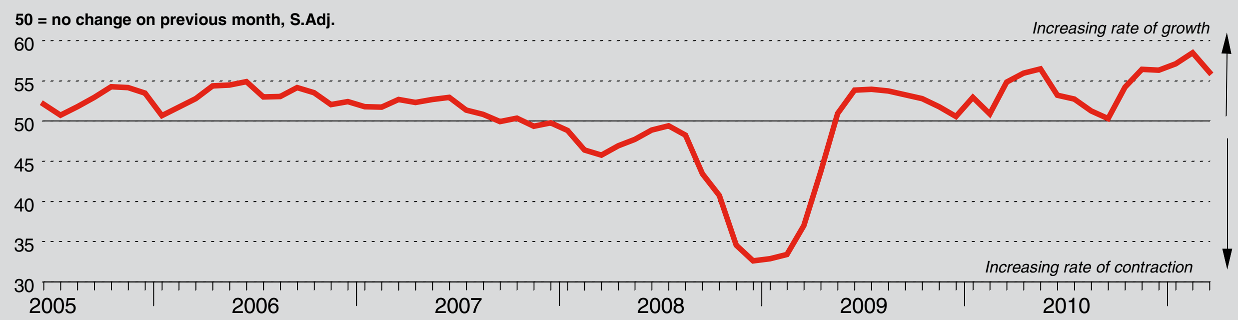
Stocks of finished goods were also depleted in March, as manufacturers opted to use existing inventories to help fulfil new order obligations.

March data signalled a marked rise in employment in the Turkish manufacturing sector. Panellists commented that sustained growth of new orders and output had led them to increase staffing levels at their units. Despite the slower expansions of production and new workloads, and the reduction in outstanding business, the rate of job creation was only slightly weaker than December's series high.

Reflective of a further increase in output requirements, purchasing activity at manufacturers in Turkey rose for a sixth successive month in March, and at a marked rate. However, shortages of materials helped contribute to a lengthening of suppliers' delivery times, and a slight decrease in stocks of purchases as inputs were utilised in production.

Input costs faced by Turkish manufacturing companies increased considerably during March, driven by further rises in raw material prices. Despite easing modestly since February, the rate of input cost inflation remained notably sharp in the context of historical data, helping to drive a further substantial increase in output prices.

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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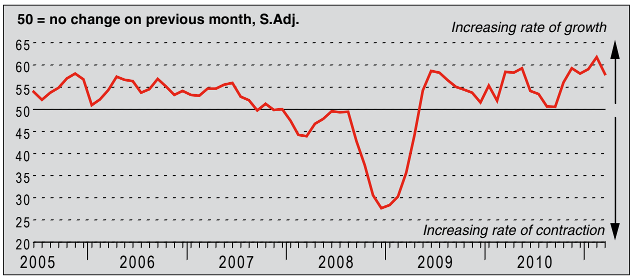
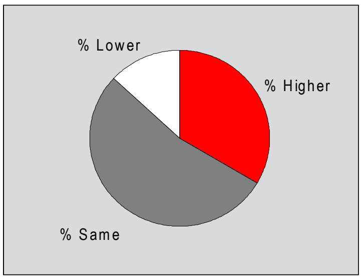
Output Index

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

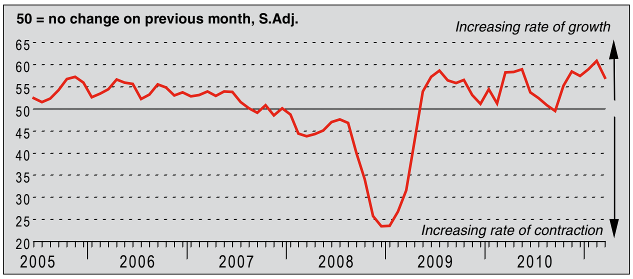


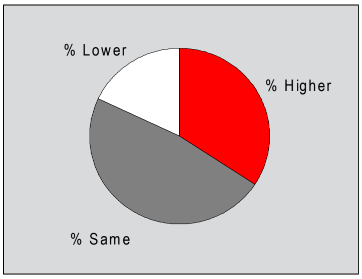


March data signalled a marked rise in output in the Turkish manufacturing sector, extending the sequence of sustained growth to twenty-three months. Approximately 34% of panellists indicated a higher level of production compared to the previous month, attributing this to a further increase in incoming new business. The latest expansion of output slowed from February's survey high to the weakest since October 2010. However, it remained sharp in the context of historical data.

