

HSBC Turkey Manufacturing PMI™

Further solid growth of Turkish manufacturing output

Key findings:

- Output and new orders continue to increase
- Employment levels rise at faster pace
- Input price inflation remains solid

February data signalled a further rise in output and new orders at Turkish manufacturing companies and payroll numbers increased at an accelerated pace. Meanwhile, input costs increased at a marked rate.

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 53.5 in February, down slightly from January's 54.0, and signalled the sixth successive strengthening of operating conditions. While the rate of improvement was weaker than in the previous survey period, it remained strong in the context of historical data.

Turkish manufacturers reported an increase in output during February. While the rate of growth eased slightly from January, it was still solid. New orders also rose in the latest survey period. New products and the securing of new clients were among the reasons behind the rise. Moreover, new business from abroad increased at the fastest pace since January 2012.

As has been the case for every month since June 2009, employment levels in Turkey's manufacturing sector rose during February. The rate of job creation picked up, and was solid. Companies linked the rise in payroll numbers to increased production.

After a rise during January, backlogs of work decreased in the latest survey period. Exactly 19% of panellists recorded

lower levels of work-in-hand, while only 7% indicated a rise. Meanwhile, stocks of finished goods declined for the fourth time in five months. Companies linked the decrease in post-production inventories to the clearance of existing stocks and increased new orders.

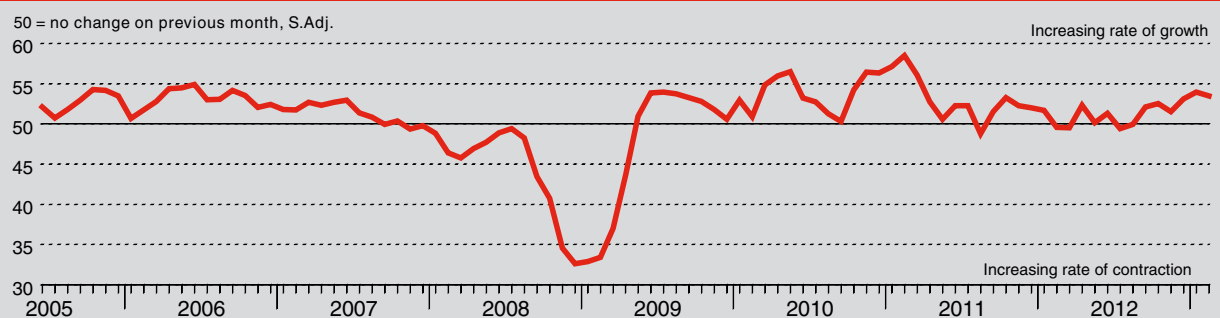
Average charges set by Turkish manufacturing firms rose further in February. The rate of charge inflation picked up, and was the sharpest since October 2011. There was some anecdotal evidence that the rise was driven by increased raw material prices.

Input prices continued to rise at a marked rate. Around 28% of respondents indicated higher input costs, while less than 3% reported a fall. Unfavourable exchange rate movements and higher raw material prices were commonly commented on by companies that faced higher input costs.

The latest survey data signalled a rise in purchasing activity in Turkey's manufacturing sector. While the rate of expansion was weaker than in January, buying has increased now for nine months in a row. Stocks of purchases declined for the fifth successive survey period, albeit at a slight pace that was weaker than the series average.

Delivery times at Turkish manufacturing firms lengthened during February, and for the thirteenth consecutive month. According to respondents, higher demand for inputs was one of the reasons that led to the worsening in vendor performance.

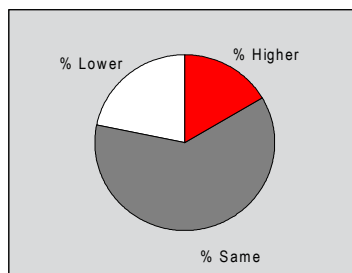
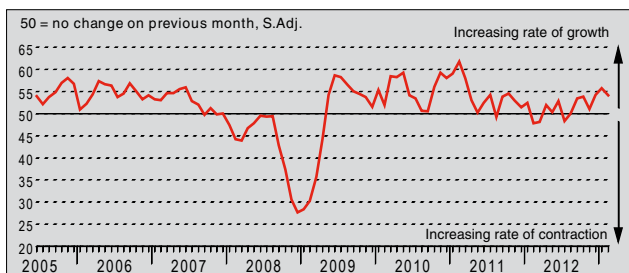
HSBC Turkey Purchasing Managers' Index™ (PMI™)



