

HSBC Turkey Manufacturing PMI™

Operating conditions deteriorate marginally for second successive month

Key findings:

- PMI unchanged from February, remaining below 50.0 no-change mark
- Output and new order volumes both continue to decline
- Growth of employment slows, but is nonetheless solid

March PMI data signalled a marginal weakening in the health of the Turkish manufacturing sector, led by further contractions in both new orders and output. Higher raw material prices continued to drive a steep increase in input costs which, in turn, led to a solid rise in charges. Some positive news was provided by the labour market, however, as manufacturers continued to increase employment levels.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ - a single-figure measure of the overall health of the manufacturing economy - posted 49.6 in March, remaining unchanged from February. Remaining fractionally below the 50.0 no-change threshold, the headline PMI pointed to a marginal worsening of operating conditions in the Turkish manufacturing sector. While the deteriorations registered in the past two months were only slight, they were in contrast to the improvements recorded in the previous five survey periods.

Overall new business continued to fall over the month. Panellists commented that the decline in overall new work reflected weak demand from domestic and European clients. New export orders increased again, but the rate of growth eased from February to the weakest since last November. Uncertainty in the Middle East and high purchasing prices were cited as the main contributors to the slowdown.

Surveyed companies also cited weak demand levels as the cause of rising stocks of finished goods in March. Manufacturers

accumulated post-production inventories at a modest rate, easing from February's 80-month high.

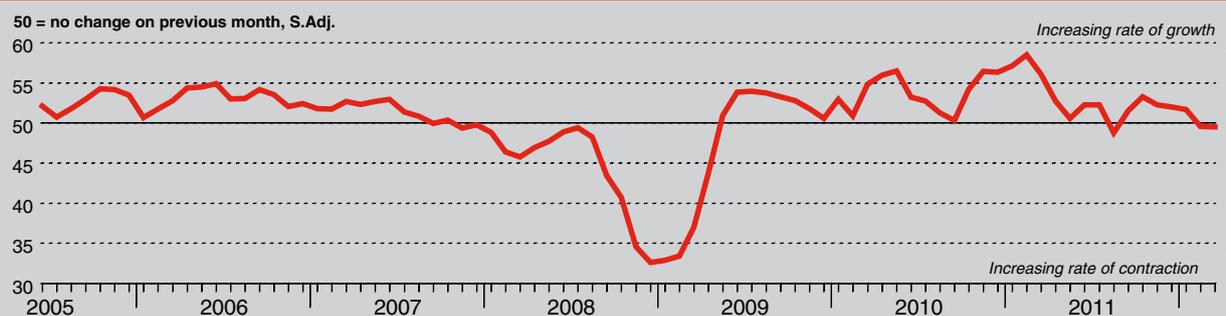
The decline in overall new work intakes was a primary reason for the contraction in output during February, according to Turkish manufacturing companies. Production decreased at a modest, and fractionally weaker rate than in the previous survey period. In turn, backlogs of work at factories in Turkey fell, indicating spare capacity in the sector.

The latest survey also signalled a solid rise in employment in the Turkish manufacturing sector in March, extending the current sequence of sustained growth to just under three years. Those manufacturers that reported an increase in headcounts often noted greater receipts of new work, contrasting with the trend across the sector. However, the rate of job creation eased for the third successive survey period.

Manufacturers in Turkey left purchasing activity broadly unchanged from February, reflecting a fall in new order volumes. As a result, stocks of pre-production inventories were depleted at the quickest rate since last November.

Input costs faced by Turkish manufacturing companies increased considerably during March, driven by higher raw material prices (particularly for oil). While the rate of input price inflation quickened since February, it remained weaker than the long-run series average. To pass on part of their cost burden, businesses increased output prices over the month.

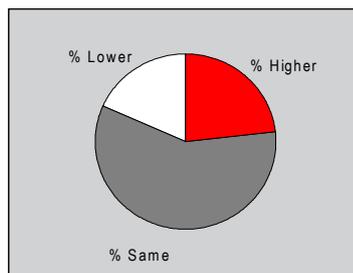
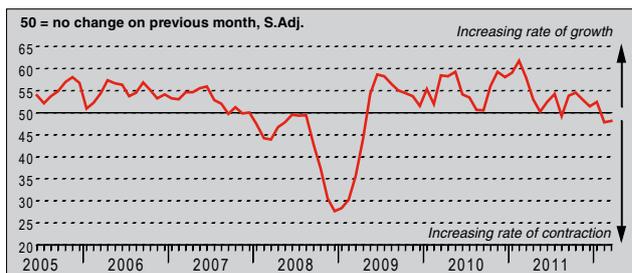
HSBC Turkey Purchasing Managers' Index™ (PMI™)



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.

