HSBC *Purchasing Managers' Index*™ 2012

compiled by markit

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HSBC Turkey Manufacturing PMI™

PMI continues to fall as rates of output and new order growth slow further

Key findings:

- PMI registers three-month low of 52.0
- Production and new business growth weakest of current four-month runs of expansion
- Job creation picks up

Turkish manufacturing new order and production growth both slowed further at the end of Q4 as the economic crisis in Europe continued to subdue demand. Consequently, the seasonally adjusted HSBC Turkey Manufacturing *Purchasing Managers' Index*™ *(PMI™)* – a composite indicator designed to provide a single-figure snapshot of the performance of the sector – fell slightly to a three-month low of 52.0, from 52.3 in November. The dip in the PMI signalled a weaker improvement in manufacturing business conditions. One factor preventing a sharper decline in the headline index was a stronger employment performance – job creation picked up to an eight-month high.

Turkish manufacturing production rose at a weaker pace during the latest survey period. The slowdown in output growth was in line with an easing trend in new order expansion. Total incoming new business rose only modestly and at the mildest rate of the current four-month run of increase. Some firms noted that the economic crisis in Europe had negatively impacted on demand for their goods. However, receipts of new work from abroad grew at a faster pace.

Backlogs of work continued to fall in December, despite further growth of new orders. This suggests that workloads in the Turkish manufacturing sector remained manageable. Work-in-hand has been depleted in each of the past ten months, although the latest decline was the least marked since July.

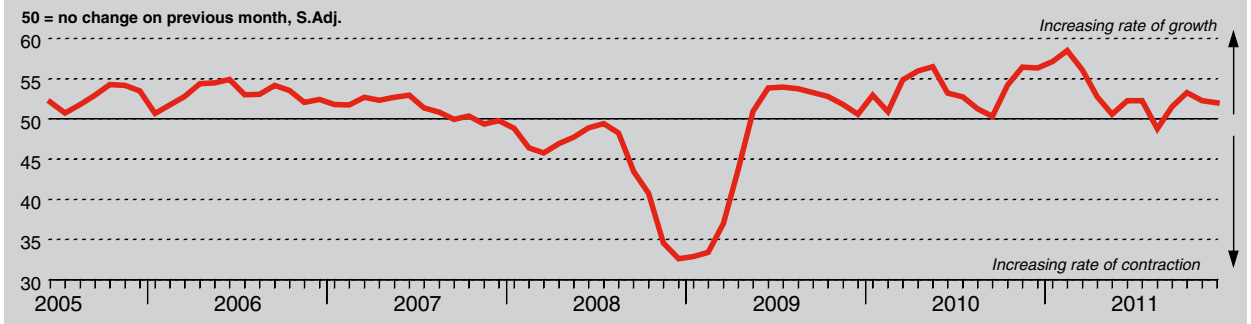
Reflecting a further expansion in new business, manufacturers hired extra staff and added to input stocks in December. Employment rose at a marked and accelerated pace, with some firms also commenting on the opening up of new business units. Meanwhile, pre-production inventories grew moderately, following a solid decrease in November. A number of panellists stated that holdings were increased to hedge against further input cost inflation.

Supporting input stock accumulation in December was a sharper rise in buying activity. Stronger demand for inputs did not, however, prevent an improvement in vendor performance. Supplier delivery times shortened for the first time in Q4, albeit only marginally.

Turkish manufacturers raised their tariffs in December, for the twenty-fifth month running. Moreover, the rate of increase was fractionally faster than in November. Panel members reported that higher charges reflected greater input costs.

Input price inflation eased further at the end of Q4. Although still strong, the latest increase was the least pronounced since August 2010, with some firms noting reduced prices for certain commodities.

