

Embargoed until: 10:00 (ANKARA), 1 July 2011

## HSBC Turkey Manufacturing PMI™

Output growth strengthened in June from May's twenty-five month low.

### Key findings:

- Solid production growth, while new orders rose.
- Employment increased at faster rate, despite further evidence of spare capacity.
- Input price inflation accelerated, but charges rose at weaker rate.

June data signalled a strengthening of business conditions in the Turkish manufacturing sector for a twenty-sixth successive month. Moreover, the extent of the improvement regained momentum since May. This was supported by growth of both new orders and output. The rate of job creation accelerated, despite there being a sharper depletion of outstanding business in June. Meanwhile, higher raw material prices and unfavourable exchange rate variations led to a faster rate of cost inflation. However, output prices rose at a weaker rate compared to that recorded in May.

The seasonally adjusted HSBC Turkey Manufacturing *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – posted 52.3 in June, rising from May's eight-month low of 50.6. The latest reading signalled a solid improvement of business conditions in the manufacturing sector that was stronger than the long-run trend. Nonetheless, the rate of growth remained weaker than the sharp improvements seen in Q1.

Turkish manufacturers reported a rise in new business received during June, in contrast to the decline posted in May. Panellists commented that a general improvement in demand had led to the increase in new orders. New export business increased solidly, with the rate of growth the fastest since March.

The expansion of production accelerated in June, reflective of

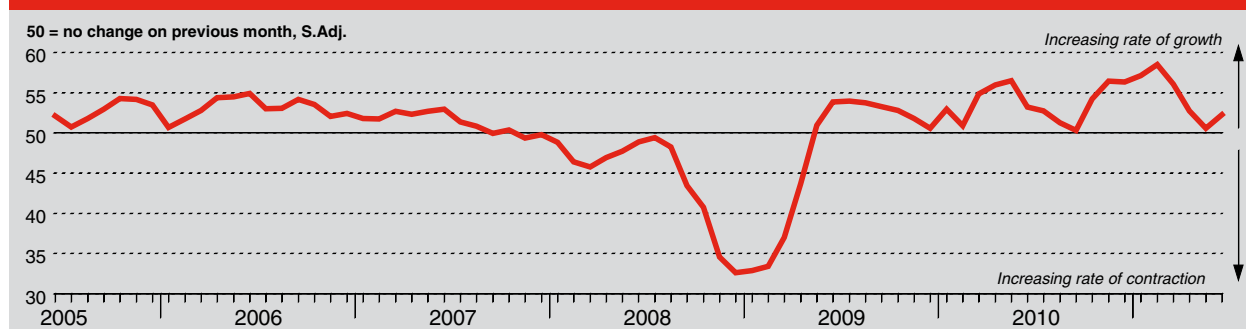
the rise in new business. However, backlogs of work continued to decline, and at the sharpest rate since February 2010. This suggested that spare operating capacity persisted in the Turkish manufacturing sector. Stocks of finished goods increased during the latest survey period, in line with the rise in output.

June data signalled a solid rise in employment at Turkish manufacturers. Despite the sustained decrease in backlogs, the rate of job creation quickened. Panellists commented that this was reflective of faster new order growth.

A marginal rise in purchasing activity was recorded in June. Anecdotal evidence suggested that increased input buying was led by a rise in production requirements. However, stocks of purchases fell, indicating that the latest increase in buying was insufficient. Suppliers' delivery times lengthened again, as the rise in purchase volumes put pressure on operating capacity at vendors.

Input costs faced by manufacturers in Turkey increased substantially during June, reflective of a further rise in raw material prices and unfavourable exchange rate variations. Moreover, the rate of cost inflation accelerated since May. Despite this, the extent to which output prices rose slowed during the month, as strong competition for new business limited firms' pricing power. Nonetheless, charges have now increased for nineteen months running.

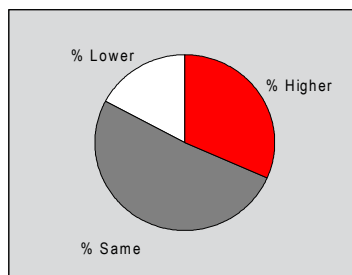
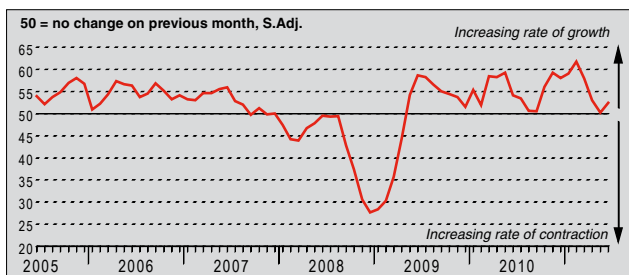
HSBC Turkey *Purchasing Managers' Index™ (PMI™)*



