

HSBC Turkey Manufacturing PMI™

Output growth eases to marginal pace during April

Summary

Turkish manufacturers reported a slowing of both output and new order growth during April. Meanwhile, employment levels increased, with the rate of job creation only marginally slower than that seen in the previous month. Average input prices rose further, although at the lowest rate in nine 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 51.3 in April, down from 52.3 in March. While operating conditions have now strengthened for eight successive survey periods, the latest reading signalled the weakest improvement in this sequence.

Output in Turkey's manufacturing sector rose for the ninth month running during April. The rate of expansion, however, eased to the slowest in eight months and was only marginal. Around 14% of companies reported a fall in production amid signs of a market slowdown.

Order book volumes increased in April, and companies linked growth of new work to the introduction of new projects. The rate of expansion was the weakest in eight survey periods, having slowed for the third successive month. New business from abroad rose for the fifth month running, but also at a weaker rate than in the previous survey period.

April data indicated a third consecutive monthly decline in backlogs of work, as Turkish manufacturers completed existing orders. The rate of decline was the sharpest in nine months. Stocks of finished good also declined for the third month running, albeit at the weakest rate in the current sequence. Meanwhile, average lead times on the delivery of inputs worsened for the fifteenth survey period in a row.

Manufacturing firms in Turkey continued to hire additional staff during April. Around 20% of respondents recorded higher employment levels and commonly linked this to increased incoming new business.

Driven by increased raw material prices, input costs rose during the latest survey period. The rate of input price inflation, however, eased to the lowest in nine months. In response to increased input costs, Turkey's manufacturers raised their output charges.

Purchasing activity in the Turkish manufacturing sector increased during the latest survey period, although at the slowest pace in five months. Concurrently, stock of purchases declined for a seventh successive month in April, but the rate of contraction eased, and was only marginal.

Comment

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

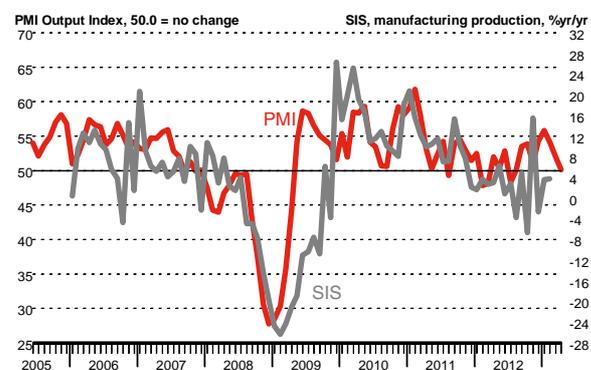
“Manufacturing conditions in Turkey improved for an eighth consecutive month in April, but this month's reading was the lowest in the past eight months. Output, new orders, new export orders, and quantity of purchases were all in expansion territory, but the pace of growth in all four indicators slowed, when compared to March. The employment index remained strong, but the pace of growth slowed here as well. Both input and output prices were in inflationary territory, but while the rate of input inflation slowed in April, the rate of output inflation rose slightly.”

“After a strong start to the year, the recovery in manufacturing appears to be plateauing. The HSBC Manufacturing PMI index averaged 53.3 in Q113 before slowing to 51.3 in April. Meanwhile, the most recent industrial production data available shows that output rose by 2.3% y-o-y in January and 1.6% y-o-y in February, after a gain of 2.5% in 2012. Recent communication by the Central Bank of Turkey also suggests that policymakers now see downside risks to both growth and inflation. If the PMI and official production figures point to further loss of pace in the upcoming months, the central bank could consider easing monetary policy further. Continued moderation in oil prices and the associated improvement in the inflation outlook could also support further easing.”

Key points

- Moderations in both output and new order growth
- Employment levels continue to increase
- Input price inflation decelerates

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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