HSBC Turkey *Purchasing Managers' Index*™ *(PMI™)*



The HSBC Turkey *Purchasing Managers' Index™ (PMI™)* is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI™ below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

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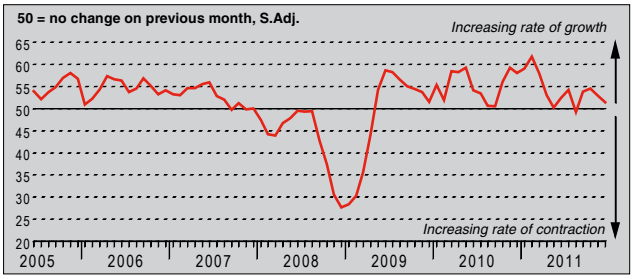
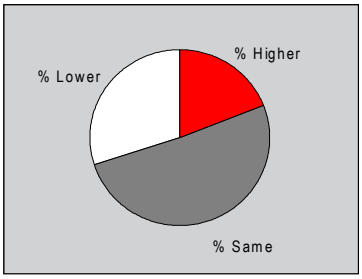
Output Index

Q. Please compare your production/output this month with the situation one month ago.

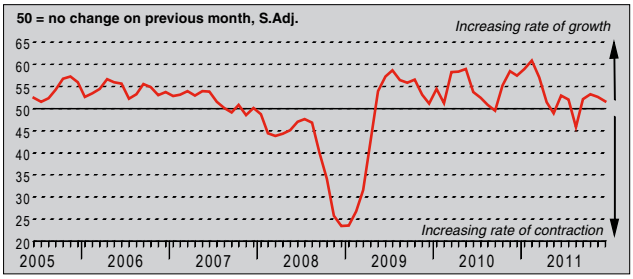


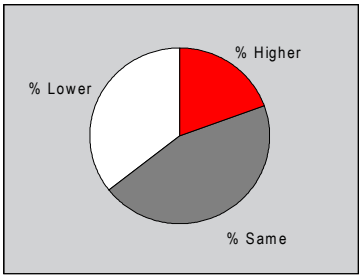


Turkish manufacturing output growth continued to slow during the latest survey period. The latest increase was the least marked of the current four-month run of expansion and slightly below the series trend. Where a rise in production was recorded, panellists commented on gains in new business.

New Orders Index

Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.

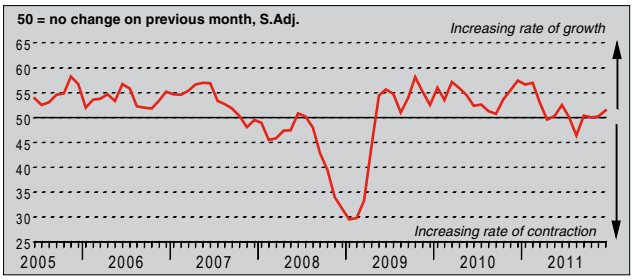


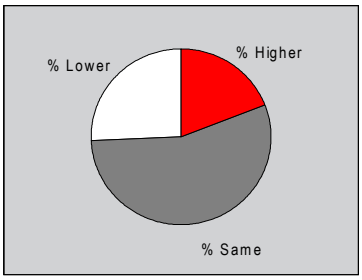


Slipping since November, the seasonally adjusted New Orders Index hit a four-month low in December. Reports suggested that subdued demand due to the economic crisis in Europe had reduced sales at some companies. Where increased new business was recorded, respondents cited successful promotional activities.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

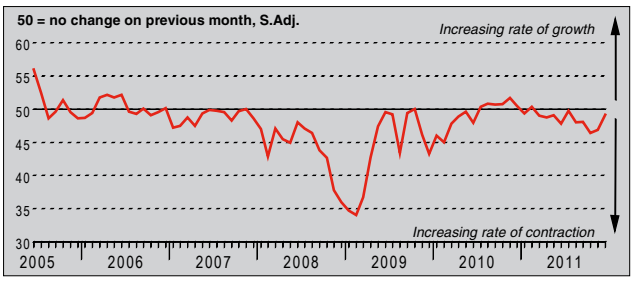


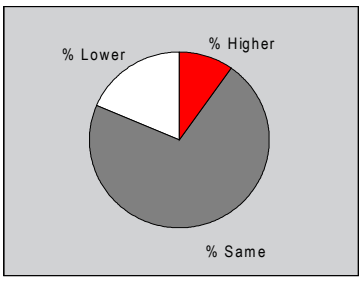


New orders from abroad rose further during December, but at only a moderate pace. That said, the rate of growth was the sharpest since June. Anecdotal evidence indicated that improved foreign demand and favourable exchange rate movements had supported new export order receipts.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.





Data suggested that workloads at Turkish manufacturers remained manageable in December. Unfinished business was cleared for the tenth month in succession, albeit at a slower pace than in November. Survey participants indicated that backlogs fell partly as a result of quicker deliveries.