Output Index

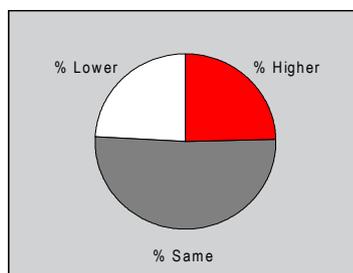
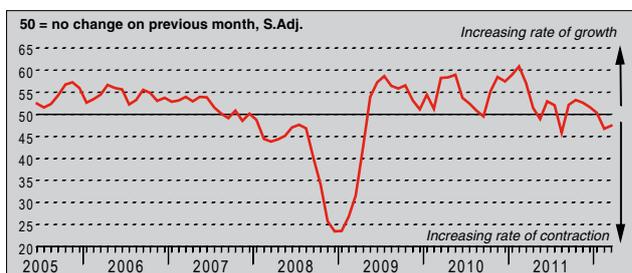
Q. Please compare your production/output this month with the situation one month ago.



March data signalled a moderate decline in production in the Turkish manufacturing sector. Having made adjustments for expected seasonal variations, the Output Index remained below the 50.0 no-change mark for the second successive survey period, with the rate of contraction slowing only fractionally from February. A number of panellists attributed the fall in production to a reduction in new business, particularly from domestic clients.

New Orders Index

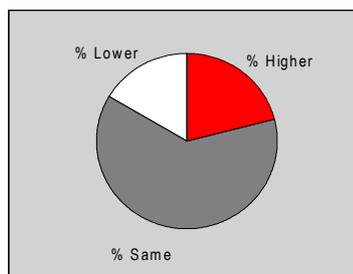
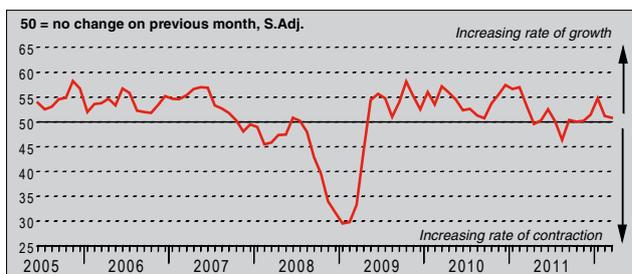
Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.



Turkish manufacturers reported a solid fall in new orders received during March. Anecdotal evidence suggested that there had been an overall reduction in demand due to cautious sentiment among domestic and European clients. While the rate of decline eased over the month, the seasonally adjusted New Orders Index remained below the long-run series average. New work placed with manufacturers in Turkey has fallen twice in the last seven months.

New Export Orders Index

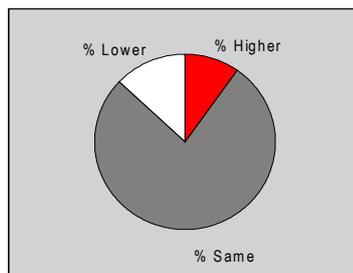
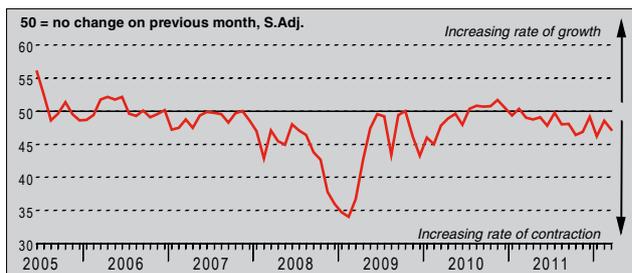
Q. Please compare the level of new export orders received this month with the situation of one month ago.



New export orders received by manufacturers in Turkey increased marginally during March, with 21% of panellists recording a rise in new business received from export markets. The rate at which new export orders increased slowed since February to the weakest since last November, with uncertainty in the Middle East and high purchasing prices cited as the main contributors. Nonetheless, the latest rise extended the current sequence of expansion to five months.