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. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

## Output Index

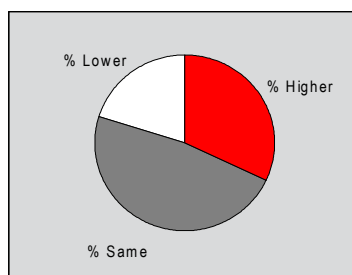
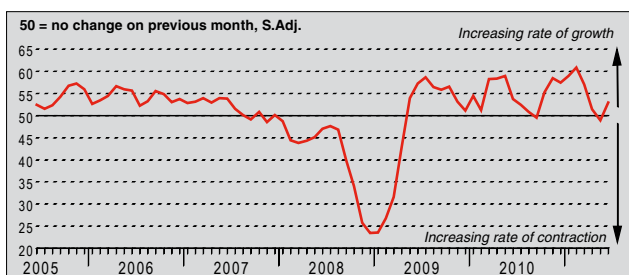
Q. Please compare your production/output this month with the situation one month ago.



June data signalled a solid rise in output in the Turkish manufacturing sector. Moreover, the rate of growth recovered from May's twenty-five month low and was above the long-run series average. Approximately 32% of panellists noted an increase in output from the previous survey period, attributing this to an expansion of incoming new business. Output growth has been sustained since May 2009.

## New Orders Index

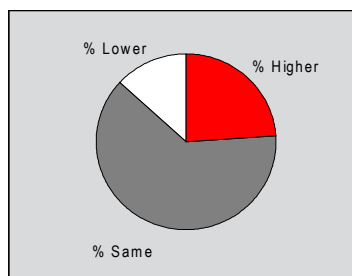
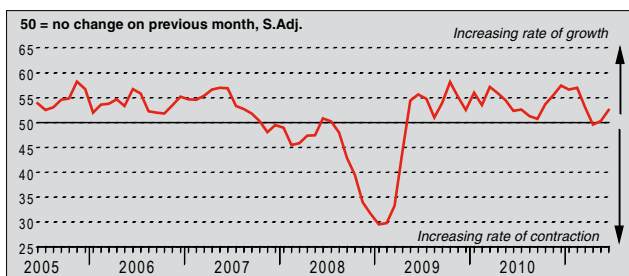
Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.



Turkish manufacturers reported a rise in incoming new business during June. This was in contrast to the contraction recorded in May, with growth now indicated in eight of the last nine months. Anecdotal evidence suggested that a general improvement in demand had been the main contributor to the latest increase in new orders, which was the strongest since March.

## New Export Orders Index

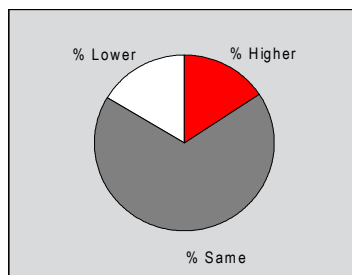
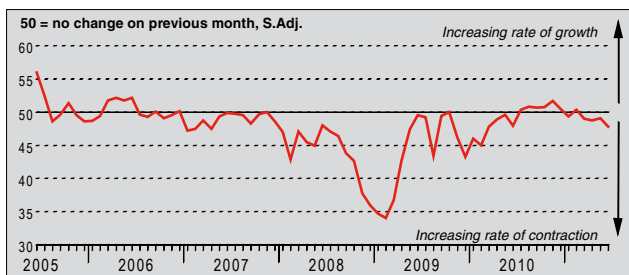
Q. Please compare the level of new export orders received this month with the situation of one month ago.



New export orders received by manufacturers in Turkey increased solidly during June. The rate of growth accelerated since May, but remained below the sharper increases seen in the first quarter of 2011. Approximately 24% of panellists recorded a higher level of new export business compared to the previous month. Expansion of new export orders has now been indicated in twenty-five of the last twenty-six months.

