# **HSBC Purchasing Managers' Index® Press Release**

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# HSBC Turkey Manufacturing PMI™

# Operating conditions improve for first time in three months

# **Summary**

The second quarter of 2012 began on a more positive note compared to the end of the first quarter for Turkish manufacturers. Declines were recorded across a number of monitored variables during February and March, but April data showed that output, new business, and buying activity all returned to growth. Reports indicated that the rise in activity reflected stronger demand, amid an improved economic environment.

The seasonally adjusted HSBC Turkey Manufacturing  $PMI^{TM}$  – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – registered 52.3 in April, moving above the 50.0 no-change threshold for the first time since January. The latest reading indicated a moderate improvement in the operating conditions of the Turkish manufacturing sector.

Overall new business expanded for the first time since the beginning of Q1. Furthermore, the rate of increase was the sharpest since last November. Where new orders rose, panellists generally attributed this to strengthening demand.

Reflecting the trend in new business, manufacturing production increased for the first time in three months in April. Output growth was moderate on the month.

Despite the rise in new orders, the latest data suggested that Turkish manufacturers continued to operate with a degree of spare capacity. Outstanding business fell at a solid rate.

To accommodate production requirements, manufacturers continued to recruit staff in April. Headcounts rose at an accelerated pace, that was above the long-run series average.

Buying activity also rose moderately over the month, in line with the expansion in new orders. As a result, stocks of purchases were depleted at only a marginal rate.

Strong input price inflation persisted in the Turkish manufacturing sector in April, with firms predominantly attributing the latest increase to rising raw material and fuel costs. The rate of inflation recorded was the sharpest for five months.

Turkish manufacturers passed through part of their increased cost burdens to customers by way of higher charges in April. The rate of output price inflation appeared to be stabilising, however, remaining broadly unchanged from February and March.

#### Comment

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

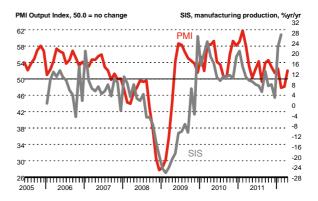
"After remaining in contraction territory for two months, business conditions in Turkey improved in April. The PMI index rose by more than two points to a five month high. Output, new orders and new export orders all rose at a faster pace when compared to last month. Input prices also rose sharply, which likely reflects the impact of natural gas and electricity price hikes that became effective in early April. Output prices were nearly unchanged, but the pass-through could potentially come with a few months' lag.

"Given the weakness in the Eurozone and tighter monetary policy domestically however, manufacturing conditions in Turkey are unlikely to improve drastically in 2Q. On the other hand, employment conditions continued to improve in April, even rising above the series' long term average, indicating manufacturers retain their favourable expectations for the longer term."

#### **Key points**

- PMI rises to five-month high
- Moderate growth of output and new orders
- Input prices rise at quickest pace since last November

# **Historical Overview**



Sources: Markit, HSBC, Ecowin





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

The HSBC Purchasing Managers' Index<sup>™</sup> 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<sup>TM</sup> (PMI<sup>TM</sup>)* 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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