# HSBC Purchasing Managers' Index™ Press Release

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# HSBC Turkey Manufacturing PMI™

PMI continues to fall as rates of output and new order growth slow further

## **Summary**

Turkish manufacturing new order and production growth both slowed further at the end of Q4 as the economic crisis in Europe continued to subdue demand. Consequently, the seasonally adjusted HSBC Turkey Manufacturing *Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>)* fell slightly to a three-month low of 52.0, from 52.3 in November. The dip in the PMI signalled a weaker improvement in manufacturing business conditions. One factor preventing a sharper decline in the headline index was a stronger employment performance – job creation picked up to an eight-month high.

Turkish manufacturing production rose at a weaker pace during the latest survey period. The slowdown in output growth was in line with an easing trend in new order expansion. Total incoming new business rose only modestly and at the mildest rate of the current four-month run of increase. Some firms noted that the economic crisis in Europe had negatively impacted on demand for their goods. However, receipts of new work from abroad grew at a faster pace.

Backlogs of work continued to fall in December, despite further growth of new orders. This suggests that workloads in the Turkish manufacturing sector remained manageable. Work-in-hand has been depleted in each of the past ten months, although the latest decline was the least marked since July.

Reflecting a further expansion in new business, manufacturers hired extra staff and added to input stocks in December. Employment rose at a marked and accelerated pace, with some firms also commenting on the opening up of new business units. Meanwhile, pre-production inventories grew moderately, following a solid decrease in November. A number of panellists stated that holdings were increased to hedge against further input cost inflation.

Supporting input stock accumulation in December was a sharper rise in buying activity. Stronger demand for inputs did not, however, prevent an improvement in vendor performance. Supplier delivery times shortened for the first time in Q4, albeit only marginally.

Turkish manufacturers raised their tariffs in December, for the twenty-fifth month running. Moreover, the rate of increase was fractionally faster than in November. Panel members reported that higher charges reflected greater input costs.

Input price inflation eased further at the end of Q4. Although still strong, the latest increase was the least pronounced since August 2010, with some firms noting reduced prices for certain commodities.

#### Comment

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

"December's PMI report paints a picture of still-resilient manufacturing performance in Turkey, but risks are to the downside. The improvement in overall manufacturing conditions lost pace for a second month, but the index has avoided falling into contractionary territory for the past four months.

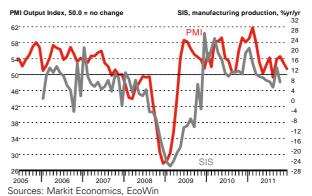
"Higher interest rates, a weaker lira, further deterioration in global risk appetite or a sharper slowdown in major European trading partners could all negatively impact domestic activity. However, if core European economies suffer only a modest contraction in output, Turkish manufacturing activity should be able to hold up well."

# **Key points**

- PMI registers three-month low of 52.0
- Production and new business growth weakest of current four-month runs of expansion
- Job creation picks up

#### **Historical Overview**

HSBC Turkey Manufacturing PMI vs SIS Manufacturing Prdn.







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#### **HSBC**

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#### **Notes to Editors:**

The Purchasing Managers' Index 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 industry contribution to Turkish 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 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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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