HSBC *Purchasing Managers' Index*™ 2012

compiled by markit

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HSBC Turkey Manufacturing PMI™

Fastest rise in Turkish manufacturing output for a year

Key findings:

- Output and new orders increase at faster rates
- Rate of job creation picks up
- Cost inflation accelerates further

The recovery in the Turkish manufacturing sector gathered pace in October as faster increases were recorded in output, new orders and employment. The rate of input cost inflation quickened again, and firms passed part of the increase in costs on to clients in the form of a faster rise in output prices.

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 52.5 in October, up from 52.2 in the previous month. The reading signalled a second successive improvement of operating conditions in the sector, and the strongest since October 2011.

Growth of Turkish manufacturing production accelerated for the second month running in October to the strongest in a year. Output has increased in six of the past seven months. Higher new orders from both domestic and export markets were mentioned by those respondents that recorded a rise in production.

New orders increased for the second month running, and at a slightly faster pace than in September. Panellists reported signs of strengthening demand. New export orders also expanded, extending the current period of growth to four months.

Rising production contributed to a further reduction in backlogs of work, which decreased for the twentieth consecutive month. The pace of depletion was modest, but slightly faster than in the previous month.

As production requirements increased, firms took on extra staff. Furthermore, the rate of job creation accelerated for the third month running to the sharpest since April. Higher workloads also led to a fifth successive increase in input buying. The latest expansion was solid, and little-changed from September.

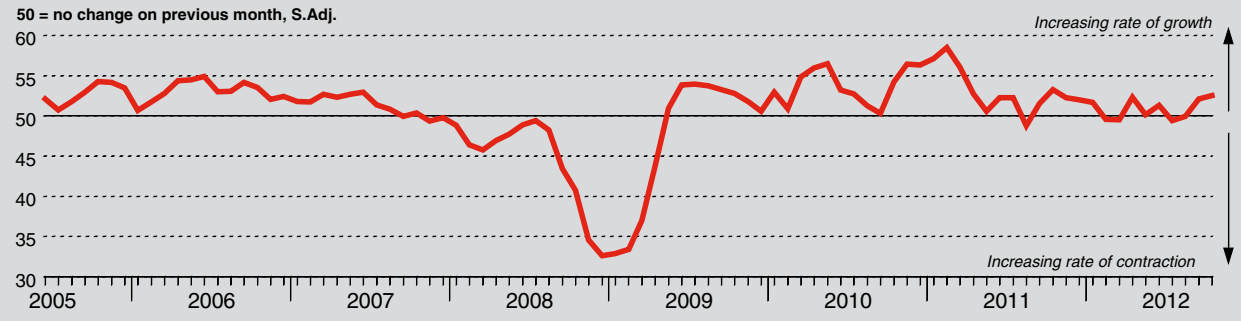
With demand for inputs increasing, manufacturers recorded a deterioration in vendor performance. Suppliers' delivery times lengthened for the ninth successive month, albeit only modestly.

A further rise in input prices was recorded during October. Moreover, the rate of inflation accelerated for the fourth successive month to the sharpest since April. Where higher input costs were recorded, panellists linked this to rising oil prices and exchange rate fluctuations.

Firms partly passed on higher input prices to their clients during the month, leading to a second successive increase in output prices. The rate of inflation quickened, and was the fastest in six months.

Stocks of purchases decreased marginally in October, following an increase in the previous month. Respondents indicated that the use of input inventories in the production process and a reluctance to build stocks had led to the fall. Stocks of finished goods also decreased as inventories were used to partly fulfil orders.

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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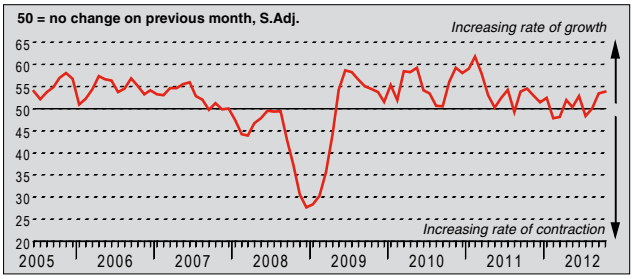
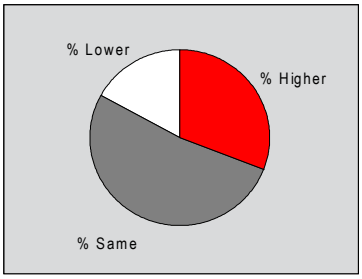
Output Index

