

HSBC Turkey Manufacturing PMI™

Adverse weather conditions cause marginal deterioration in operating conditions

Summary

Operating conditions within the Turkish manufacturing economy deteriorated marginally in February. The worsening in the health of the sector reflected contractions in both output and new orders, as adverse weather conditions had a detrimental impact on market activity. Resulting transportation difficulties also had implications for deliveries, with stocks of finished goods rising and suppliers' lead times lengthening. In contrast, the labour market showed further positive signs, as employment levels continued to grow over the month.

The seasonally adjusted HSBC Turkey Manufacturing PMI™, a single-figure snapshot of the overall health of the manufacturing economy, posted 49.6 in February, down from January's reading of 51.7. The latest reading was the first time the PMI had fallen below the 50.0 no-change threshold since August 2011, bringing to an end five months of improvements in the operating conditions of the Turkish manufacturing sector.

Turkish manufacturers registered a contraction in production for the first time in six months in February. Moreover, the rate of decrease was the strongest since the Turkish economy came out of the global recession in early 2009. Panellists reported that the reduction in output was principally due to adverse weather conditions, which had affected supply chains and reduced market activity. The fall in production requirements hence led manufacturers to deplete stocks of purchases.

With some areas of Turkey experiencing their lowest temperatures for over 60 years, supply chains were severely disrupted in February. As a result, stocks of finished goods held by manufacturers rose at the second-fastest rate in the survey history. Furthermore, suppliers' delivery times lengthened for the first time in three months and at a quicker pace than the long-run series average.

While new export orders for Turkish manufactured goods continued to rise in February, lower domestic market activity reduced total new business over the month. Overall new orders contracted at a solid rate, the second fastest since April 2009. Growth of new work from overseas slowed over the month to a marginal pace.

Employment figures provided some positive news, however, as headcounts continued to rise. Turkish goods producers increased staffing levels at a solid rate, that was sharper than the current 33-month sequence of job creation.

Monitored companies suggested that restricted supply of inputs, a further consequence of the bad weather, had caused purchasing prices to rise in February. While still strong, the rate of inflation eased from January to a 19-month low.

Comment

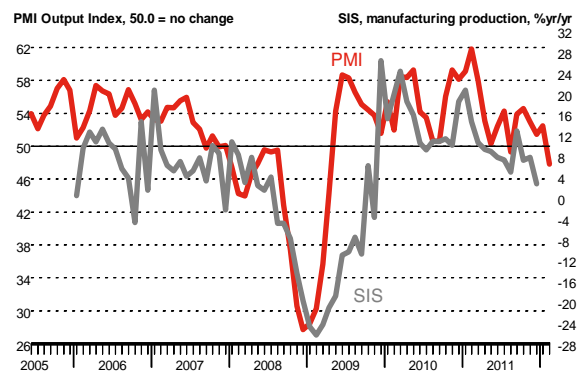
Commenting on the Turkey Manufacturing PMI® survey, Dr. Murat Ulgen, Chief Economist for Turkey at HSBC, said:

"After five months of improvement, manufacturing conditions in Turkey showed a sudden deterioration in February. Manufacturers reported that inclement weather conditions had a negative impact on activity through the supply chain. Output and new orders both fell into contraction territory, and growth of new export orders slowed sharply. Suppliers' lead times lengthened as a result of poor weather conditions, and disruptions to delivery schedules kept input cost inflation high. Output price inflation remained above its long term average and picked up some pace vis-à-vis January. Once again, employment conditions remained the bright spot, growing strongly in February. This is further evidence that long-term expectations of Turkish businesses still remain favourable."

Key points

- PMI falls below 50.0 for first time since August
- Production contracts moderately
- Employment growth continues at solid rate

Historical Overview



Sources: Markit, HSBC, Ecowin

For further information, please contact:

HSBC

Dr. Murat Ulgen, Chief Economist, HSBC Turkey
Telephone +90-212-376-4619
Email muratulgen@hsbc.com

Aslı Arbel, Corporate Communications
Telephone +90-212-376-4365
Email asliarbel@hsbc.com.tr

Markit

Richard Clarke, Economist
Telephone +44-1491-461-006
Email richard.clarke@markit.com

Rachel Harling, Corporate Communications
Telephone +44-20-7064-6283
Mobile +44-782-789-1072
Email rachel.harling@markit.com

Notes to Editors:

The HSBC 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 economics@markit.com.

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