# **HSBC Purchasing Managers' Index® Press Release** Embargoed until: 10:00 (ANKARA), 03 December 2012

## HSBC Turkey Manufacturing PMI™

## PMI signals further improvement in manufacturing conditions

## **Summary**

The seasonally adjusted HSBC Turkey Manufacturing PMI<sup>™</sup> – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry - posted 51.6 in November, down from 52.5 in the previous month. The PMI therefore signalled the third successive improvement of operating conditions in the sector.

After falling in July, production at Turkish manufacturing firms continued to increase in November. According to anecdotal evidence this was mainly driven by an increase in orders. New orders rose for the third month running. Respondents that reported growth of new work attributed this to an increase in demand.

The latest data highlighted a decline in the level of new export orders for the first time in five months. Weak market conditions was given as the primary reason for the deterioration in new export orders.

The level of outstanding business decreased further at Turkish manufacturing companies in November, and at a faster pace than in October. Stocks of finished goods decreased for the second consecutive month in November. More than 16% of respondents indicated a decline in post-production inventory levels.

Driven by an increase in orders, Turkish manufacturing companies further expanded workforce numbers in November. Payroll numbers have increased every month since June 2009 and the latest rate of job creation was only slightly lower than in October.

Output prices increased again in November. Panellists reported that the latest rise in tariffs set by companies was linked to the passing on of higher input costs to clients. Meanwhile, the rate of input cost inflation remained sharp, driven by higher prices for raw materials and unfavourable exchange rates.

Average lead times deteriorated at Turkish manufacturing firms during November. Almost 10% of respondents indicated a worsening in vendor performance and linked this to the short supply of raw materials in the market.

The quantity of purchases increased for the sixth consecutive month. That said, the rate of expansion slowed, and was the weakest in this sequence. Companies reported that an increase in new orders led to higher purchasing activity. After a rise in September, stocks of purchases decreased for the second successive month in November, and at a solid pace.

#### Comment

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

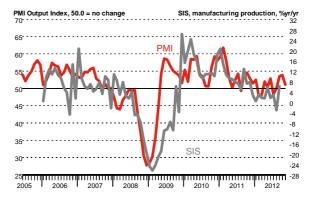
"November saw a third consecutive month of improvement in the manufacturing sector, even though output rose at a slower pace when compared to October. Despite a sharp fall in new export orders, total orders increased at a pace similar to the previous month, suggesting that domestic demand conditions held up, even as foreign demand weakened for the first time in five months. Firms continued to raise purchasing and add workers in November. Output prices rose for the third month in a row as panellists reported passing on the higher cost of raw materials to consumers.

Official production indicators have strengthened in the fourth quarter: industrial confidence in particular has improved noticeably from Q3. Consumption indicators are less robust, however. Credit growth and durable goods sales are subdued and consumer confidence is weak. But domestic monetary conditions are accommodative, and the improvement in global risk appetite is supportive of continued capital flows into Turkey. The combination of these two factors is likely to provide a boost to domestic demand in the first quarter of next year."

## **Key points**

- Production increases for fourth successive month
- Total new business rises, but new export orders fall
- Further expansion of workforce numbers

#### 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' 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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