Backlogs of Work Index

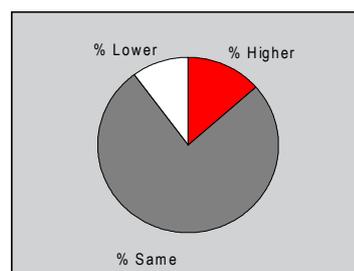
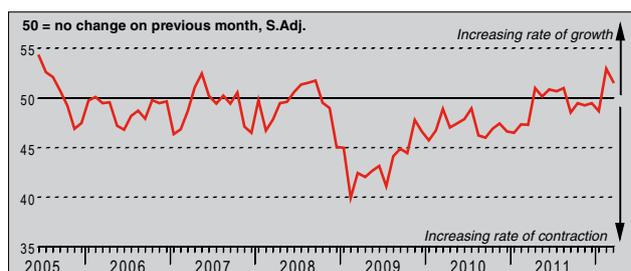
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Backlogs of work at manufacturers in Turkey fell solidly during March. Furthermore, the rate of decline accelerated over the month, suggesting a greater degree of spare capacity at factories. Work in hand has now fallen in each of the last 13 months. Exactly 13% of panellists noted that backlogs had been reduced since February, attributing this to a contraction in new business receipts.

Stocks of Finished Goods Index

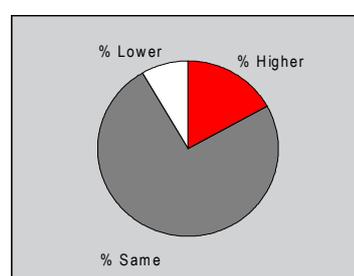
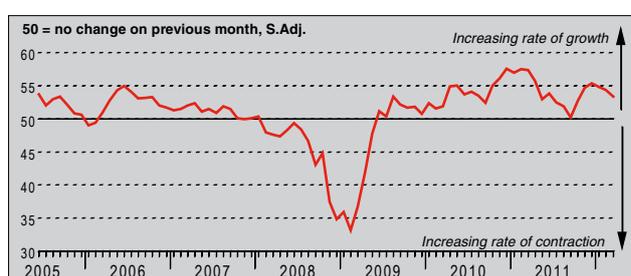
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



March data signalled an increase in stocks of finished goods held at factories in Turkey, after they rose for the first time in six months during February. Anecdotal evidence suggested that the accumulation of post-production inventories reflected weak demand levels, particularly from domestic and European clients. The rate at which post-production inventories rose was marginal, decelerating from the solid pace recorded in the previous survey period.

Employment Index

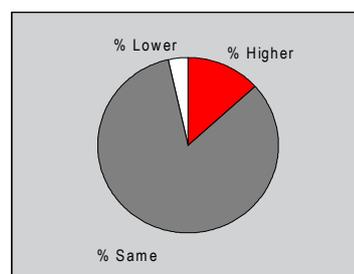
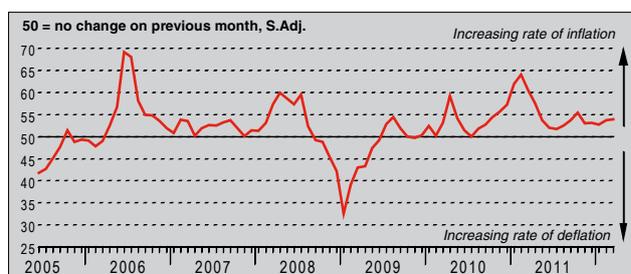
Q. Please compare the level of employment at your unit with the situation one month ago.



Employment in the Turkish manufacturing sector increased solidly during March, extending the sequence of sustained growth to 34 months. While the rate of job creation eased for the third successive survey period, it was nonetheless notably above the long-run series average. Approximately 17% of panellists indicated that staffing levels at their business units had increased during the month, a number of whom linked this to growth of new work intakes, contrasting with the trend seen across the sector.

Output Prices Index

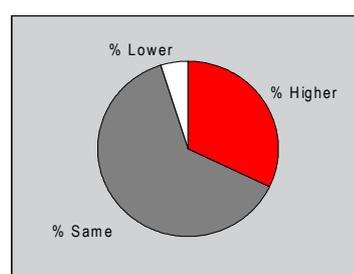
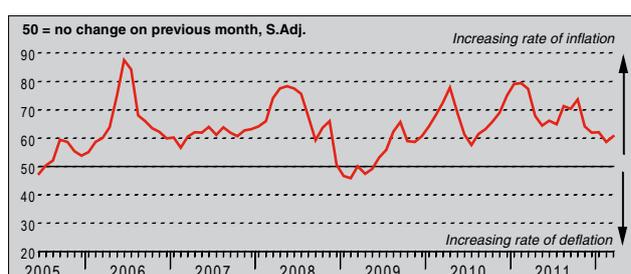
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Turkish manufacturers reported a rise in their charges during March. Output price inflation has been recorded in each month since December 2009, and the latest increase was broadly in line with the average for the sequence. Anecdotal evidence suggested that a further rise in input prices had driven the increase in charges. Furthermore, the rate of output price inflation accelerated from February, to the fastest pace registered in the last five months.