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

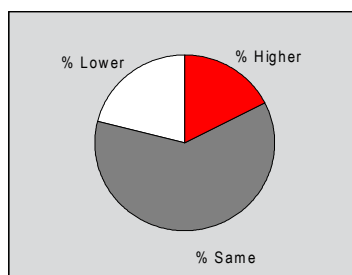
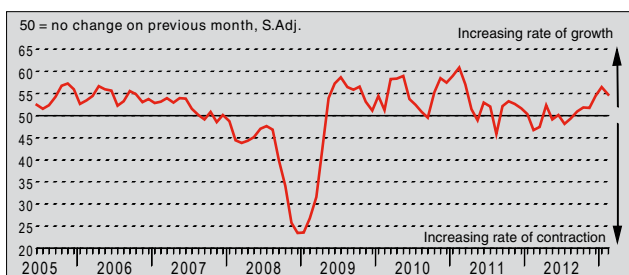
Q. Please compare your production/output this month with the situation one month ago.



Turkish manufacturers recorded higher output levels in February, highlighted by the seasonally adjusted Output Index posting a reading above the no-change mark of 50.0. The latest data marked the seventh successive month of production growth, and the pace of expansion was above the series average. According to anecdotal evidence, the rise was mainly driven by an increase in demand.

New Orders Index

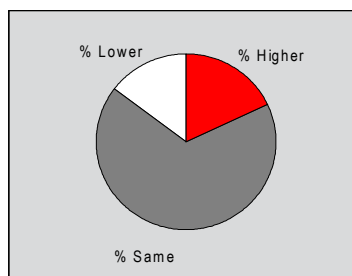
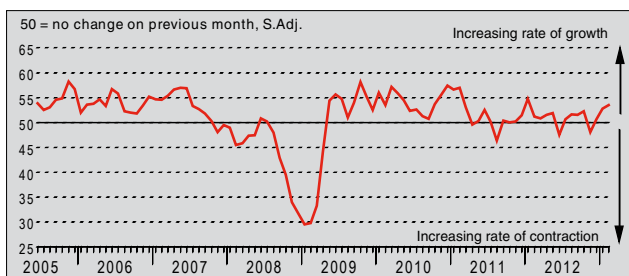
Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.



New orders in Turkey's manufacturing sector increased during February, and for the sixth month running. While the rate of growth slowed from January, it was the second-sharpest in 23 months. New products and the securing of new clients were reported by panellists to have contributed to the latest rise in order book volumes.

New Export Orders Index

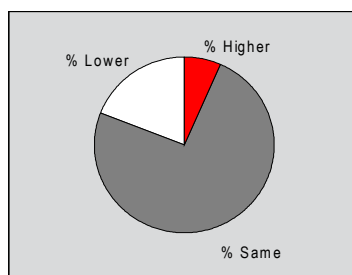
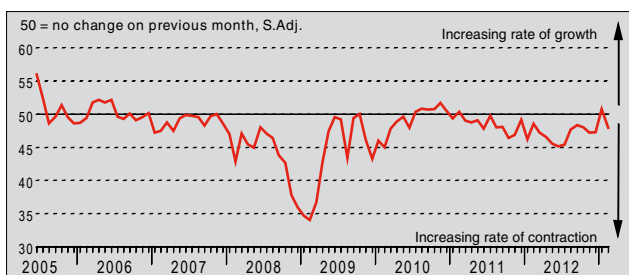
Q. Please compare the level of new export orders received this month with the situation of one month ago.



February data signalled increased business from abroad placed at Turkish manufacturing companies. Exactly 18% of respondents reported higher new export orders, while less than 15% recorded a decline. The pace of increase picked up slightly from the previous survey, and was the fastest since January 2012. Respondents partly linked the rise to greater activity in European markets and to the introduction of new products.

