

HSBC Turkey Manufacturing PMI™

Production levels rise in June, after a stagnation in May

Summary

Turkish manufacturing companies reported growth in both output and new export orders in June. Overall order book volumes also increased, and at the fastest pace in three survey periods. Meanwhile, average lead times on inputs shortened for the first time since January 2012.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – registered 51.2 in June, broadly in line with May's 51.1, and pointed to a further improvement in operating conditions in Turkey's goods producing sector.

After a stagnation in May, Turkish manufacturing firms reported an increase in production levels in June. While the pace of expansion was the quickest in three months, respondents indicated that disruptions caused by ongoing protests in the country prevented output from growing at a stronger pace. Volumes of incoming new business also increased during the latest survey period, as companies secured new clients. Meanwhile, new export orders rose slightly, and for the sixth time in seven months.

Average lead times on inputs shortened in June, ending a 16-month sequence of worsening vendor performance. The overall rate of improvement was, however, only slight. Meanwhile, volumes of unfinished work fell, as 19% of panellists reported a further depletion of outstanding orders. Companies attributed the latest reduction to improvements in production efficiency and the hiring of additional workers.

In response to expanding production levels, goods producing companies in Turkey increased their employment levels in June. The rate of job creation eased, however, to the weakest since last August.

Input costs increased at an accelerated pace during the latest survey period, as companies faced unfavourable exchange rates and increased raw material prices. Driven by increased input costs, Turkish manufacturing companies raised their output prices, and the rate of charge inflation was the highest in four months.

Levels of post-production inventory holdings fell in June. According to anecdotal evidence, the decline was driven by faster deliveries, increased production and higher new export orders. Stocks of purchases also depleted, and at a similar pace to that seen in the previous survey period. The latest survey data indicated an increase in purchasing activity. Buying has now increased for 13 consecutive survey periods, and the latest rise was the fastest in three months.

Comment

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

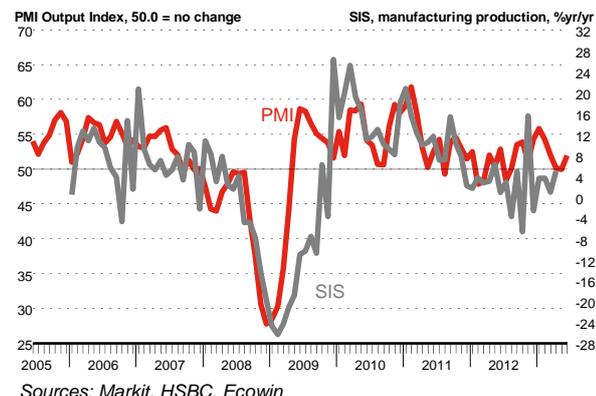
"Manufacturing conditions in Turkey improved for a tenth consecutive month in June, with the pace of improvement picking up marginally after four months of deceleration. Producers reported rising output, adding that on-going protests prevented a stronger increase. Both total and new export orders rose at a faster pace when compared to May. Recent depreciation in the Turkish lira pushed up input and output prices in June, with the former rising to its highest level in four months. Manufacturers continued to add jobs during the month, but the pace of job creation slowed."

"The fact that manufacturing activity gained pace in June despite the recent protests is encouraging. If the PMI index remains resilient in the next few months as well, that would suggest that downside risks to growth, primarily through the confidence channel, are likely to be minimal. On the inflation front, the lira depreciated by around 5% in June, against the EUR-USD basket. This is clearly reflected in the sharp rise in input prices. Continued lira weakness and larger-than-expected administered price hikes for electricity and gas could pose two upside risks to the inflation outlook for the remainder of the year."

Key points

- Output and new export orders both return to growth
- Rate of new business expansion picks up slightly
- First improvement in suppliers' delivery times in 17 months

Historical Overview



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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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