Input Prices Index

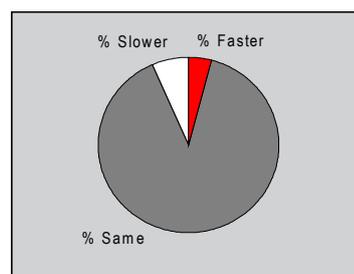
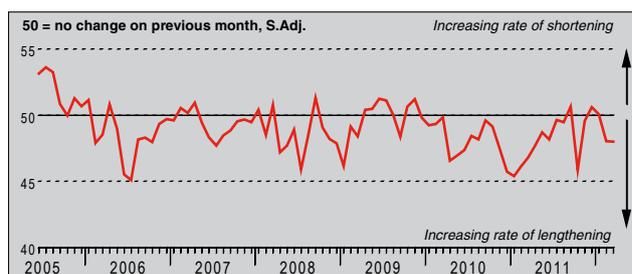
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input prices faced by manufacturers in Turkey increased considerably during March. Approximately 32% of panellists noted that input costs were higher than in the previous survey period, citing a further rise in raw material prices, particularly oil. Survey members also suggested that unfavourable exchange rate variations had contributed to the increase. While the rate of input price inflation quickened since February, it remained weaker than the long-run series average. Input cost inflation has been registered in each month since June 2009.

Suppliers' Delivery Times Index

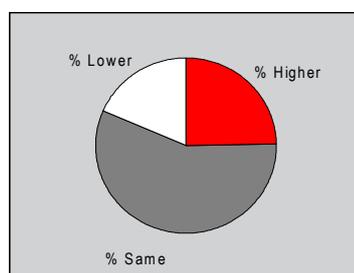
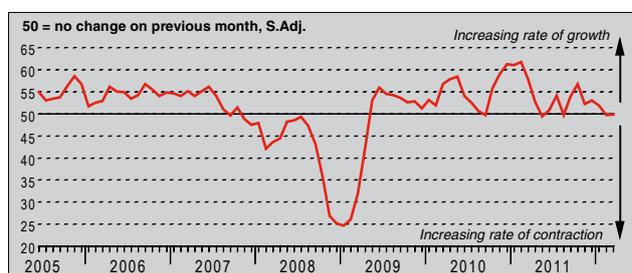
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Manufacturers in Turkey reported a lengthening of suppliers' delivery times during March, with deteriorating vendor performance now recorded in both of the last two months. Anecdotal evidence suggested that longer lead times predominantly reflected difficulties in obtaining raw materials. The latest lengthening of delivery times was moderate, but nonetheless the strongest recorded since October 2011.

Quantity of Purchases Index

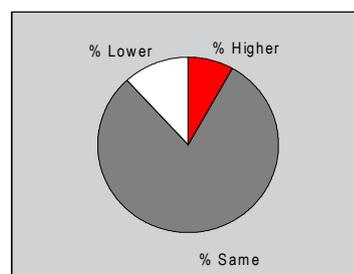
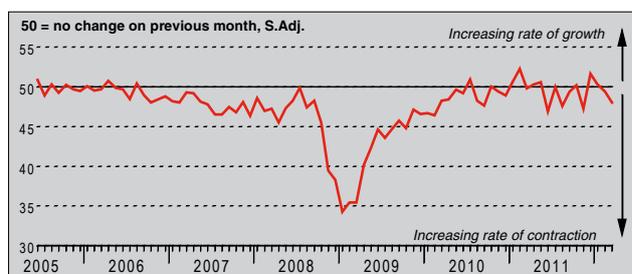
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Purchasing activity at manufacturers in Turkey in March was broadly unchanged from that registered in February. Having adjusted the data for known seasonal fluctuations, the Quantity of Purchases Index remained only fractionally below the 50.0 no-change mark for the second successive period. The trend seen in the last two months is in contrast to the increases in buying activity recorded throughout Q4 2011.

Stocks of Purchases Index

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



March data signalled a modest reduction in stocks of purchases held at manufacturers in Turkey, as purchasing activity was not increased over the survey period. Panellists commented that pre-production inventories had been depleted in line with falling new order levels and due to difficulties in obtaining new materials. Nonetheless, the extent to which purchase stocks fell was weaker than the long-run survey trend.

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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