New Orders Index

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

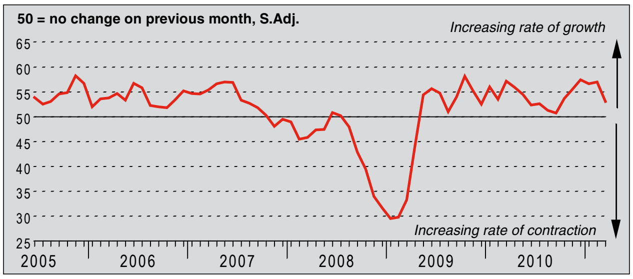


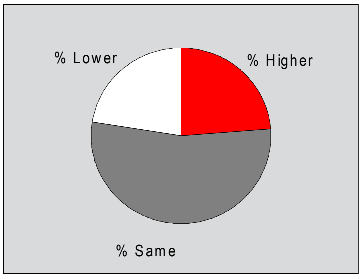


Turkish manufacturers reported a marked rise in new orders received during March. Anecdotal evidence suggested that there had been a general rise in demand due to ongoing improvements in market conditions. The rate of new business growth slowed to a five-month low, but remained well above the long-run trend. New orders have increased in each month since October 2010.

New Export Orders Index

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

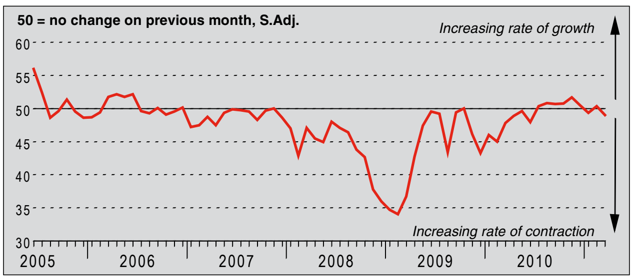


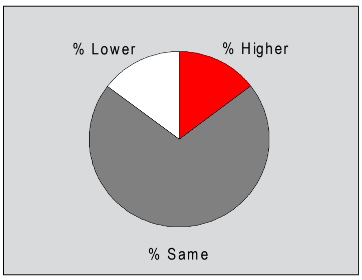


New export orders received by manufacturers in Turkey increased solidly during March, with approximately 24% of panellists recording a rise in new business received from export markets. However, the extent to which new export orders increased slowed since February to the weakest in six months, with uncertainty in the Middle East and high raw material prices cited as the main contributors. Nonetheless, the latest expansion, which was the twenty-third in successive months, remained above the long-run trend.

Backlogs of Work Index

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

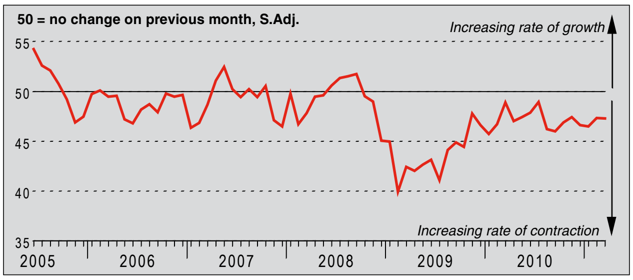


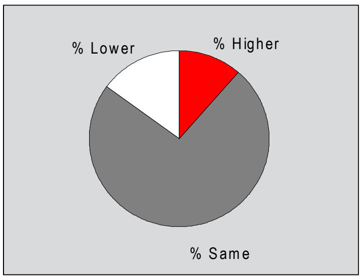


Backlogs of work at manufacturers in Turkey fell marginally during March, suggesting a degree of spare capacity at factories. This was in contrast to the previous survey period, where a slight increase in outstanding business was indicated. However, work in hand has decreased in two of the last three months. Approximately 15% of panellists noted that backlogs had declined since February, attributing this to a weaker rise in new work intakes.

