

## HSBC Turkey Manufacturing PMI™

Output growth eased sharply in April. New export orders fell for the first time in two years

### Summary

The seasonally adjusted HSBC Turkey Manufacturing PMI™ registered 52.7 in April, down noticeably from 56.1 in March. The latest reading was the lowest for seven months and signalled a much weaker improvement in the health of the sector.

New export orders contracted for the first time in two years and overall new business growth slowed sharply over the month to the weakest in the current seven-month sequence of expansion. Where new orders fell, firms reported economic difficulties in Europe and political problems in the Middle East and North Africa.

Reflecting a much slower expansion of new business, manufacturing production growth also moderated during the latest survey period. The latest increase was the least marked since September 2010 as a result.

Latest data suggest that Turkish manufacturers continued to cope with their workloads in April. Outstanding business fell for the second month running, and at a slightly faster rate.

To accommodate production requirements, manufacturers continued to recruit staff and buy inputs in April. However, expansions in both employment and purchases slowed since March, in line with the weaker trend in new order growth.

Reflecting further increases in buying activity, and in some cases lower production levels, input stocks at Turkish manufacturers rose in April. Meanwhile, finished goods holdings rose for the first time in more than two-and-a-half years. Reports show that this was partly because of delivery delays caused by disruptions in the Middle East and North Africa, but also partly due to poor sales levels.

Solid demand for inputs, as well as difficulties in sourcing raw materials, led to another deterioration in vendor performance during April. However, lead times lengthened at the slowest rate for six months.

Strong input price inflation persisted in the Turkish manufacturing sector in April, with firms attributing the increase to rising raw material and fuel costs, alongside unfavourable exchange rates. However, the rate of inflation eased sharply since March.

Turkish manufacturers passed through part of their increased cost burdens to customers by way of higher charges in April. Although the rate of output price inflation eased since March, it remained comfortably above the series trend.

### Comment

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

*"Turkish manufacturing sector performance remained in expansionary territory in April, although the rate of improvement slowed sharply to below the post-crisis average. Notable slowdowns in both output and new order growth were the main reasons for this outcome, while new export orders contracted for the first time since April 2009 (albeit only marginally). The latter partly reflects the adverse impact on Turkey's trade of ongoing unrest in the MENA region."*

*"Employment conditions eased a bit compared to the previous months, but continued to improve at a firm pace. Backlogs of work fell for the second month in a row, despite slowing output growth, which may be a sign of some slack in capacity utilisation. Both input and output price inflation eased considerably, however they still remained above their long-term averages."*

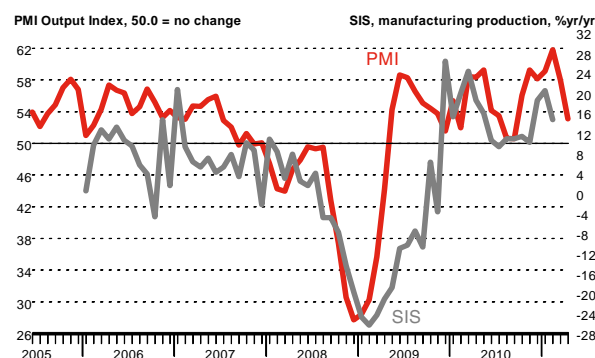
*"In sum, this is the first concrete sign of a notable slowdown in manufacturing activity since the Central Bank of Turkey started to take certain steps to cool off the rampant economic activity. However, part of the slowdown is owed to ongoing problems in the MENA markets."*

### Key points

- PMI at seven-month low.
- Expansions in both production and new business eased noticeably.
- Input price inflation moderated sharply.

### 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](mailto:economics@markit.com).

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