

HSBC Turkey Manufacturing PMI™

Further solid growth of Turkish manufacturing output

Summary

February data signalled a further rise in output and new orders at Turkish manufacturing companies and payroll numbers increased at an accelerated pace. Meanwhile, input costs increased at a marked rate.

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 53.5 in February, down slightly from January's 54.0, and signalled the sixth successive strengthening of operating conditions.

Turkish manufacturers reported an increase in output during February. While the rate of growth eased slightly from January, it was still solid. New orders also rose in the latest survey period. New products and the securing of new clients were among the reasons behind the rise. Moreover, new business from abroad increased at the fastest pace since January 2012.

As has been the case for every month since June 2009, employment levels in Turkey's manufacturing sector rose during February. The rate of job creation picked up, and was solid. Companies linked the rise in payroll numbers to increased production.

After a rise during January, backlogs of work decreased in the latest survey period. Meanwhile, stocks of finished goods declined for the fourth time in five months. Companies linked the decrease in post-production inventories to the clearance of existing stocks and increased new orders.

Average charges set by Turkish manufacturing firms rose further in February. The rate of charge inflation picked up, and was the sharpest since October 2011. There was some anecdotal evidence that the rise was driven by increased raw material prices. Input prices continued to rise at a marked rate. Unfavourable exchange rate movements and higher raw material prices were commonly commented on by companies that faced higher input costs.

The latest survey data signalled a rise in purchasing activity in Turkey's manufacturing sector. While the rate of expansion was weaker than in January, buying has increased now for nine months in a row. Stocks of purchases declined for the fifth successive survey period, albeit at a slight pace that was weaker than the series average.

Delivery times at Turkish manufacturing firms lengthened during February, and for the thirteenth consecutive month. According to respondents, higher demand for inputs was one of the reasons that led to the worsening in vendor performance.

Comment

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

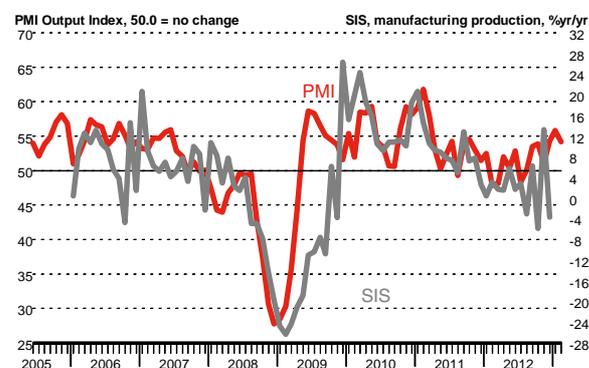
"February marked the sixth consecutive month of improvement in manufacturing conditions in Turkey. The seasonally adjusted PMI index moderated slightly from the 22-month high seen in January, but remained in expansion territory. Output, new orders and new export orders all rose, with new export orders reaching a 13-month high. Panellists attributed the rise in export orders to stronger demand from European markets – a new development. As firms cleared their inventories, the new orders minus inventories measure reached its highest level since March 2011. Price pressures were more noticeable in February. Both input and output inflation were stronger when compared to the previous month, but the former rose more sharply than the latter."

"Data published by the statistical office showed that manufacturing sector output slowed sharply to 0.8% y-o-y in Q412, from 2.2% in Q3. Other official figures are mixed. The leading real sector confidence index improved in February, but when compared to Q412, capacity utilisation in the manufacturing sector was weaker in the first two months of 2013. Given the unequivocal sign of strength coming from the PMI survey, we continue to expect better production data in the first quarter of the year. The fact that domestic credit growth is rising at a rapid pace of around 20% y-o-y also lends some support to this view."

Key points

- Output and new orders continue to increase
- Employment levels rise at faster pace
- Input price inflation remains solid

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™ (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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