Stocks of Finished Goods Index

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

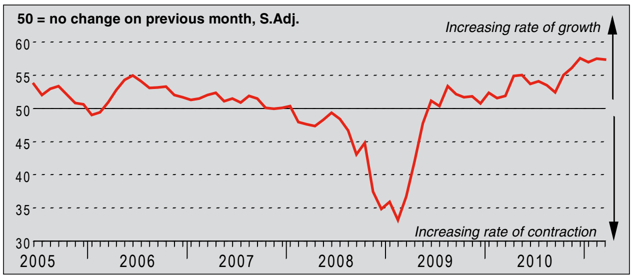


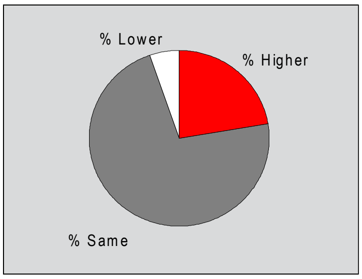


March data signalled a reduction of stocks of finished goods held at factories in Turkey, continuing the trend of the last two-and-a-half years. Anecdotal evidence suggested that the depletion of post-production inventories reflected the usage of existing stocks to help fulfil new order obligations. The extent to which post-production inventories fell was solid, and unchanged from that recorded in February.

Employment Index

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

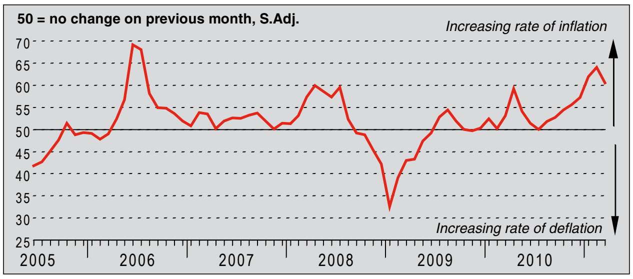


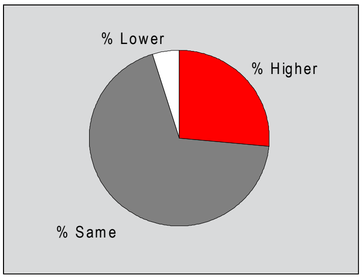


Employment in the Turkish manufacturing sector increased markedly during March, extending the sequence of sustained growth to twenty-two months. The rate of job creation eased fractionally since February, but was only slightly weaker than the series high recorded in December. Approximately 22% of panellists indicated that staffing levels at their units had increased during the month, attributing this to sustained growth of both new work intakes and output 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.

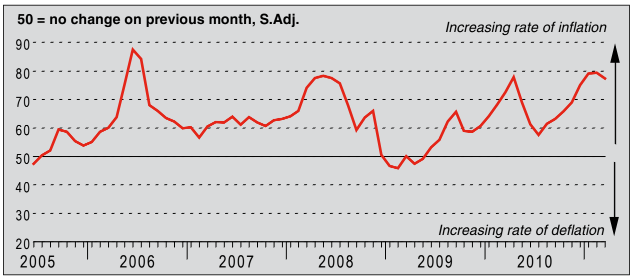


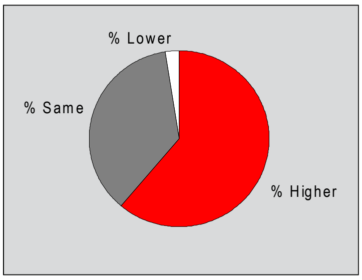


Turkish manufacturers reported a rise in their charges during March. Output price inflation has been recorded in each month since December 2009, with the latest increase sharp in the context of historical data. Anecdotal evidence suggested that a further rise in input prices had driven the increase in charges. However, the rate of output price inflation slowed since February, when charges rose at their fastest pace since July 2006.

