HSBC *Purchasing Managers' Index*™ 2011

compiled by markit

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HSBC Turkey Manufacturing PMI™

PMI unmoved in July, signalling further modest improvement in business conditions

Key findings:

- Operating conditions improve for twenty-seventh month running
- Output growth picks up in July
- Price pressures cool

Latest data from the HSBC Turkey Manufacturing *PMI*™ report signalled further expansion of the sector in July. Output, new orders and employment all continued to rise on the month. However, growth of incoming new work eased, with the slowdown partly resulting from high selling prices. Activity rose at an accelerated pace nonetheless, boosted by further backlog depletion and stockpiling. Meanwhile, overall price pressures moderated.

The seasonally adjusted HSBC Turkey Manufacturing *Purchasing Managers' Index™ (PMI™)* was unmoved at 52.3 in July, indicating another moderate gain in the health of Turkey's manufacturing industry. The PMI is a composite indicator designed to provide a single-figure snapshot of the performance of the sector.

Turkish manufacturers reported gains in new work for the second month running during the latest survey period. However, the rate of increase eased since June. Anecdotal evidence suggested that high selling prices were partly to blame for the slowdown in growth. Where more new business was recorded, panellists commented on stronger demand and new product launches.

New export order levels at Turkish manufacturers were virtually unchanged in July, following a moderate rise in June. Higher receipts of new work from abroad were linked by respondents to better foreign demand and company expansions, while lower takings were attributed to poor business conditions in recipient countries.

Slower growth of new orders allowed manufacturers to catch up on unfinished business in July. Outstanding work fell for the fifth month in succession as a result, albeit at a weaker rate.

Supported by further gains in new work and backlog clearance, Turkish manufacturing activity expanded at an accelerated pace in July. Stockpiling was also a contributing factor. Finished goods holdings rose for the fourth month running, partly in anticipation of improved market demand in the near future.

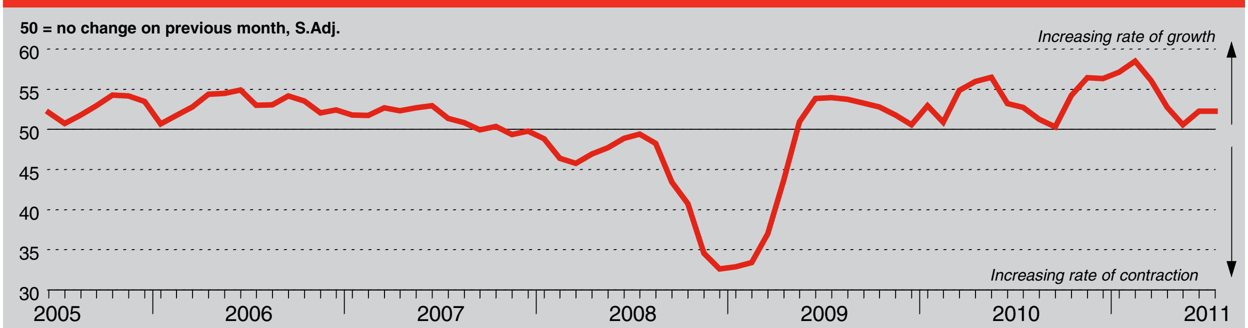
To meet production requirements, manufacturers recruited additional staff and raised buying activity at the start of Q3. Jobs growth slowed since June, but remained solid, while input acquisitions increased at an accelerated pace.

A stronger rise in purchases was not sufficient to rebuild input stocks in July. Overall inventories were unchanged on the month after a moderate depletion in June.

Greater demand for inputs, low capacity at suppliers and difficulties in sourcing and transporting inputs due to political problems abroad were all cited as reasons for delays to input deliveries in July. Vendor performance has now worsened for 20 consecutive months, although the latest deterioration was the least marked since March 2010.

Input price inflation moderated during July, but nevertheless remained elevated in relation to the series history. Reports showed that higher energy, fuel and raw material costs drove the latest increase. Reflecting a slower rise in input prices, charge inflation was the weakest for a year.

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.

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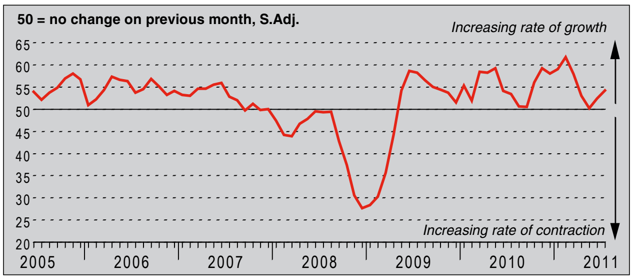
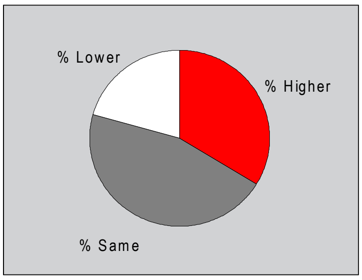
Output Index

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

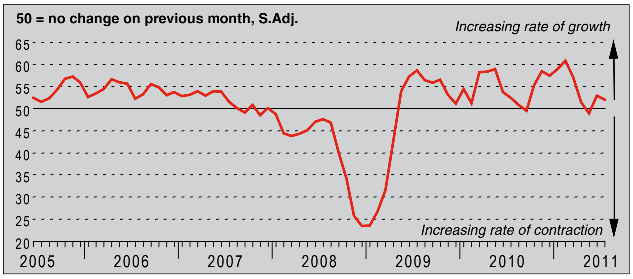


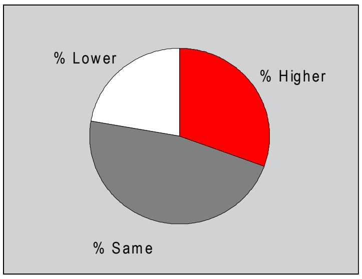


Turkish manufacturing output growth picked up during the latest survey period, reaching a four-month high. This was despite a weaker rise in new business. Data indicated that further backlog depletion and stockpiling provided some support to activity levels. Expansion has now been recorded for 27 successive months, although July's rate of increase remained slower than the average for the year-to-date.

New Orders Index

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

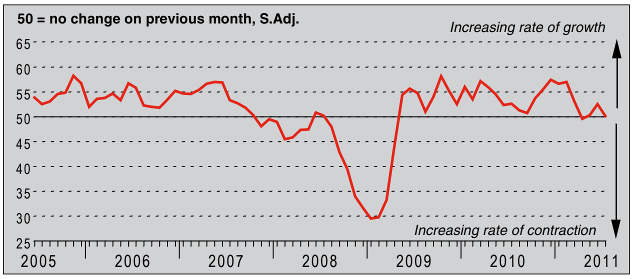


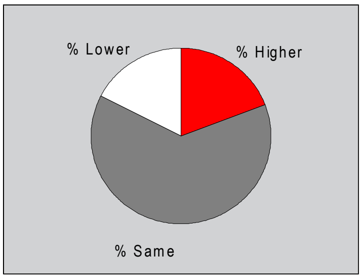


Increased new business was recorded by Turkish manufacturers for the second month running in July, following a slight decline in May. However, the pace of expansion moderated since June, which panellists frequently linked to high selling prices. Where more new work was recorded, firms commented on improved demand and new product launches.

New Export Orders Index

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

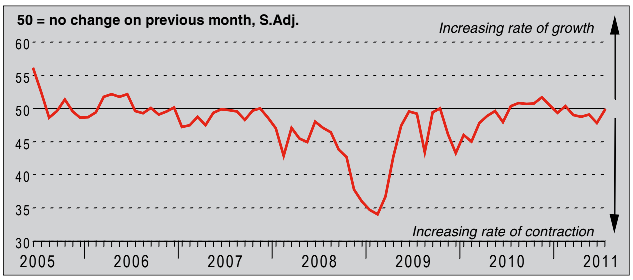


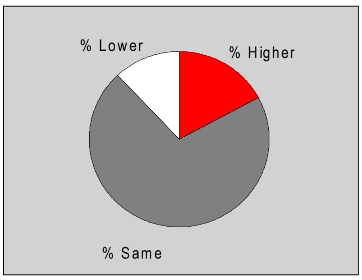


The volume of new business placed with Turkish manufacturers by foreign customers was almost unchanged in July. The seasonally adjusted New Export Orders Index registered above the neutral mark of 50.0 for the third month running, but only just. Firms that received more new work from abroad attributed this to better demand and company expansions, while those that saw a decline cited difficult business conditions in recipient countries.

Backlogs of Work Index

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

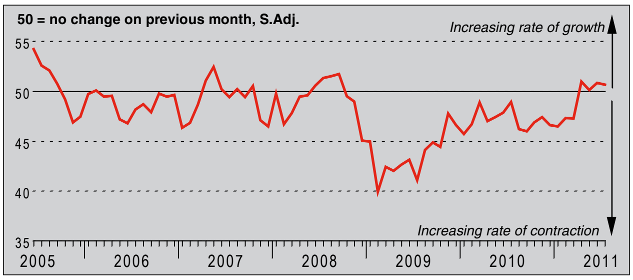


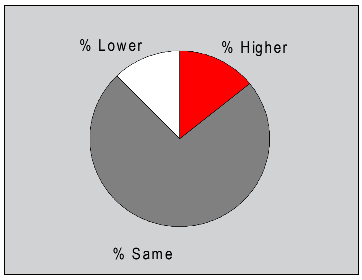


Bringing the current run of depletion to five months, unfinished business at Turkish manufacturers fell during July. Anecdotal evidence suggested that lighter inflows of new work left resources available for backlog clearance. However, the pace of reduction slowed since June to only a slight rate.

Stocks of Finished Goods Index

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

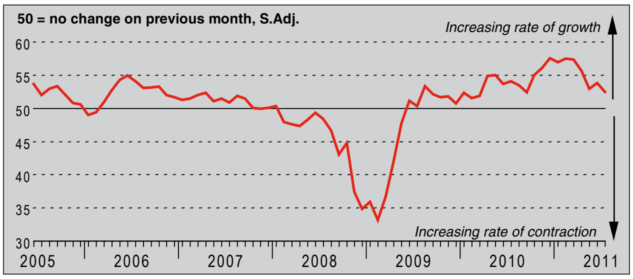


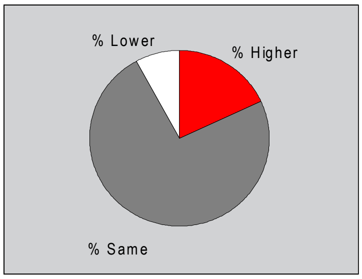


Holdings of finished goods continued to rise during the latest survey period, although the rate of growth moderated slightly since June. Survey participants stated that increased production underpinned inventory accumulation. There were also reports that stocks had been raised in expectation of improved demand in coming months.

Employment Index

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

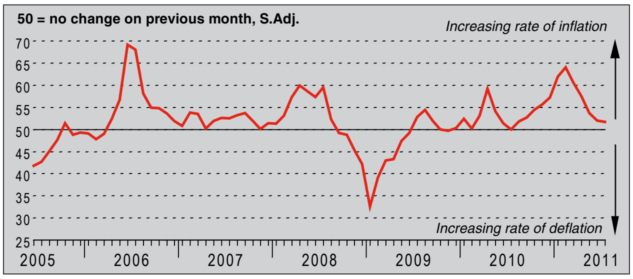


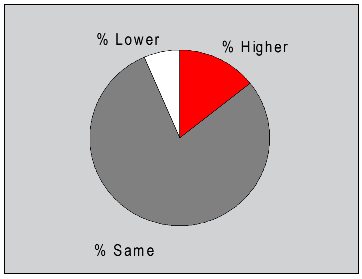


Jobs growth was recorded in July for the twenty-sixth successive month. Although still above the series trend, the rate of increase was the mildest since September last year. Companies that recruited staff stated that additional workers were needed to meet production requirements.

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.

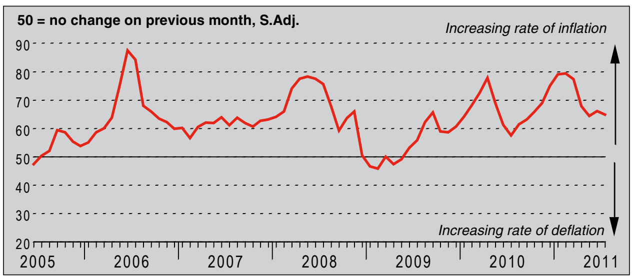


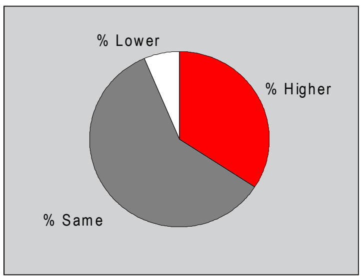


Prices charged for Turkish manufactures continued to rise at the start of the third quarter. The current inflationary period now extends to 20 months. Respondents stated that tariffs were upwardly adjusted to reflect greater input costs. However, the rate of increase continued to ease from February's four-and-a-half year high, with the latest round of inflation the weakest since July 2010.

Input Prices Index

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

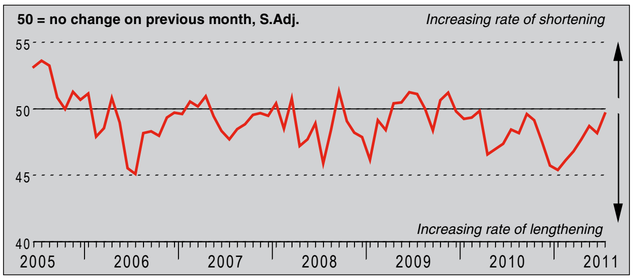


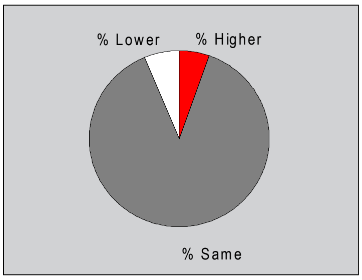


Despite slipping since June, the seasonally adjusted Input Prices Index remained above its long-run trend in July. The latest reading signalled another marked rise in purchase costs. Higher energy, fuel and raw material prices, as well as unfavourable exchange rates, underlay the latest increase, according to panel members.

Suppliers' Delivery Times Index

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

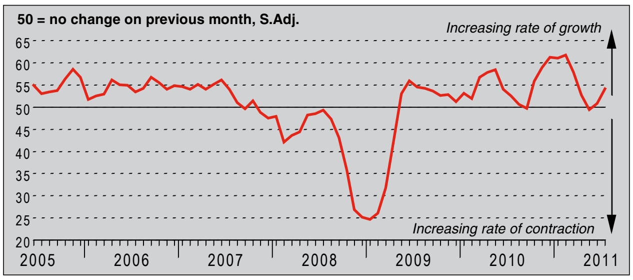


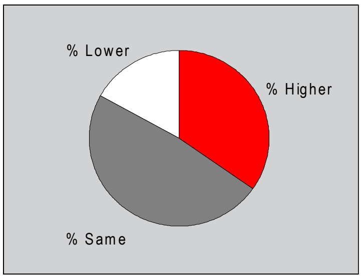


Vendor performance continued to deteriorate in July, extending the current sequence to 20 months. Greater demand for inputs, low capacity at suppliers and difficulties sourcing and transporting inputs due to political problems abroad were all given by respondents as reasons for delivery delays. That said, lead times lengthened only slightly over the month.

Quantity of Purchases Index

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

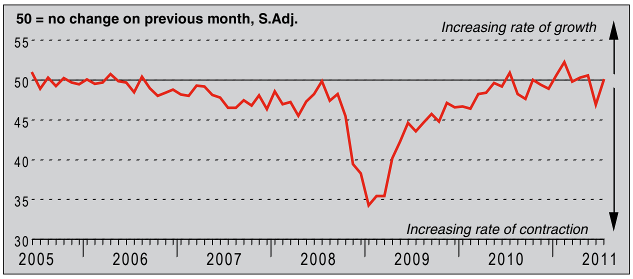


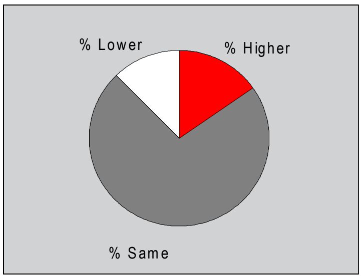


Greater demand for their products, as well as attempts to build stocks, led Turkish manufacturers to raise their input acquisitions at the start of Q3. Buying activity rose for the second straight month and at an accelerated pace that was the most marked since March. However, the pace of increase remained weaker than the post-recession series trend.

Stocks of Purchases Index

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





Registering at the neutral mark of 50.0 in July, the seasonally adjusted Stocks of Purchases Index signalled no change in input holdings at Turkish manufacturers. This followed a moderate contraction in June. Inventory building was linked by panellists to greater market demand and more stable business conditions, while depletion was mostly attributed to unexpectedly high order levels as well as intentional destocking.

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