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

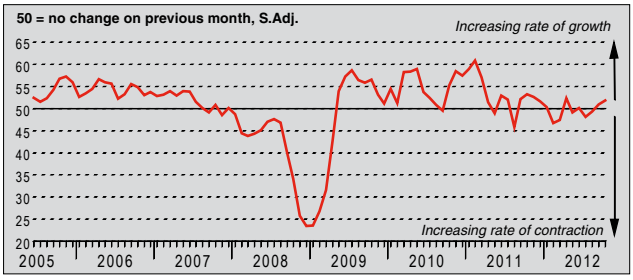


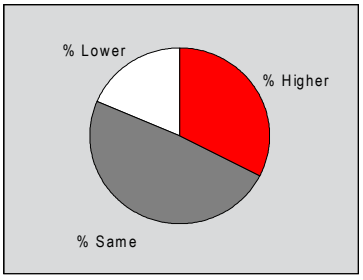


Turkish manufacturing output increased for the third successive month in October. Moreover, the rate of growth was solid, having quickened for the second month running to the sharpest for a year. Those respondents that recorded a rise in production mainly linked this to higher new orders, both from domestic and export markets.

New Orders Index

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

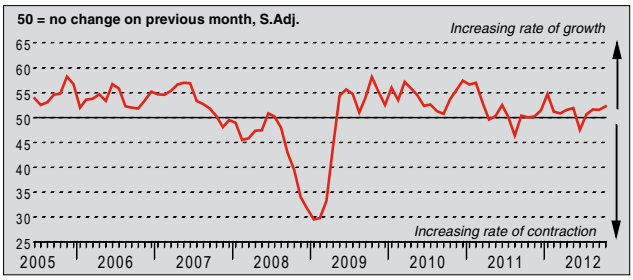


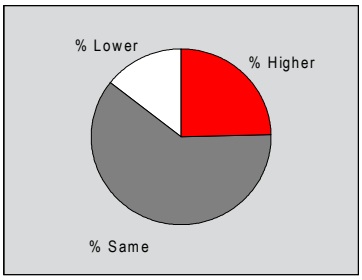


According to respondents, strengthening demand was the key factor leading to a rise in new business during October. New orders increased for the second consecutive month, and at a quicker pace than in September. The current two-month sequence of expansion followed two months in which new orders fell modestly.

New Export Orders Index

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

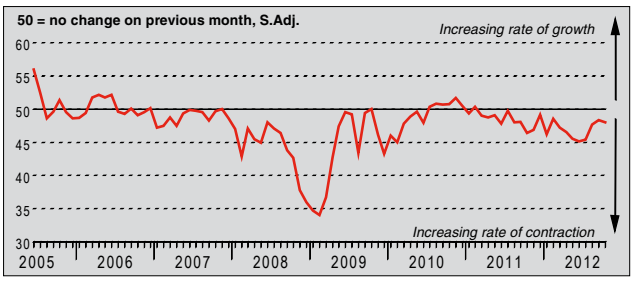


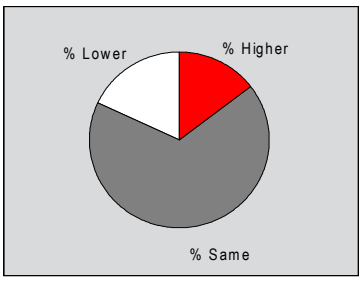


New export orders rose for the eleventh time in the past 12 months during October. Moreover, the rate of growth quickened to the fastest since January. Close to one-quarter of panellists registered an expansion of new business from abroad, and indicated that growth largely reflected strengthening demand and favourable exchange rate movements.

Backlogs of Work Index

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





As has been the case in each month since March 2011, backlogs of work at Turkish manufacturers decreased in October. The pace of reduction was modest, but slightly sharper than the previous month. Panellists reported that higher production had helped to deplete outstanding business. More than 18% of respondents posted a decrease in backlogs, against 15% that signalled an increase.

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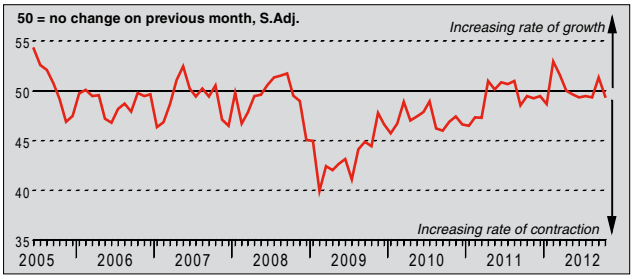
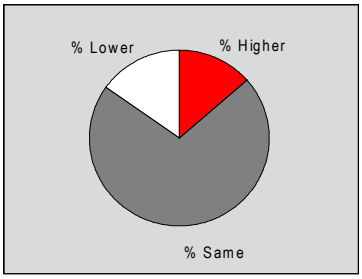
Stocks of Finished Goods Index

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

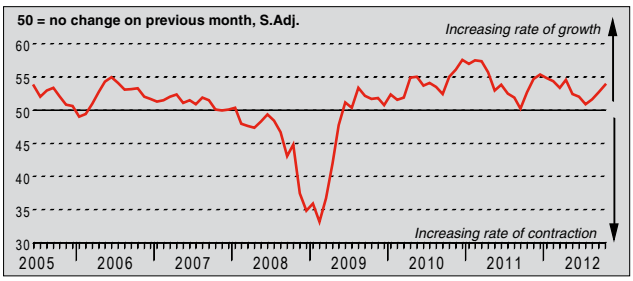


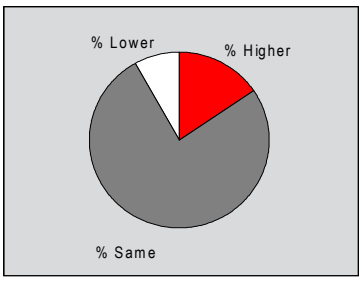


After rising in September, stocks of finished goods fell marginally in October. Post-production inventories have now been depleted in five of the past six months. Where a reduction in stocks of finished goods was recorded, respondents linked this to the use of inventories to partly fulfil orders. On the other hand, some firms noted that higher output had led to a build up of inventories.

Employment Index

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

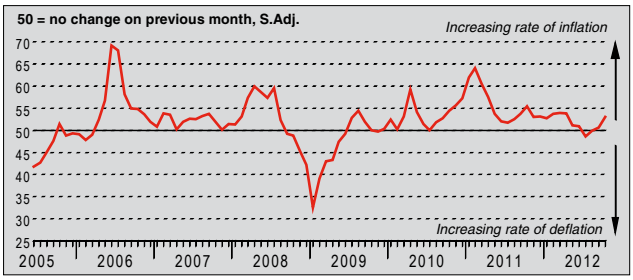


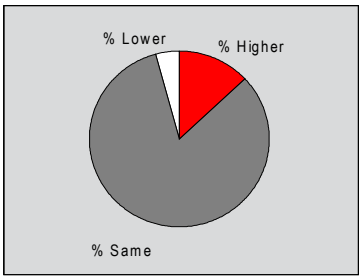


Turkish manufacturing firms continued to take on extra staff in October, extending the current sequence of job creation to 41 months. Furthermore, the pace of increase accelerated for the third month running and was solid. Those panellists that raised their staffing levels during the month suggested that growth was principally reflective of higher production requirements.

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.

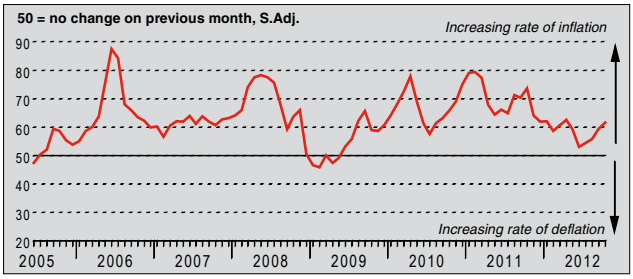


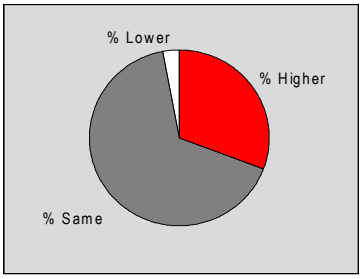


October data pointed to a second successive rise in output prices, and the rate of inflation quickened to the sharpest since April. The latest increase was also faster than the series average. According to respondents, the passing on of rising input costs to clients was the main reason for the increase in charges. Exactly 13% of panellists raised output prices, against 4% that posted a fall.

