HSBC Purchasing Managers' Index[™] Press Release

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HSBC Turkey Manufacturing PMI™

Output levels stabilise in August, helped by a further improvement in new export orders

Summary

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 – posted 50.0 in August, up from a reading of 49.4 in July and pointing to no change in operating conditions in the sector.

New orders decreased for the third time in the past four months, although the latest reduction was only marginal and slower than that recorded in July. Manufacturers in Turkey reported that difficult market conditions had been behind the contraction. New export orders increased, however, as companies indicated that they had made a concerted effort to generate sales in export markets

With new orders decreasing, firms worked through outstanding business again in August. The pace of depletion was solid, but slowed to the weakest since February. Backlog depletion and capacity expansions led to a stabilisation of production during the month. Output was broadly unchanged, following a decrease in July.

Part of the improvement in capacity was generated by a further rise in employment at Turkish manufacturing firms. Staffing levels have now increased in each of the past 39 months, although the rate of job creation remained only modest in August.

In line with company expansion plans, Turkish manufacturers raised their purchasing activity, although the pace of increase slowed. Higher input buying has now been recorded in three successive months.

A further increase in input prices was registered, extending the current sequence of inflation to 39 months. Although the rate of inflation quickened in August, it remained weaker than the series average. Where input costs rose, respondents signalled higher raw material prices, while some noted increased import costs as a result of unfavourable exchange rate movements. Meanwhile, firms left their prices charged unchanged over the month, following a slight fall in July.

Suppliers' delivery times lengthened for the seventh month running in August, albeit at a reduced pace. Some respondents indicated that low stock levels at vendors had led to longer lead times.

Stocks of purchases, meanwhile, decreased at a solid pace. The reduction in pre-production inventories was the first in three months. Stocks of finished goods also decreased. That said, the pace of depletion was marginal.

Comment

Commenting on the Turkey Manufacturing PMI[™] survey, Melis Metiner, Economist at HSBC, said:

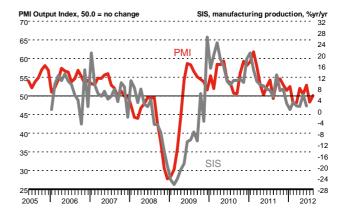
"When compared to a month ago, Turkish manufacturing conditions were unchanged in August. A modest increase in export orders was offset by lower new orders, keeping both the output index and the headline purchasing managers' index near the nochange mark. Official data published by the statistical office suggests a similar trend. Between June and July, both industrial confidence and capacity utilisation were near unchanged in Turkey, while August saw a more pronounced deterioration in industrial confidence.

"In August, input prices rose at a faster pace for the second month in a row, with participants referring to the higher cost of chemicals, copper and wheat in particular. Output prices were unchanged during the month. Input inflation is likely to rise further in Q3, if both agricultural commodity and energy prices continue to climb. This could put pressure on producers' margins: domestic demand is clearly losing pace, so producers may not have much room to pass on rising costs."

Key points

- PMI posts 50.0, to signal no change in business conditions
- New orders fall slightly, but output stabilises and exports rise
- Cost inflation strengthens

Historical Overview



Sources: Markit, HSBC, Ecowin





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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' IndexTM (PMITM)* 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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