Embargoed until: 10:00 (ANKARA), 1 February 2013

# HSBC Turkey Manufacturing PMI™

PMI hits 22-month high at the beginning of 2013

## **Key findings:**

- Solid output and new order growth
- Input price inflation eases to five-month low
- · Marked increase in purchasing activity

Operating conditions at Turkish manufacturing firms improved solidly at the beginning of the new year. Output grew at the sharpest rate since March 2011, while new orders and purchasing activity also saw marked increases. Meanwhile, the rate of input price inflation slowed, and recorded the lowest level 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 54.0 in January, up from 53.1 in the previous month, and signalled the fifth successive improvement in operating conditions. Moreover, business conditions strengthened to the greatest extent since March 2011.

January data signalled a marked increase in production in the Turkish manufacturing sector as output grew at the sharpest rate in 22 months. Panellists linked this development to higher new business and new investments. Driven by new customers and capacity expansions, new business placed at Turkish manufacturing firms also increased sharply.

New business from abroad grew during January, and at the sharpest rate in 12 months. Panellists linked the rise in new export orders to an expansion into new markets and new customers.

The level of outstanding business at Turkish manufacturing companies increased during January. This was the first rise

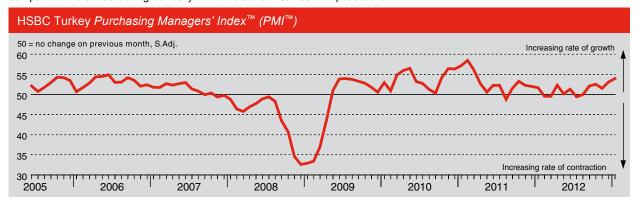
since February 2011. An increased amount of bulk orders and growth in new business were among the reasons behind the increase.

Stocks of finished goods accumulated for the first time in four survey periods. Meanwhile, suppliers' delivery times remained broadly unchanged in Turkey's manufacturing sector.

The latest survey data indicated a further expansion of workforce numbers at Turkish manufacturing firms. According to anecdotal evidence, higher staffing levels were mainly driven by increased new orders and production growth. The rate of job creation, however, eased and was the slowest in four months.

Driven by higher raw material prices, average output charges in Turkey's manufacturing sector rose further during January. Input prices also continued to rise, but the rate of inflation eased and was the lowest in five months. Almost one-in-four respondents indicated a rise in input costs, while less than 6% reported a decline. Unfavourable exchange rates and increases in raw material prices were cited as the main reasons behind the latest inflation.

Purchasing activity at Turkish manufacturing firms increased during January, and at the sharpest rate in 15 months. New investments and increased production were the main drivers of the latest rise. Stocks of purchases declined and the latest decrease marked the fourth consecutive survey period of falling input stocks.



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.

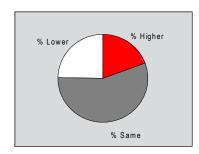




## **Output Index**

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



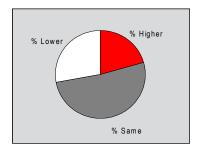


After adjusting for seasonality, output at Turkish manufacturing companies increased during January, and for the sixth successive survey period. The rate of growth accelerated, and was the sharpest in 22 months. According to anecdotal evidence, production growth was mainly driven by increased new orders and new investments.

#### New Orders Index

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



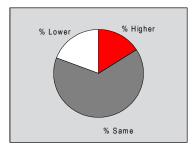


January data signalled a further rise in new business placed at Turkish manufacturing firms. This was highlighted by the seasonally adjusted New Orders Index posting a reading above the 50.0 mark that separates growth from contraction. New customers and capacity expansions were among the reasons mentioned by panellists who reported growth in new work, which was the fastest since March 2011.

# New Export Orders Index

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



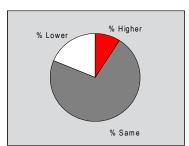


The latest survey data indicated an expansion in new business from abroad in Turkey's manufacturing sector. This was the second consecutive increase and the rate of growth was the sharpest since January 2012. There was some evidence that the increase in new export orders was driven by new customers and an expansion into new markets.

# Backlogs of Work Index

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



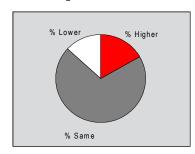


Turkish manufacturing firms reported an accumulation of backlogged work in January. The latest data signalled the first increase in work outstanding since February 2011. Growth in new business and a number of bulk orders were reasons behind the latest rise in work-in-hand, according to panellists.

### Stocks of Finished Goods Index

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



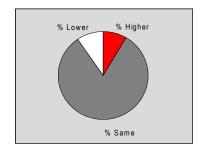


Stocks of finished goods increased for the first time in four months during January. Almost 17% of panellists indicated a rise in post-production inventories, while only 13% reported a decline. Where an increase in stocks of finished goods was reported, panellists partly attributed this to an increase in production.

## Employment Index

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



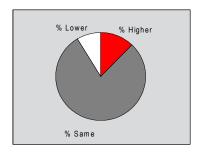


Employment levels in Turkey's manufacturing sector continued to rise during January, albeit at the slowest rate in four survey periods. The seasonally adjusted Employment Index has now recorded a level above the no-change mark of 50.0 for every month since June 2009. Growth in production and new orders were the main drivers of the latest hiring of additional staff.

# 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.

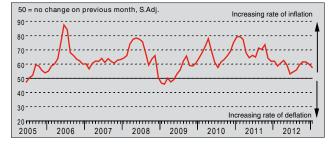


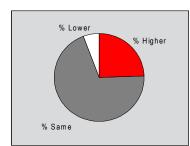


Average tariffs set by Turkish manufacturing companies rose again during January, and for the fifth month running. More than 12% of respondents reported an increase in output charges while less than 9% indicated a decline. Panellists reported that increased raw material prices was one of the main reasons for the rise in output charges.

# Input Prices Index

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

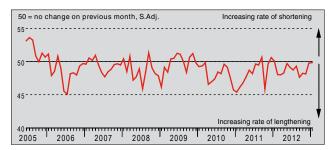


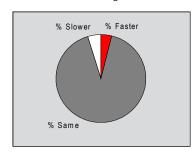


Input prices continued to rise in the Turkish manufacturing sector. Almost one-in-four respondents indicated an increase in input prices during January. The rate of input cost inflation remained marked, but was the lowest in five months. According to anecdotal evidence, the latest rise in input costs was mainly driven by unfavourable exchange rates and higher raw material prices.

## Suppliers' Delivery Times Index

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



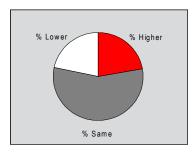


Average lead times remained broadly unchanged during January, as the seasonally adjusted Suppliers' Delivery Times Index posted a reading close to the neutral 50.0 threshold. The majority of companies reported no change in vendor performance during the month. Panellists that indicated longer delivery times partly attributed this to difficulties in obtaining goods from abroad.

## Quantity of Purchases Index

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



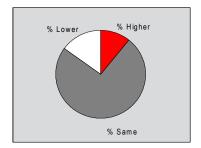


Purchasing activity at Turkish manufacturing firms increased during January, and for the eighth successive survey period. The rate of growth picked up, and was the highest since October 2011. Increased production and new investments were given as some of the reasons behind the latest increase in buying.

# Stocks of Purchases Index

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





January data signalled a further reduction in pre-production inventories at Turkish manufacturing firms. This was the fourth successive month of declining input stocks. Exactly 15% of respondents reported a decrease in inventory levels, while around 11% reported an accumulation of stocks of purchases.

# 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.

# Warning

The intellectual property rights to the HSBCTurkey Manufacturing  $PMI^{TM}$  provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index<sup>TM</sup> and PMI<sup>TM</sup> 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.