Backlogs of Work Index

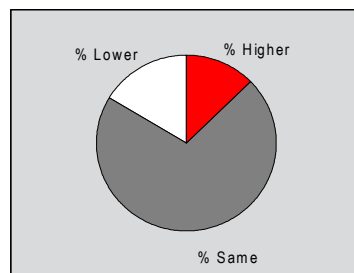
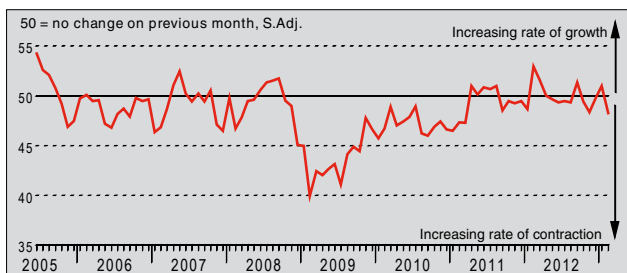
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



After a rise in January, work-in-hand in the Turkish manufacturing sector followed a trend observed throughout much of the survey history and decreased during February. Less than 7% of panellists indicated an accumulation of backlogged work, while 19% recorded a decline. The completion of existing orders was one of the reasons highlighted by companies that reported a decrease in work outstanding.

Stocks of Finished Goods Index

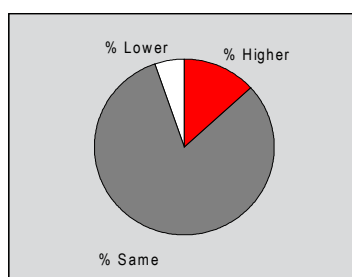
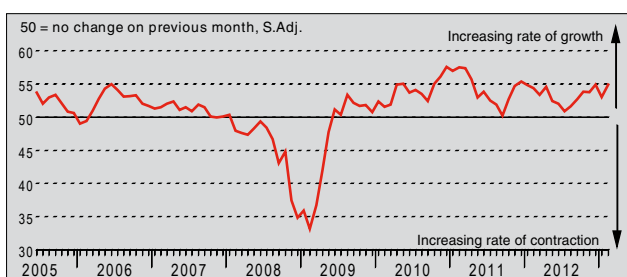
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The latest survey data signalled a decline in post-production inventories at manufacturing firms in Turkey. Stocks of finished goods decreased for the fourth time in five months, and at the sharpest rate since March 2011. The clearance of existing stocks and increased new orders were the primary factors highlighted by firms that recorded a decline in post-production inventories.

Employment Index

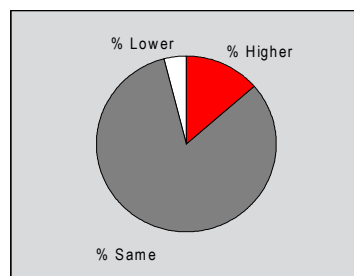
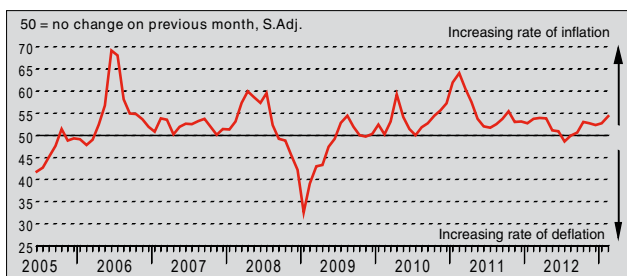
Q. Please compare the level of employment at your unit with the situation one month ago.



Workforce numbers in Turkey's manufacturing sector continued to rise during February. The rate of job creation accelerated from January and was the second highest in 13 months. Around 13% of respondents reported higher staffing levels, while only 5% indicated a decline. There was some evidence that the rise in payroll numbers was driven by increased production.

Output Prices Index

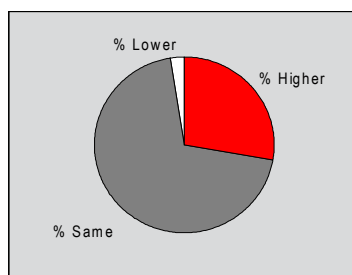
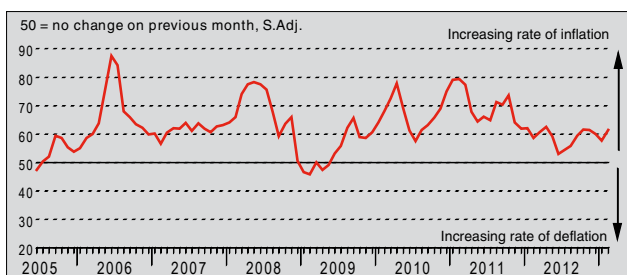
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Output charges set by Turkish manufacturing companies rose further during the latest survey period. Average output prices have now increased for six successive months. The rate of charge inflation picked up and was the sharpest since October 2011. An increase in raw material prices was the main driver behind the latest increase, according to respondents.

