

HSBC Turkey Manufacturing PMI™

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

Summary

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.

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.

Comment

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

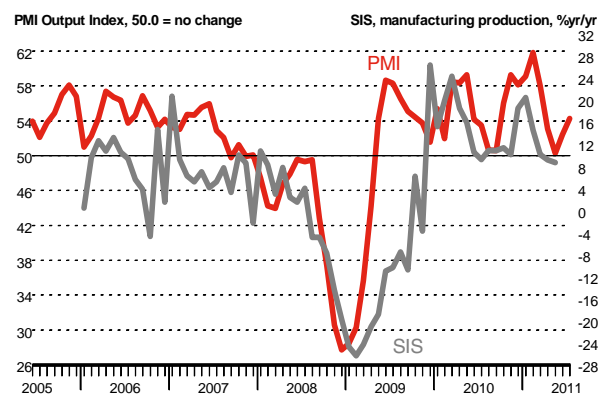
"The Turkish manufacturing sector continued to expand in July, at exactly the same pace as in June, reaffirming its reasonably healthy performance after coming close to stagnation in May. This was owed mainly to an acceleration in production growth, as new order growth lost some steam compared to the previous month. The rise in new export orders showed a much more pronounced slowdown from June levels, nearly grinding to a halt. This was possibly due to ongoing problems in main trading partners. Employment conditions continued to improve, albeit at a slower pace from the previous month. It is still quite noteworthy that Turkey's manufacturing sector has consistently generated new jobs for more than two years now. Quantity of purchases picked up pace in order to meet rising production requirements, while backlogs of work were depleted for the fifth month. Further good news was easing price pressures. Both input and output price inflation decelerated in July, with the latter increasing at the slowest pace in one year."

Key points

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

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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