Input Prices Index

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

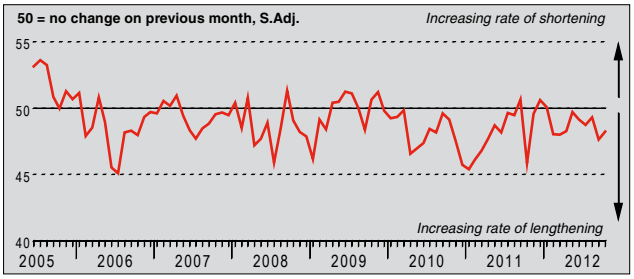


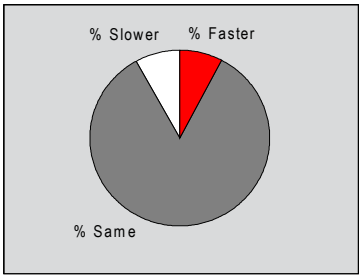


Input costs increased sharply at Turkish manufacturing firms again in October, with the rate of inflation quickening for the fourth successive month. The latest rise was the fastest in six months, but was still slightly weaker than the series average. A number of panellists indicated that higher oil prices had led to an increase in input costs, while exchange rate fluctuations were also a factor.

Suppliers' Delivery Times Index

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

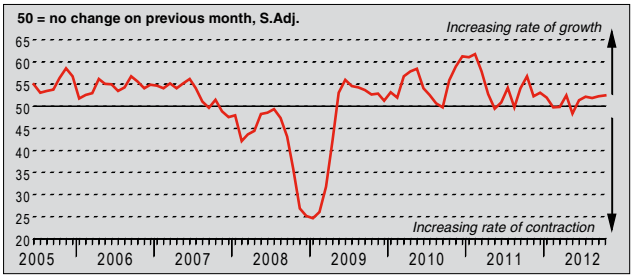


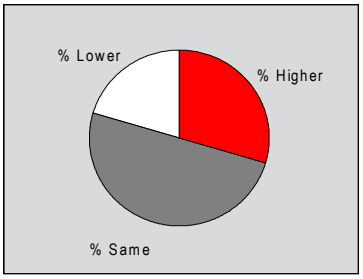


As has been the case in each of the past nine months, suppliers' delivery times lengthened in October. The latest deterioration in vendor performance was only modest, however, and weaker than in September. Panellists suggested that rising demand for inputs was the key factor resulting in longer lead times.

Quantity of Purchases Index

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

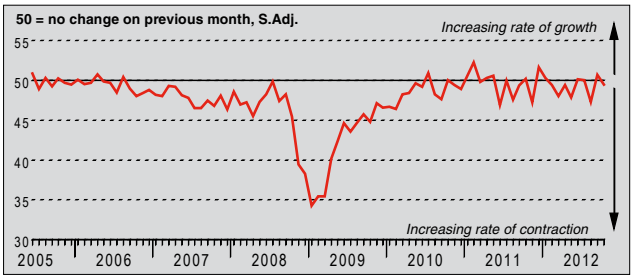


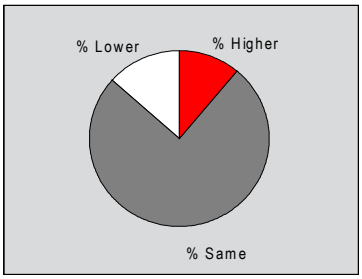


Turkish manufacturing firms continued to raise their purchasing activity in October. Input buying has now increased for five successive months. The latest expansion was broadly in line with that recorded in the previous month. Where a rise in purchasing activity was recorded, this was mainly linked to higher new orders and production requirements.

Stocks of Purchases Index

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





After rising slightly in September, stocks of purchases decreased for the second time in the past three months during October. A number of panellists indicated that inventories had been used in the production process, while others reported a reluctance to build stocks. That said, the pace of depletion in stocks of purchases was only marginal.

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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