HSBC *Purchasing Managers' Index*™ 2013

compiled by markit

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HSBC Turkey Manufacturing PMI™

Operating conditions improve for seventh successive month during March

Key findings:

- Output and new orders increase, albeit at weaker rates than in February
- Further rise in employment levels
- Input costs rise at slowest pace in seven months

March data signalled a further increase in output and new orders at Turkish manufacturers. The rates of expansion were, however, weaker than in the previous three months. Employment levels continued a trend observed since June 2009 and rose during the latest survey period. Meanwhile, output charges increased at the slowest pace in six 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 52.3 in March, down slightly from 53.5 in February, and pointed to a further improvement in overall business conditions at Turkish manufacturers. While the headline index posted the lowest level in four months, the latest reading marked the seventh successive survey period of improved operating conditions.

Turkey's manufacturing companies reported a further increase in production in March. While the rate of expansion was the weakest in four months, output rose for the eighth successive survey period. The growth in production was underpinned by increased new business, both locally and from abroad. There was some anecdotal evidence that the rise in new export orders was driven by the securing of new clients.

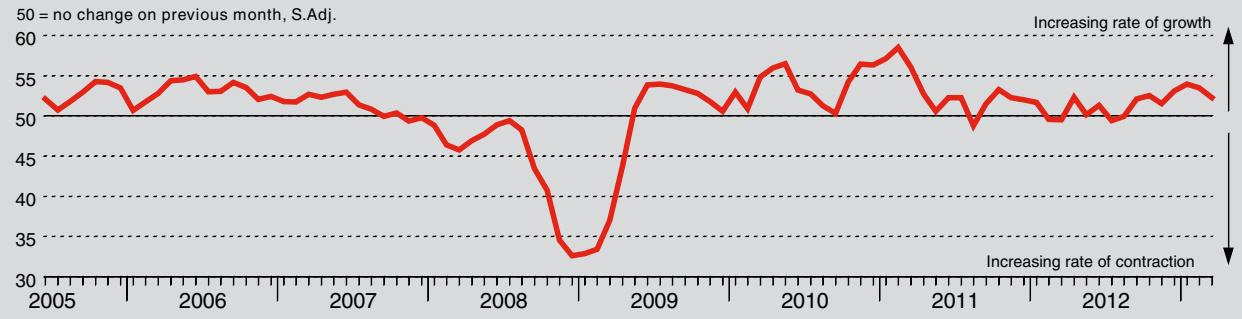
Continuing a trend observed since June 2009, workforce numbers in Turkey's manufacturing sector rose during March. While the rate of job creation weakened from the previous survey period, it remained above the overall series average. Higher new business was the main driver of the latest increase in employment levels.

Outstanding business decreased during March, as Turkish manufacturers cleared existing orders. The latest data marked the second successive month of declining work-in-hand. Meanwhile, stocks of finished goods also contracted. There was some anecdotal evidence that the fall in post-production inventories was driven by increased production.

The latest survey data indicated a further rise in input costs, but input price inflation eased from February and was the weakest in seven months. Companies linked the cost increase to unfavourable exchange rates and higher raw material prices. In response to rising input costs, Turkish manufacturers raised their output charges, albeit only slightly. Factory gate prices rose at the weakest rate since last September, with only 9% of panellists reporting a rise in average charges.

Purchasing activity increased at an unchanged rate from the previous survey period during March. