

# HSBC Turkey Manufacturing PMI™

## PMI hits 22-month high at the beginning of 2013

### Summary

Operating conditions at Turkish manufacturing firms improved solidly at the beginning of the new year. Output grew at the sharpest rate since March 2011, while new orders and purchasing activity also saw marked increases. Meanwhile, the rate of input price inflation recorded the lowest level in five months.

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 54.0 in January, up from 53.1 in the previous month, and signalled the fifth successive improvement in operating conditions. Moreover, business conditions strengthened to the greatest extent since March 2011.

January data signalled a marked increase in production in the Turkish manufacturing sector as output grew at the sharpest rate in 22 months. Panellists linked this development to higher new business and new investments. Driven by new customers and capacity expansions, new business placed at Turkish manufacturing firms also increased sharply. New business from abroad grew during January, and at the sharpest rate in 12 months. Panellists linked the rise in new export orders to an expansion into new markets and new customers.

The level of outstanding business at Turkish manufacturing companies increased during January. An increased amount of bulk orders and growth in new business were among the reasons behind the increase. Stocks of finished goods accumulated for the first time in four survey periods. Meanwhile, suppliers' delivery times remained broadly unchanged.

The latest survey data indicated a further expansion of workforce numbers at Turkish manufacturing firms. According to anecdotal evidence, higher staffing levels were mainly driven by increased new orders and production growth.

Driven by higher raw material prices, average output charges in Turkey's manufacturing sector rose further during January. Input prices also continued to rise, but the rate of inflation eased and was the lowest in five months. Unfavourable exchange rates and increases in raw material prices were cited as the main reasons behind the latest inflation.

Purchasing activity at Turkish manufacturing firms increased during January, and at the sharpest rate in 15 months. New investments and increased production were the main drivers of the latest rise. Stocks of purchases declined and the latest decrease marked the fourth consecutive survey period of falling input stocks.

### Comment

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

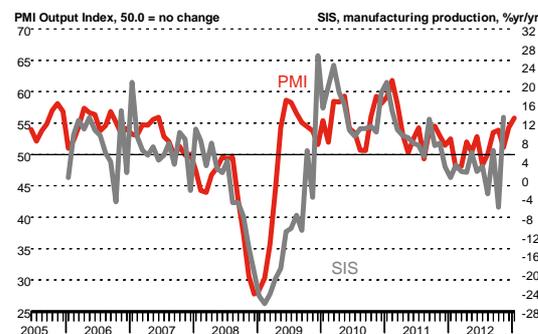
*"Turkish manufacturing conditions improved for the fifth consecutive month in January, with the seasonally adjusted PMI index reaching a 22-month high. Panellists stated that the rapid pace of output growth was driven in part by new investments. On the new export orders front, which saw the sharpest increase since January 2012, survey participants stated that the improvement was driven by expansion into new markets, as well as higher orders. This optimism is also reflected in the forward-looking indexes. The employment index, which is a gauge of long-term growth expectations, continued to improve in January, albeit at a slower pace. The new orders minus inventories measure, another forward-looking indicator, rose to its highest level since March 2011. Both input and output prices were in inflationary territory in January, but the input price index moderated from the previous month, while the output price index rose slightly. As a result, the input-output price ratio, a measure of pressure for producers' margins, improved.*

*"The fact that producers are increasing capacity and expanding into new export markets is clearly positive for the growth outlook in 2013. The recent strength in the PMI survey is not yet fully reflected in activity data such as industrial production, but we do expect an uptick in production data starting in the first quarter. One associated risk is that price pressures could start to build as activity gains pace."*

### Key points

- Solid output and new order growth
- Input price inflation eases to five-month low
- Marked increase in purchasing activity

### 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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