## Backlogs of Work Index

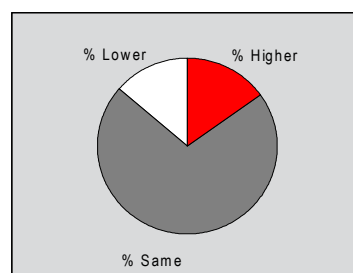
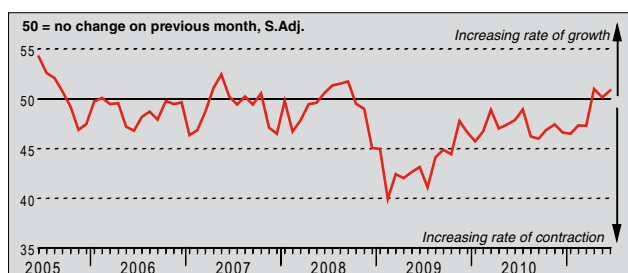
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Backlogs of work at manufacturers in Turkey fell solidly during June, extending the sequence of sustained depletion to four months. The latest decrease was the sharpest in that period, but in line with the historical average for the series. This suggested that spare operating capacity persisted in the manufacturing sector, as new order growth slowed in the second quarter of 2011.

## Stocks of Finished Goods Index

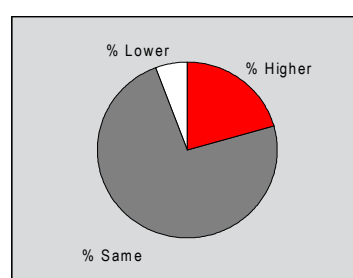
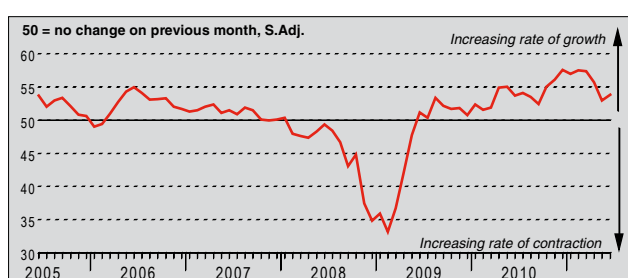
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Turkish manufacturers reported an increase in stocks of finished goods held for a third successive month in June. The rate of accumulation was marginal, but the seasonally adjusted Stocks of Finished Goods Index was still above the long-run trend for the series. Where a rise in finished goods stocks was indicated, this was attributed to higher production.

## Employment Index

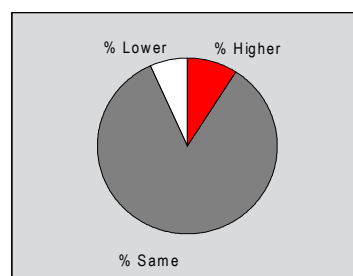
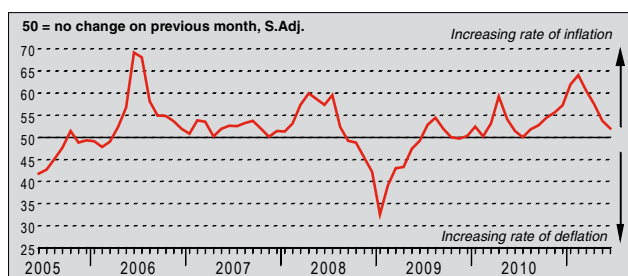
Q. Please compare the level of employment at your unit with the situation one month ago.



June data signalled a solid rise in employment in the Turkish manufacturing sector. The rate of job creation was faster than that indicated in May and above the historical series average, but was weaker than the marked growth recorded in the first four months of the year. Anecdotal evidence suggested that an acceleration in output growth had led to the stronger increase in staffing levels.

## Output Prices Index

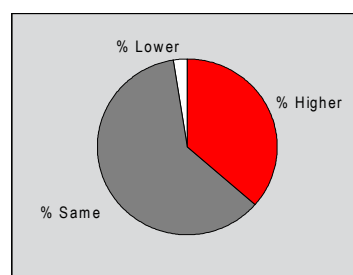
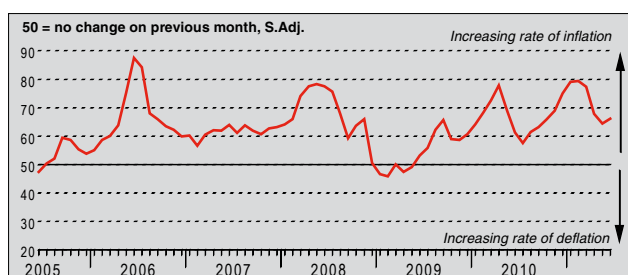
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Manufacturers in Turkey reported a rise in their charges during June, with output price inflation recorded in each month since December 2009. Where a rise in charges was indicated, this was attributed to a further increase in input costs. However, the rate of output price inflation slowed for the fourth month running to the weakest since August 2010. Panellists commented that strong competition for new business had restricted the extent to which charges rose.

