

HSBC Turkey Manufacturing PMI™

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

Summary

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.

Comment

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

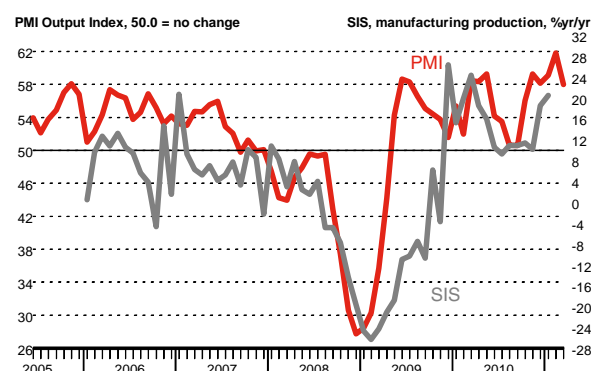
"Turkish manufacturing sector performance eased somewhat in March from its record high level in the previous month, though it still remained comfortably stronger than past averages. The slight slowdown in the rate of expansion was caused by output and new orders, both of which also expanded at slightly lower, but still markedly strong rates. There was a solid slowdown in new export order growth, possibly reflective of uncertainties in the Middle East & North Africa region, while backlogs of work fell despite the weaker expansion of output. Employment conditions continued to improve as manufacturers continued to hire more workers to meet robust demand and production. There was a slight decline in stock of purchases in March due to shortages of raw materials, as reported by survey participants, that was also evident in the continued lengthening of supplier delivery times. While both input and output prices rose at slower rates than in February, they both continued to signal pipeline inflationary pressures in the manufacturing industry."

Key points

- 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.

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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