HSBC Purchasing Managers' Index® Press Release

Embargoed until: 10:00 (ANKARA), 01 June 2012

compiled by markit

HSBC Turkey Manufacturing PMI™

Manufacturing operating conditions little changed during May

Summary

Turkey's manufacturing sector stagnated in May, with operating conditions little changed since April. New orders were slightly down, enabling companies to clear backlogs of work at a faster rate. Capacity was nonetheless expanded via a further, albeit slower, increase in staffing levels.

On the price front, cost pressures remained elevated, although showed some sign of easing, while output charges increased at the slowest rate for just under two years.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – registered 50.2 in May. That was down from 52.3 in April and signalled little change in operating conditions on the month.

May's survey indicated that new order volumes were down slightly. The fall was the third in four months as market conditions reportedly remained subdued. The slight decline in May was in contrast to a rise in new export orders, which was the strongest since January. The Middle East and the USA were noted as areas of demand growth.

A second successive monthly increase in manufacturing output was indicated in May, although the rate of growth was only slight as the soft underlying trend in new work weighed on production.

Manufacturers were subsequently able to focus resources in clearing any outstanding orders at their plants, with backlogs of work cut for a fifteenth successive month. The rate of contraction was sharp and the steepest recorded since February 2010.

Companies were also able to clear work outstanding at a faster pace due to workforce expansion. According to the latest data, staffing levels were increased further to extend the current period of growth to three years. However, the rate of expansion was the lowest for eight months, reflective of recent falls in new work.

Latest prices data showed that input cost inflation weakened to a three-month low in May. However, the recent strengthening of the US dollar reportedly raised the price of imports ensuring that costs continued to rise at an elevated pace.

Output charges were increased in response to a rise in input costs, but competitive pressures meant the rate of inflation was the weakest for 22 months.

Comment

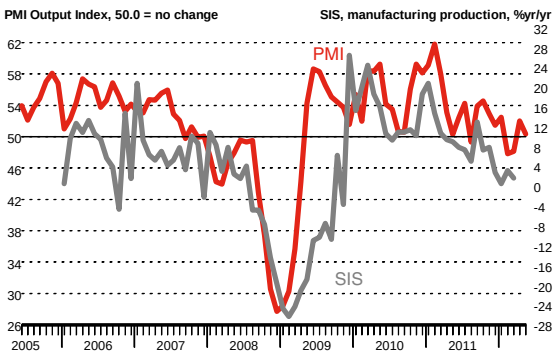
Commenting on the Turkey Manufacturing PMI® survey, Dr. Murat Ulgen, Chief Economist, Central & Eastern Europe and sub-Saharan Africa at HSBC, said:

"Manufacturing sector growth almost stalled in May, after a notable improvement in April due to a very subdued rise in output volumes and a minor contraction in new orders. New export orders, on the other hand, showed a slight improvement, suggesting that the slowdown in economic activity is driven more by moderating domestic demand, while Turkish exporters continue to successfully diversify geographies for trade. Employment still continued to improve at a decent clip, albeit at the slowest pace this year. Meanwhile, both input and output price inflation eased markedly in May. The latter has fallen below its long-term average for the first time this year. Overall, the May PMI survey indicates that the soft patch in production during the first quarter of this year may well extend into the second for two reasons; first weakening capital inflows due to the ongoing Eurozone crisis and, second, tightening of monetary conditions at home. While Turkey's strong fundamentals argue for still positive growth and further job creation, the pace could be lower than originally envisaged."

Key points

- Slight fall in new orders signalled as subdued market conditions weigh on demand
- Manufacturing output rises marginally; backlogs cleared at fastest rate in over two years
- Employment continues to grow, but at slowest pace for eight months

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

Paul Smith, Senior Economist
Telephone +44-1491-461-038
Email paul.smith@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.

HSBC:

HSBC is one of the world's largest banking and financial services organisations. With around 7,200 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 89 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 85 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 132 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

The intellectual property rights to the HSBC Turkey Manufacturing *PMI*™ provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*™ and *PMI*™ are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.