

HSBC Turkey Manufacturing PMI™

Output growth weakest in over two years as new order levels dipped in May

Summary

Latest figures point to a weaker improvement of business conditions across the Turkish manufacturing sector in May. New export orders rose, but overall new business fell for the first time in eight months. Activity levels were supported by a combination of backlog clearance and stock building. Meanwhile, job creation remained solid. With regard to price pressures, both input and output price inflation eased since April.

Falling further from February's series record, the seasonally adjusted HSBC Turkey Manufacturing Purchasing Managers' Index™ (PMI™) posted 50.6 in May, its lowest reading since September last year. May's figure signals only a marginal monthly improvement in the health of Turkey's manufacturing industry.

Total new order receipts at Turkish manufacturers fell marginally during the latest survey period. Respondents indicated that uncertainty surrounding upcoming elections, difficulties in Japan and the MENA region, alongside high prices all underlay the decline in domestic demand. On the other hand, new export orders rose slightly.

Supported by a combination of backlog depletion and stock building, output levels continued to rise in May, despite a fall in new business. However, the rate of expansion moderated to the slowest in over two years.

With new order levels in decline, Turkish manufacturers cut buying activity and focused their efforts on the completion of existing contracts. Both purchasing and outstanding business fell as a result.

Despite lower demand for inputs, supplier delivery times lengthened again in May. Respondents linked delays to difficulties sourcing raw materials and supply chain disruptions resulting from problems in Japan and MENA.

Input holdings rose again in May, but only fractionally. Where inventories increased, companies commented on slower production growth.

Staffing levels at Turkish manufacturers grew solidly in May as firms accommodated company expansions and attempted to increase capacity. However, the rate of increase slowed since April to the mildest for eight months.

Both input and output price inflation moderated in May. Nevertheless, each measure remained above its long-run series average. Panel members attributed both higher input costs and charges to rising fuel and raw material prices.

Comment

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

"The growth rate in the Turkish manufacturing sector slowed to near-stagnation in May, which was also its weakest performance since September. The main culprit for the slowdown was a slight decline in new orders – the first in eight months, while output grew only marginally and at its slowest pace of the current 25-month run of expansion. New export orders increased only very little, after dropping in April. Panellists attribute poor order levels to problems in the MENA region and Japan.

"Employment conditions painted a relatively better picture, maintaining its improving trend of the past two years. However, the pace of improvement eased compared to the previous seven months. Both input and output price inflation eased further in May, though they still remained above long-term averages.

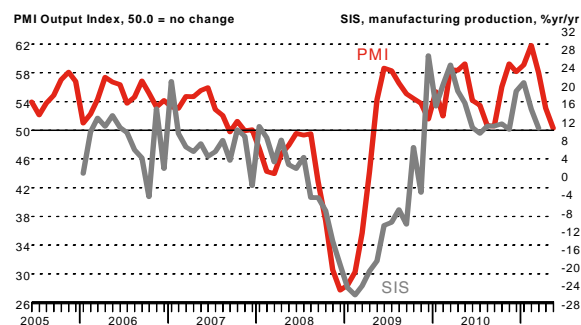
"In sum, continued loss of momentum in the PMI since its peak in February could be attributable to the economy administration's efforts to slow down economic activity. However, ongoing strength in spending and credit suggests that problems in Turkey's trading partners, as well as global supply disruptions, could also be behind weaker manufacturing sector performance."

Key points

- Manufacturing production growth eased to near-stagnation.
- New business contracted for first time in eight months.
- Job creation solid, but slowest since last September.

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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