

# HSBC Turkey Manufacturing PMI™

## PMI rises to 14-month high

### Summary

Business conditions in the Turkish manufacturing sector continued to improve during December. Output levels and new orders both increased, while workforce numbers rose at the sharpest rate in 12 months and the rate of input price inflation remained solid.

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 53.1 in December, up from 51.6 in the previous month and signalled the fourth successive improvement in operating conditions. Moreover, business conditions strengthened to the greatest extent since October 2011.

Production rose further at Turkish manufacturing firms during December and the rate of output growth was the sharpest in 14 months. According to anecdotal evidence, the increase was due to more incoming new business.

New orders increased in December and panellists reported that the rise in order book volumes was mainly driven by an increase in demand. After a decline in the previous survey period, new export orders rose slightly.

Employment levels saw a solid rise during December and the rate of job creation was the highest in 12 months. Higher work requirements and an increase in new orders were among the reasons behind the latest rise in staffing levels.

December data signalled a decrease in outstanding work at Turkish manufacturing firms, with more than 21% of panellists reporting less work-in-hand. Meanwhile, average lead times and stocks of finished goods remained broadly unchanged. Average prices charged by manufacturing firms in Turkey continued to increase in December, and for the fourth successive month.

Input costs rose again at Turkish manufacturing firms during December, and the rate of input price inflation remained solid. According to panellists, inflation reflected both unfavourable exchange rates and increased raw material prices.

Purchasing activity at Turkish manufacturing firms increased during December, and at the sharpest rate since October 2011. Where an increase in buying was reported, respondents linked this to higher new order levels. Pre-production inventories decreased for the third successive survey period during December. Moreover, the pace of depletion quickened to the sharpest in 34 months. Panellists partly linked this decrease to the use of inputs in the production process.

### Comment

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

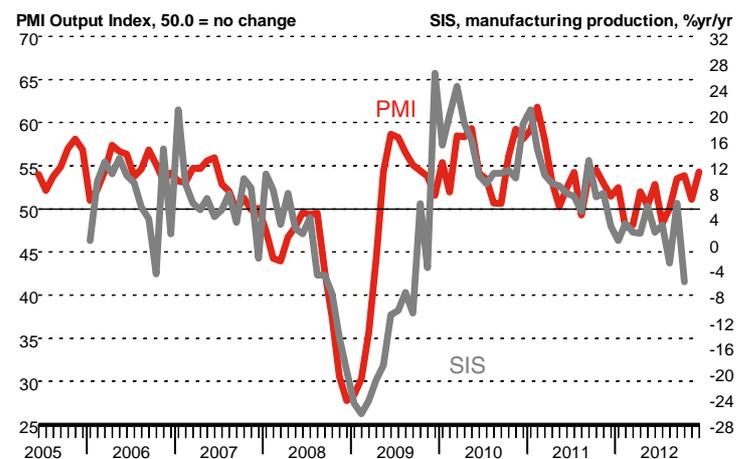
*“Turkey’s manufacturing PMI reached a 14-month high in December, as output, new orders and new export orders all rose at a notably faster pace when compared to a month ago. As demand picked up, firms added workers. The employment index has been pointing to increased staffing since mid-2009, but December’s reading was the strongest print in a year. Input and output prices were both in inflationary territory, but both moderated from their November levels.*

*“The PMI index has been pointing to an improvement in manufacturing conditions since September, while official consumption indicators have been less buoyant. But domestic monetary conditions are accommodative, so we would expect domestic demand growth to pick up pace in early 2013. In its most recent rate setting meeting, the Central Bank of Turkey stated that a recovery in domestic demand was well underway, echoing a similar expectation.”*

### Key points

- Output levels and new orders increase at faster rates
- Employment levels rise solidly
- Input price inflation remains strong

### 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](mailto:economics@markit.com).

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