HSBC Purchasing Managers' Index® Press Release

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HSBC Turkey Manufacturing PMI™

PMI edges back into expansion territory

Summary

August data signalled the third consecutive expansion in production levels at Turkish manufacturers, underpinned by a marginal rise in new business. New export orders also increased and purchasing activity rose, although only fractionally.

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 50.9 in August, up from July's 12-month low of 49.8. Operating conditions improved for the eleventh time in 12 survey periods.

Output levels at Turkish goods producers increased in August, and for the third month in a row. The pace of expansion was up from July and panellists attributed the rise to increased business and improving market conditions. In line with the trend for production, order book volumes rose in August. While the rate of growth was marginal, the rise followed a month of contracting order intakes. Client demand from foreign markets also expanded and anecdotal evidence suggested that higher export business was driven by a weak Turkish lira and improving market conditions.

Higher production requirements at Turkish manufacturing firms led to an increase in the quantity of inputs purchased. Buying rose marginally in August, following a month of declining purchasing activity.

Turkish manufacturers hired additional workers in August in order to meet higher production requirements. The rate of job creation slowed to the weakest in a year, but remained above the overall series average. Concurrently, manufacturing backlogs continued to decline, providing evidence of ongoing spare capacity in the Turkish manufacturing sector.

Input prices continued to increase in August, with more than 27% of survey respondents indicating higher cost burdens. The latest rate of cost inflation was the second-highest in 21 months, and mainly linked to unfavourable exchange rates. In response to increased input costs, Turkish manufacturing companies raised their output charges.

Pre-production inventories fell in August, as Turkish goods producers cleared existing stocks. Companies also remained cautious about their post-production inventory levels. Stocks of finished goods fell for the seventh month in a row. Meanwhile, suppliers' delivery times rose for the first time in three. Some panellists linked the worsening in delivery times to capacity problems and higher business levels.

Comment

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

"After dipping into contraction territory in July, manufacturing conditions showed improvement in August. Both total orders and export orders rose, but the latter improved more sharply. Panellists reported that much of the improvement in new orders was due to higher export orders received during the month. Survey participants referred to a weak Turkish lira and improving market conditions as two reasons behind the strong rise in new export orders. The impact of a weaker lira was also apparent in rising input and output prices. Both indexes were in inflationary territory in August. Panellists also suggested that businesses have started passing on their rising costs onto their final prices.

"Social unrest in Turkey during the month of June does not appear to have done lasting damage to business confidence or to domestic demand. That said, sharp lira depreciation and rising interest rates are two factors that could translate into slower demand growth in the last quarter of the year."

Key points

- Output growth picks up slightly as new orders increase
- New export orders rise at fastest pace in five months
- Increase in buying activity

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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