

HSBC Turkey Manufacturing PMI™

Operating conditions deteriorate marginally for second successive month

Summary

March PMI data signalled a marginal weakening in the health of the Turkish manufacturing sector, led by further contractions in both new orders and output. Higher raw material prices continued to drive a steep increase in input costs which, in turn, led to a solid rise in charges. Some positive news was provided by the labour market, however, as manufacturers continued to increase employment levels.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ - a single-figure measure of the overall health of the manufacturing economy - posted 49.6 in March, remaining unchanged from February. Remaining fractionally below the 50.0 no-change threshold, the headline PMI pointed to a marginal worsening of operating conditions in the Turkish manufacturing sector.

Overall new business continued to fall over the month. Panellists commented that the decline in overall new work reflected weak demand from domestic and European clients. New export orders increased again, but the rate of growth eased from February to the weakest since last November.

The decline in overall new work intakes was a primary reason for the contraction in output during February, according to Turkish manufacturing companies. Production decreased at a modest and fractionally weaker rate than in the previous survey period. In turn, backlogs of work at factories in Turkey fell, indicating spare capacity in the sector.

The latest survey also signalled a solid rise in employment in the Turkish manufacturing sector in March, extending the current sequence of sustained growth to just under three years. Those manufacturers that reported an increase in headcounts often noted greater receipts of new work, contrasting with the trend across the sector.

Manufacturers in Turkey left purchasing activity broadly unchanged from February, reflecting a fall in new order volumes. As a result, stocks of pre-production inventories were depleted at the quickest rate since last November.

Input costs faced by Turkish manufacturing companies increased considerably during March, driven by higher raw material prices (particularly for oil). While the rate of input price inflation quickened since February, it remained weaker than the long-run series average. To pass on part of their cost burden, businesses increased output prices over the month.

Comment

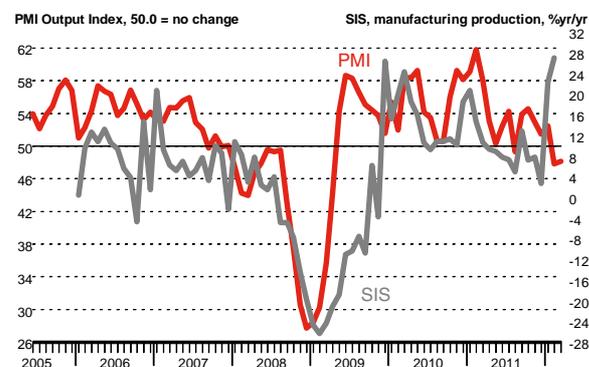
Commenting on the Turkey Manufacturing PMI® survey, Dr. Murat Ulgen, Chief Economist, Central & Eastern Europe and sub-Saharan Africa at HSBC, said:

"After falling into contraction territory in February, Turkish manufacturing conditions were unchanged in March. There was a modest improvement in both the output and the new orders index, but both were below the 50.0 mark for a second month. The new export orders index also lost pace for the second month, coming close to the no-change threshold. The March survey also showed that inflationary pressures continued to build: both the input and the output price indexes rose at a faster pace compared to the previous month. When the index pointed to weaker growth momentum in February, participants suggested that adverse weather conditions had impacted output negatively, but continued weakness in March suggests other factors may be at play. Potential reasons might include tighter monetary conditions, drag from Eurozone or general softening of business sentiment. Consumption indicators have already lost pace, so if the trend seen in the PMI over the past two months is confirmed by official industrial output data, this may point to a more broad-based slowdown in the Turkish economy."

Key points

- PMI unchanged from February, remaining below 50.0 no-change mark
- Output and new order volumes both continue to decline
- Growth of employment slows, but is nonetheless solid

Historical Overview



Sources: Markit, HSBC, Ecowin

For further information, please contact:

HSBC

Dr. Murat Ulgen, Chief Economist,
Central & Eastern Europe and sub-Saharan Africa
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, Middle East & Africa 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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