## Input Prices Index

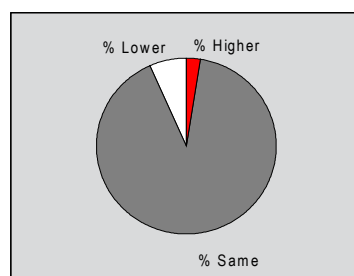
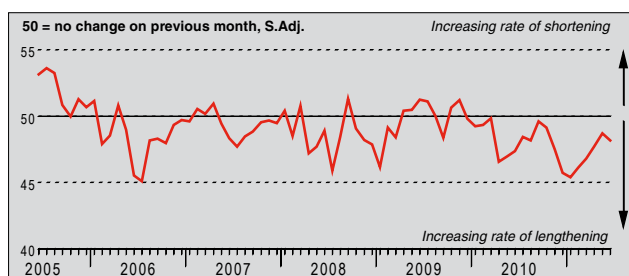
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input prices faced by manufacturers in Turkey increased substantially during June. Moreover, the rate of cost inflation accelerated from May's eight-month low and was above the long-run series average. Approximately 36% of respondents noted a rise in input prices, attributing this to higher raw material costs and unfavourable exchange rate variations. Nonetheless, the average for the second quarter was below that recorded for Q1. Overall, input price inflation has been sustained since June 2009.

## Suppliers' Delivery Times Index

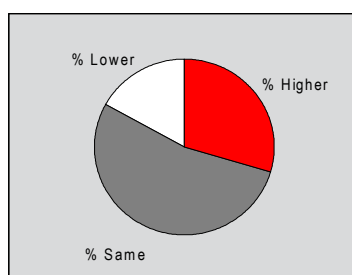
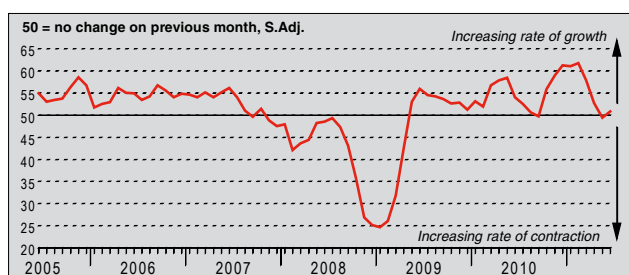
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Turkish manufacturers reported a lengthening in suppliers' delivery times during June. Anecdotal evidence suggested that a rise in purchasing activity had led to the modest deterioration in vendor performance. The latest lengthening in lead times was weaker than those seen in the first four months of 2011, nonetheless, it was sharper than that seen in May.

## Quantity of Purchases Index

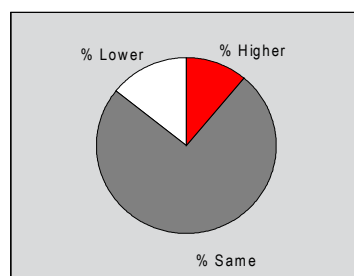
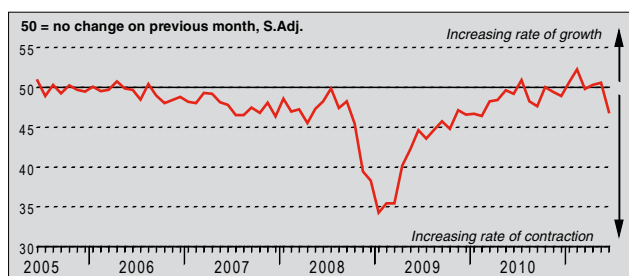
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Purchasing activity increased marginally during June, in contrast to the reduction seen in May. Higher levels of input buying have now been recorded in eight of the last nine months. Approximately 30% of panellists reported an increase in their purchasing activity, commenting that this reflected growth of output requirements. The extent of the rise in input buying was limited by shortages of some raw materials.

## Stocks of Purchases Index

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



June data signalled a solid reduction in stocks of purchases held by manufacturers in Turkey, despite the rise in input buying. Panellists commented that existing pre-production inventories had been utilised in order to help fulfil production requirements. The decrease in stocks of purchases ended a two-month period of accumulation, with the rate of depletion slightly faster than the historical average.

## 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 approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the United Arab Emirates economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. 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 July be revised from time to time as appropriate which will affect the seasonally adjusted data series.

## Warning

The intellectual property rights to the HSBC Turkey Manufacturing *PMI™* provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.