

# HSBC Turkey Manufacturing PMI™

## Operating conditions improve for seventh successive month during March

### Summary

March data signalled a further increase in output and new orders at Turkish manufacturers. The rates of expansion were, however, weaker than in the previous three months. Employment levels continued a trend observed since June 2009 and rose during the latest survey period. Meanwhile, output charges increased at the slowest pace in six 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 52.3 in March, down slightly from 53.5 in February, and pointed to a further improvement in overall business conditions at Turkish manufacturers. While the headline index posted the lowest level in four months, the latest reading marked the seventh successive survey period of improved operating conditions.

Turkey's manufacturing companies reported a further increase in production in March. While the rate of expansion was the weakest in four months, output rose for the eighth successive survey period. The growth in production was underpinned by increased new business, both locally and from abroad.

Continuing a trend observed since June 2009, workforce numbers in Turkey's manufacturing sector rose during March. While the rate of job creation weakened from the previous survey period, it remained above the overall series average. Higher new business was the main driver of the latest increase in employment levels.

Outstanding business decreased in March, as Turkish manufacturers cleared existing orders. Meanwhile, stocks of finished goods also contracted. There was some anecdotal evidence that the fall in post-production inventories was driven by increased production.

The latest survey data indicated a further rise in input costs, but input price inflation eased from February and was the weakest in seven months. Companies linked the cost increase to unfavourable exchange rates and higher raw material prices. In response to rising input costs, Turkish manufacturers raised their output charges, albeit only slightly.

Purchasing activity increased at an unchanged rate from the previous survey period during March. Meanwhile, stocks of raw materials and other pre-production inventories fell for the sixth consecutive month, and at a slightly faster pace than in February. Panellists linked this to the processing of orders. Concurrently, manufacturers in Turkey had to face a further worsening in vendor performance during March.

### Comment

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

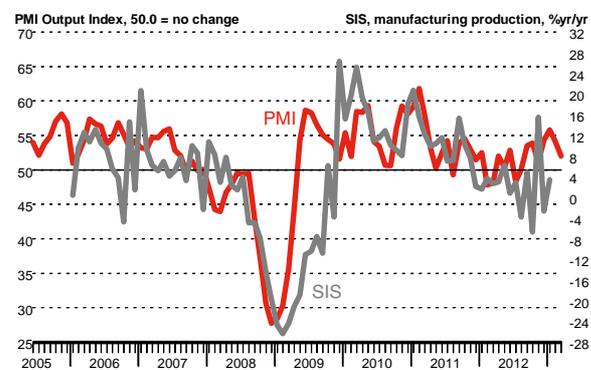
*"March marked the seventh consecutive month of improvement in manufacturing conditions in Turkey. The seasonally adjusted PMI index moderated for the second month in a row, but remained in expansion territory. Sub-indexes showed that the pace of growth in total orders slowed, while new export orders increased at a pace close to February's. Employment conditions continued to improve in March. On the inflation front, both the input and the output price index were in inflationary territory, but both fell quite sharply from the previous month's levels."*

*"Official data is now starting to confirm the improvement signalled by the manufacturing PMI. In January, industrial output rose by 2.1% y-o-y, after registering an increase of 1.4% in Q412. Meanwhile, the real sector confidence index and capacity utilisation both rose in February and in March. Consumption-side indicators have been strong throughout the year, and production-side data is now starting to catch up. What does this mean from a monetary policy perspective? If growth remains on track as we go into the second quarter, the Central Bank of Turkey, which has been easing policy steadily since the latter part of 2012, could adopt a more neutral policy stance."*

### Key points

- Output and new orders increase, albeit at weaker rates than in February
- Further rise in employment levels
- Input costs rise at slowest pace in seven months

### Historical Overview



Sources: Markit, HSBC, Ecowin

**For further information, please contact:**

**HSBC**

Melis Metiner, Economist,  
Turkey  
Telephone +90-212-376-4618  
Email melismetiner@hsbc.com.tr

Aslı Arbel, Corporate Communications  
Telephone +90-212-376-4365  
Email asliarbel@hsbc.com.tr

**Markit**

Oliver Kolodseike, Economist  
Telephone +44-1491-461-003  
Email oliver.kolodseike@markit.com

Caroline Lumley, Corporate Communications  
Telephone +44-20-7260-2047  
Mobile +44- 781-581-2162  
Email caroline.lumley@markit.com

**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).

**HSBC:**

HSBC is one of the world's largest banking and financial services organisations, with around 6,600 offices in both established and faster-growing markets. We aim to be where the economic growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 58 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 81 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 220,000 shareholders in 129 countries and territories.

**About Markit:**

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see [www.markit.com](http://www.markit.com)

### **About PMIs:**

*Purchasing Managers' Index™ (PMI™)* surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [www.markit.com/economics](http://www.markit.com/economics)

**The intellectual property rights to the HSBC Turkey Manufacturing PMI™ provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.**