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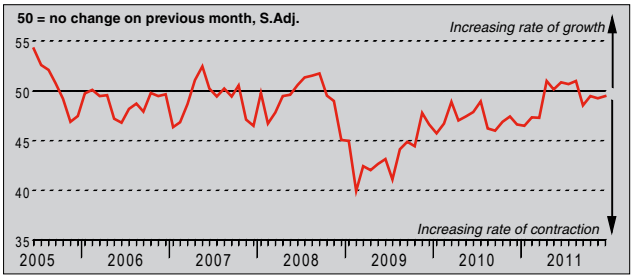
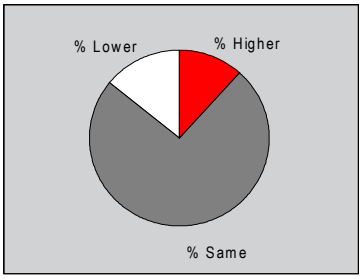
Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.

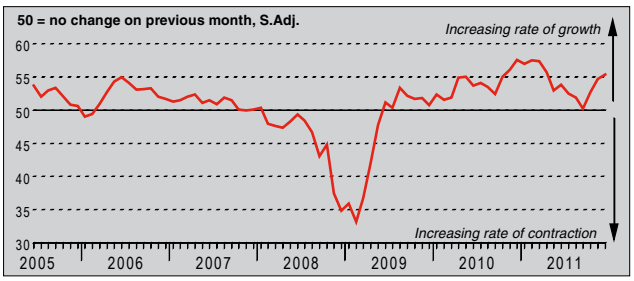


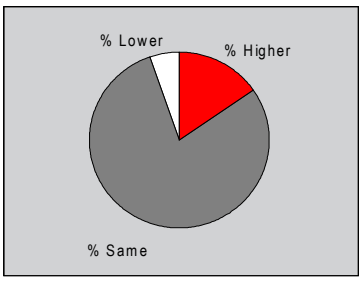


The seasonally adjusted Stocks of Finished Goods Index, which has trended broadly sideways throughout Q4, signalled another fractional decline in post-production inventories at Turkish manufacturers in December. Faster deliveries was a key reason for lower holdings at a number of companies, although some noted attempts to reduce stocks.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

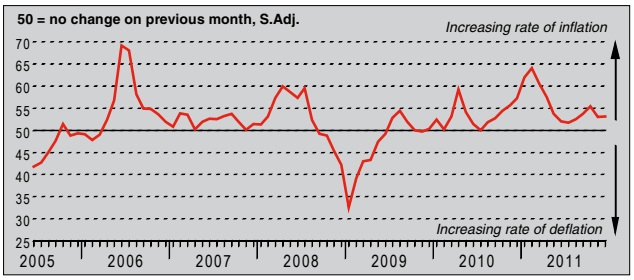


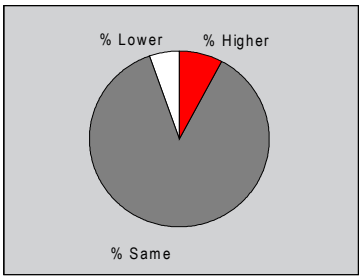


Employment in the Turkish manufacturing industry continued to rise in December, and to the greatest extent since April. Data pointed to a marked rate of expansion. Increased new order takings, faster production and the opening up of new business units were all given by panellists as reasons for recruitment.

Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.

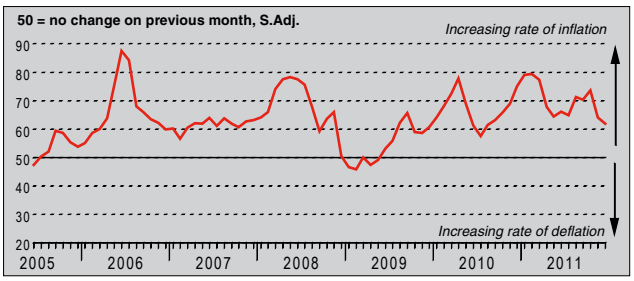


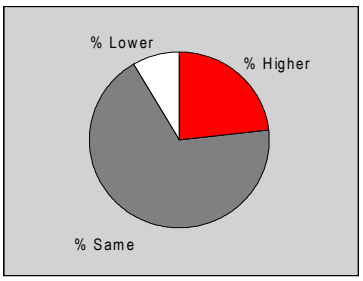


Prices charged for Turkish manufactures rose at a solid and fractionally accelerated pace in December. Companies monitored by the survey stated that selling prices were raised in order to pass through input cost inflation to customers. However, the overall rate of increase was weaker than the average for 2011 as a whole.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.

