

HSBC Turkey Manufacturing PMI™

Fastest rise in Turkish manufacturing output for a year

Summary

The seasonally adjusted HSBC Turkey Manufacturing PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – posted 52.5 in October, up from 52.2 in the previous month. The reading signalled a second successive improvement of operating conditions in the sector, and the strongest since October 2011.

Growth of Turkish manufacturing production accelerated for the second month running in October to the strongest in a year. Output has increased in six of the past seven months. Higher new orders from both domestic and export markets were mentioned by those respondents that recorded a rise in production.

New orders increased for the second month running, and at a slightly faster pace than in September. Panellists reported signs of strengthening demand. New export orders also expanded, extending the current period of growth to four months.

Rising production contributed to a further reduction in backlogs of work, which decreased for the twentieth consecutive month. The pace of depletion was modest, but slightly faster than in the previous month.

As production requirements increased, firms took on extra staff. Furthermore, the rate of job creation accelerated for the third month running to the sharpest since April. Higher workloads also led to a fifth successive monthly increase in input buying. The latest expansion was solid, and little-changed from September. With demand for inputs increasing, manufacturers recorded a deterioration in vendor performance.

A further rise in input prices was recorded during October. Moreover, the rate of inflation accelerated for the fourth successive month to the sharpest since April. Where higher input costs were recorded, panellists linked this to rising oil prices and exchange rate fluctuations. Firms partly passed on higher input prices to their clients during the month, leading to a second successive increase in output prices.

Stocks of purchases decreased marginally, following an increase in the previous month. Respondents indicated that the use of input inventories in the production process and a reluctance to build stocks had led to the fall. Stocks of finished goods also decreased as inventories were used to partly fulfil orders.

Comment

Commenting on the Turkey Manufacturing PMI® survey, Melis Metiner, Economist at HSBC, said:

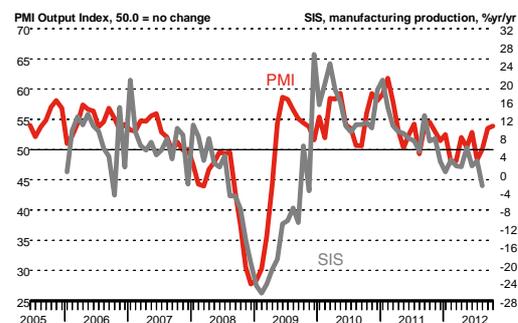
"In October, Turkish manufacturing conditions improved for the second month in a row. Both total orders and new export orders rose at a faster pace when compared to September, and panellists referred to strengthening demand both domestically and from abroad. As output rose during the month, the index reaching its highest level since October 2011, firms stepped up their input purchases and their hiring. The quantity of purchases index rose above its long-term average and the employment index registered a faster pace of improvement for the third consecutive month. Input and output prices were both in inflationary territory and both rose sharply when compared to September. The newfound willingness of firms to pass on costs may be related to the perceived improvement in domestic demand conditions.

"Official data also suggests some improvement in the manufacturing outlook. In October, the seasonally adjusted capacity utilisation rate rose to its highest level since May, while the seasonally adjusted industrial confidence index was also stronger. Monetary conditions in Turkey are accommodative, which makes it likely for domestic demand growth to pick up pace in the fourth quarter. On the inflation front, rising global commodity prices and the impact of domestic administered price hikes are likely to be felt in the remainder of the year."

Key points

- Output and new orders increase at faster rates
- Rate of job creation picks up
- Cost inflation accelerates further

Historical Overview



Sources: Markit, HSBC, Ecwin

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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' 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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