Input Prices Index

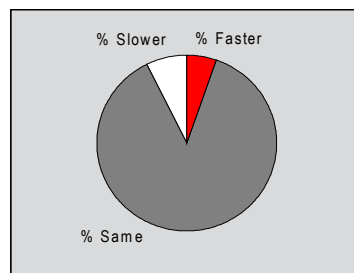
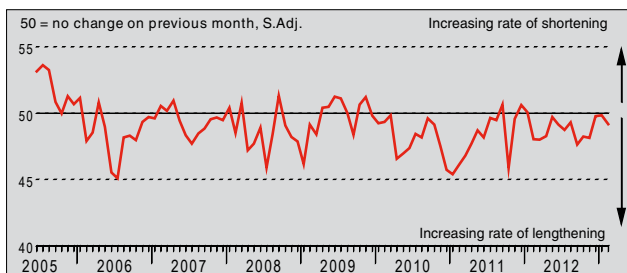
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Turkish manufacturing firms had to face increased input costs in February. The rate of input price inflation was marked and the joint-highest in four months. Around 28% of panellists indicated higher input costs and less than 3% reported a fall. Changes in exchange rates and increased raw material prices were often commented on by companies that recorded higher costs.

Suppliers' Delivery Times Index

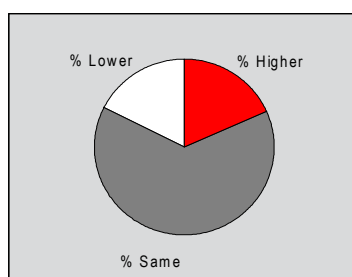
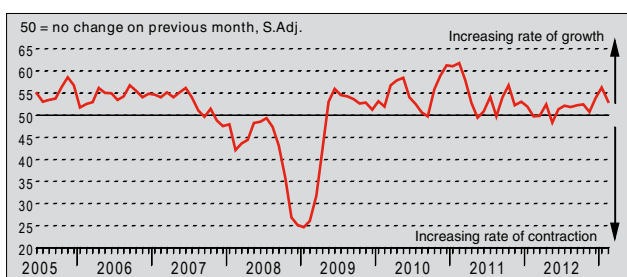
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



The seasonally adjusted Suppliers' Delivery Times Index recorded a level below the neutral 50.0 threshold in February. An increased demand for inputs was one of the reasons mentioned by companies that reported a lengthening of average lead times. Vendor performance worsened for the thirteenth consecutive survey period, and at a slightly sharper rate than in January.

Quantity of Purchases Index

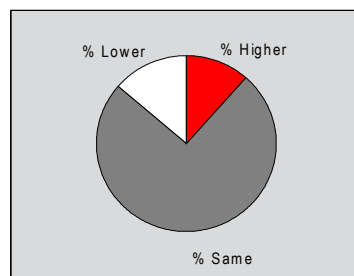
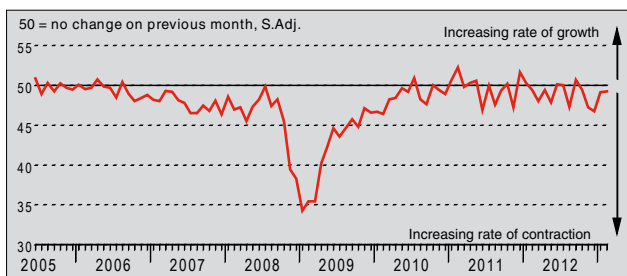
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



The quantity of items purchased in Turkey's manufacturing sector continued to rise during February. Purchasing activity increased for the ninth successive month, albeit at a weaker rate than in the previous two survey periods. Panellists commonly linked the increase in input buying to a rise in production requirements.

Stocks of Purchases Index

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



Pre-production inventories at Turkish manufacturing firms decreased in the latest survey period, and for the fifth month running. While the seasonally adjusted Stocks of Purchases Index has posted below the no-change mark of 50.0 for much of the survey history, the rate of contraction in February was only slight, and weaker than the series average.

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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