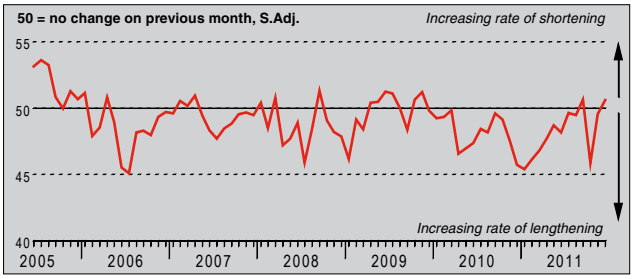


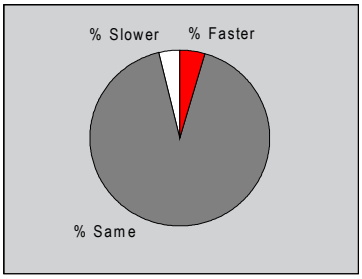


Input price inflation moderated further during the latest survey period, reaching a 16-month low that was below the series trend. Lower prices for certain commodities was the main reason for the slowdown, according to panel members. In the 23% of cases where higher input costs were recorded, firms predominantly commented on unfavourable exchange rates.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

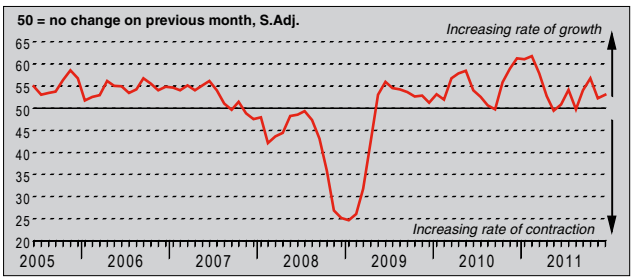


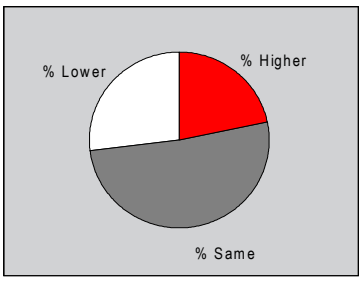


Vendor performance improved in December, for the first time in Q4. That said, delivery times shortened only marginally since November. Survey participants reported that lead times fell as a result of sufficient stock holdings at suppliers and their increased efforts to make on-time deliveries given stronger demand.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

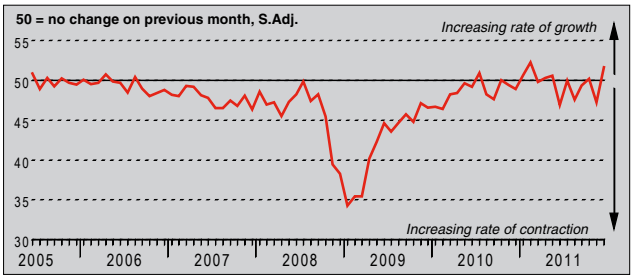


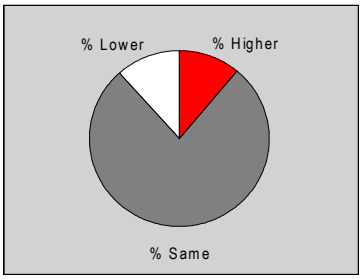


Turkish manufacturers acquired additional inputs at the end of the final quarter, which some panellists attributed to new order gains, increasing demand and efforts to build up stocks. The latest rise in purchases was solid and faster than in November. Even so, the rate of increase remained below October's seven-month high.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





The seasonally adjusted Stocks of Purchases Index rose back above 50.0 in December, signalling a moderate rate of growth. The latest reading was the highest for ten months. Respondents stated that inventory accumulation reflected new order growth, as well as efforts to hedge against further input price increases.

Notes on the Data and Method of Presentation

The 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.

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