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# HSBC Turkey Manufacturing PMI™

PMI signals further improvement in manufacturing conditions

## **Key findings:**

- Production increases for fourth successive month
- Total new business rises, but new export orders fall
- Further expansion of workforce numbers

Business conditions at Turkish manufacturing firms improved for the third successive month during November. Output, new orders and employment levels continued to grow, albeit at slower rates than in the previous month. Meanwhile, new export orders decreased for the first time in five months.

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 51.6 in November, down from 52.5 in the previous month. The PMI therefore signalled the third successive improvement of operating conditions in the sector.

After falling in July, production at Turkish manufacturing firms continued to increase in November. According to anecdotal evidence this was mainly driven by an increase in orders. New orders rose for the third month running. Respondents that reported growth of new work attributed this to an increase in demand and new customers.

The latest data highlighted a decline in the level of new export orders for the first time in five months. Weak market conditions was given as the primary reason for the deterioration in new export orders.

The level of outstanding business decreased further at Turkish manufacturing companies in November, and at a faster pace than in October. Panellists blamed current fragile economic conditions for the latest fall in work outstanding. Stocks of

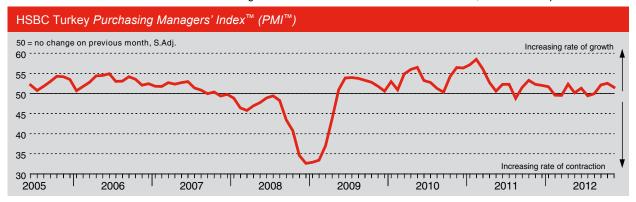
finished goods decreased for the second consecutive month in November. More than 16% of respondents indicated a decline in post-production inventory levels.

Driven by an increase in orders, Turkish manufacturing companies further expanded workforce numbers in November. Payroll numbers have increased every month since June 2009 and the latest rate of job creation was only slightly lower than in October.

Output prices increased again in November. Panellists reported that the latest rise in tariffs set by companies was linked to the passing on of higher input costs to clients. Meanwhile, the rate of input cost inflation remained sharp in November, driven by higher prices for raw materials and additionally by unfavourable exchange rates.

Average lead times deteriorated at Turkish manufacturing firms during November. Almost 10% of respondents indicated a worsening in vendor performance and linked this to the short supply of raw materials in the market.

The quantity of purchases increased for the sixth consecutive month. That said, the rate of expansion slowed, and was the weakest in this sequence. Companies reported that an increase in new orders led to higher purchasing activity. After a rise in September, stocks of purchases decreased for the second successive month in November, and at a solid pace.



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 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.

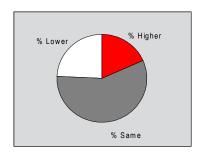




#### **Output Index**

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



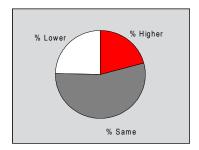


November data signalled a further increase in production at Turkish manufacturing firms. The seasonally adjusted Output Index recorded a level above the no-change mark of 50.0 for the fourth successive month, but pointed to a slowdown in growth since October. An increase in orders was the primary factor highlighted by companies that posted a rise in output.

#### New Orders Index

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



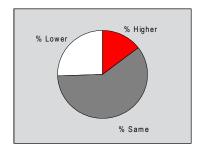


New business placed at Turkish manufacturing firms continued to increase in November. After adjusting for seasonality, the volume of new orders rose for the third consecutive month, albeit at a slightly lower rate than in October. Panellists that reported a higher level of new orders attributed this recent development to an increase in demand and new customers.

# New Export Orders Index

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



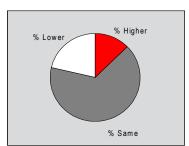


The level of new export orders decreased for the first time in five months during November. This was highlighted by the seasonally adjusted New Export Orders Index posting a reading below the neutral 50.0 threshold. More than one-in-four respondents indicated a decline in export orders received and linked this to weak market conditions.

# Backlogs of Work Index

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



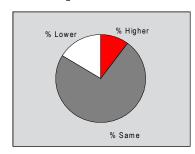


Turkish manufacturing firms reported a further decline in the level of outstanding business in November. Backlogs of work have been depleted in every month since March 2011. According to anecdotal evidence, one of the main reasons behind the decline in work-in-hand was the fragile current economic situation.

# Stocks of Finished Goods Index

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



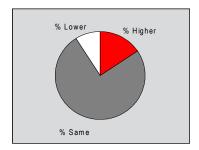


The seasonally adjusted Stocks of Finished Goods Index posted below the 50.0 no-change threshold for the second consecutive month in November. More than 16% of panellists reported lower levels of post-production inventories compared with the situation in October. Where a decline was reported, some respondents indicated that inventories had been used to partly fulfil orders.

#### **Employment Index**

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

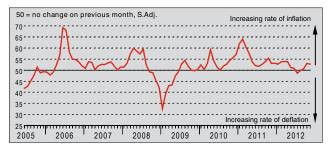


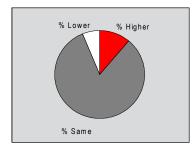


Turkish manufacturing firms hired additional staff in November. Employment levels have increased every month since June 2009. The rate of job creation remained solid, and was little-changed from October. An increase in orders and higher staff needs were often commented on by companies that reported an expansion of workforce numbers.

# 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.



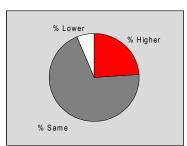


Average tariffs charged by Turkish manufacturing firms continued to rise during November, albeit at a slightly weaker pace than in the previous month. The seasonally adjusted Output Prices Index recorded a level above the no-change mark of 50.0 for the third successive month. More than 11% of respondents indicated higher output charges and linked this to an increase in raw material prices.

# Input Prices Index

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

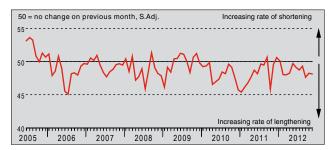


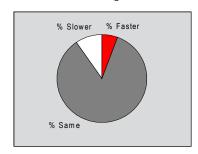


As has been the case in every month since June 2009, the average price of purchases at Turkish manufacturing firms increased in November. The rate of inflation was marginally lower than in October and posted below the average recorded over the series history. Higher input costs were commonly associated with an increase in raw material prices and unfavourable exchange rates.

# Suppliers' Delivery Times Index

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



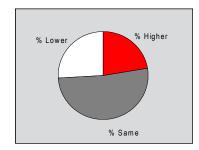


Average lead times lengthened during November. This was signalled by the seasonally adjusted Suppliers' Delivery Times Index posting a reading below the neutral 50.0 threshold. The rate at which delivery times worsened was broadly in line with that seen in October. Panellists that indicated a deterioration in vendor performance blamed the low amount of raw materials in the market.

## Quantity of Purchases Index

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



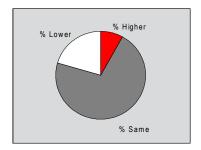


Purchasing activity at Turkish manufacturing firms increased for the sixth successive month in November. However, the rate of expansion was slower than in October and posted below the series average. An increase in new orders was reported by panellists as the main driver of higher purchases.

# Stocks of Purchases Index

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





November data signalled a further reduction in pre-production inventories. Input stocks fell for the third time in four months and the seasonally adjusted Stocks of Purchases Index recorded its joint-lowest reading in 17 months. More than 20% of the respondents registered a reduction in stocks of purchases and reported they were using existing inventory in current production processes.

# 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'  $Index^{TM}$  ( $PMI^{TM}$ ) 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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