# **HSBC Purchasing Managers' Index® Press Release**

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# HSBC Turkey Manufacturing PMI™

# Companies report stagnation in output levels during May

### **Summary**

May data signalled a stagnation in production levels at Turkish manufacturing companies. While new orders increased for a ninth successive survey period, the rate of expansion slowed for the fourth month running and was the weakest in the current sequence of growth. Meanwhile, new orders from abroad fell for the first time since last November.

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 51.1 in May, down slightly from 51.3 in April, extending the current sequence of improving operating conditions in Turkey's goods producing sector to nine months. The rate of improvement, however, has now weakened in four successive survey periods.

Manufacturing companies in Turkey indicated unchanged production levels in May. The latest data ended a nine-month sequence of output growth. Panellists commonly linked this to generally slow market conditions. Incoming order book volumes continued to increase, but the rate of expansion eased to the weakest in nine months. Meanwhile, new business from abroad fell for the first time six months, mainly driven by lower demand from European countries.

A fall in export orders accounted for much of the latest decline in outstanding business, according to panellists. Backlogs of work fell at the fastest pace since December 2009. Meanwhile, employment levels continued to rise. Increased new orders was often commented on by companies that hired additional staff.

Purchasing activity continued to increase in May, as one-in-four respondents indicated a rise in buying. The rate of expansion eased, however, and was the weakest in a year. Concurrently, stocks of purchases fell at an accelerated pace during May. Vendor performance worsened again during the latest survey period and panellists linked this to increased demand for inputs.

The level of post-production inventories held at Turkish manufacturing companies fell for the fourth successive survey period in May, and at the fastest pace in 28 months. Companies often attributed the decline to stagnating production levels.

Input costs increased in May, as 16% of companies faced higher cost burdens. There was some evidence that the rise was caused by increased raw material prices. The rate of cost inflation moderated, however, to the weakest in ten months. Meanwhile, output charges rose at a slower rate during the latest survey period.

#### Comment

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

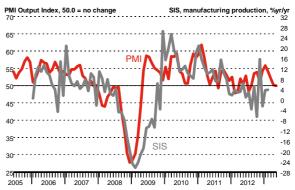
"Manufacturing conditions in Turkey improved for a ninth consecutive month in May, but the pace of the improvement has been slowing for the past four months. Manufacturing sector output was unchanged during May. New orders rose slightly, while new export orders fell for the first time in six months. Firms attributed the fall to lower demand from European countries. Stocks of finished goods fell for a fourth consecutive month in May. Here, companies attributed the decline to stagnation in production. Input and output price indexes were both above the 50.0 threshold, but the rate of input price inflation was the weakest in 10 months and the rate of output price inflation was the weakest in 8 months.

"Turkey appears to be experiencing a gradual, U-shaped recovery. Consumption related indicators such as credit and import growth are strong, but manufacturing output is growing only at a moderate pace. Industrial production rose by 1.3% y-o-y in Q1, following 0.9% growth in Q412. This picture would argue for further monetary easing, but the recent lira weakness could limit the central bank's room for manoeuvre."

### **Key points**

- Output unmoved from previous survey period
- Further moderation in new order growth
- New export orders fall for first time in six months

### **Historical Overview**



Sources: Markit, HSBC, Ecowin





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#### **Notes to Editors:**

The HSBC Purchasing Managers' Index<sup>™</sup> 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<sup>TM</sup> (PMI<sup>TM</sup>)* 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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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