Input Prices Index

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

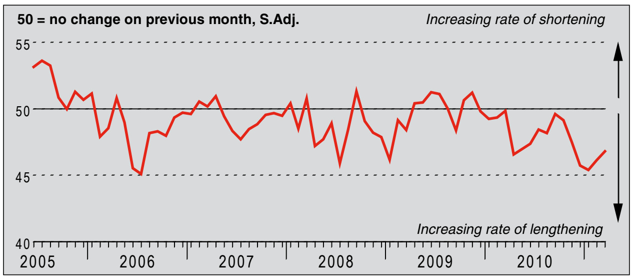


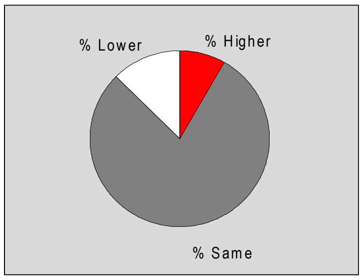


Input prices faced by manufacturers in Turkey increased considerably during March. Approximately 61% of panellists noted that input costs were higher than in the previous survey period, citing a further rise in raw material prices, particularly for oil. Unfavourable exchange rate variations also contributed to the increase. The rate of input price inflation slowed modestly since February (a fifty-five month high), but remained markedly faster than the long-run series average. Input cost inflation has been sustained since June 2009.

Suppliers' Delivery Times Index

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

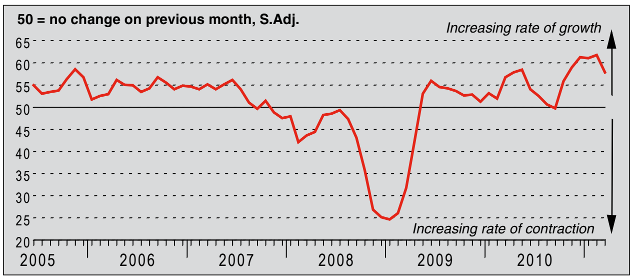


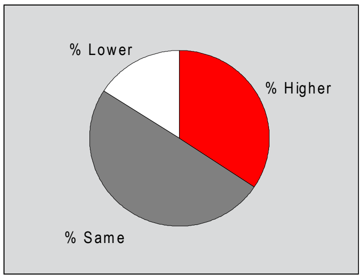


Manufacturers in Turkey reported a lengthening of suppliers' delivery times during March, with deteriorating vendor performance now recorded for sixteen successive months. Anecdotal evidence suggested that longer lead times predominately reflected difficulties in obtaining raw materials. The latest lengthening of delivery times was solid, but the weakest in four months.

Quantity of Purchases Index

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

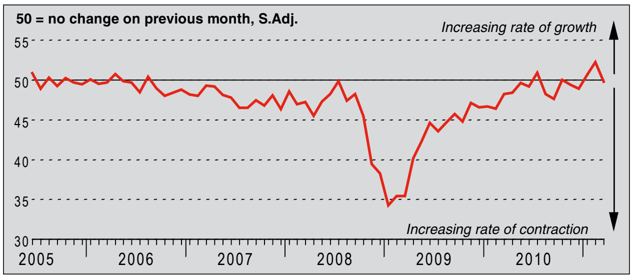


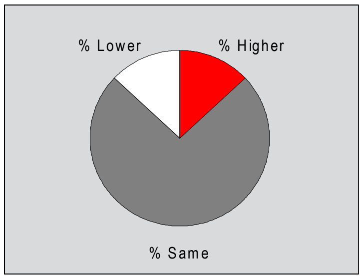


Purchasing activity at manufacturers in Turkey increased markedly in March, with approximately 34% of panellists indicating a higher level of buying compared to the previous month. Growth of output requirements was predominately cited as the main contributor to the increase in purchase volumes. The rate of input buying slowed solidly from February's series high, due to a slower expansion of production and high input costs, but remained notably sharp in the context of historical data.

Stocks of Purchases Index

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





March data signalled a slight reduction in stocks of purchases held at manufacturers in Turkey, despite the marked rise in purchasing activity recorded. Panellists commented that pre-production inventories had been depleted in order to partially fulfil output requirements and due to difficulties in obtaining new materials. Nonetheless, the extent to which purchase stocks fell was only slight and below the long-run trend.

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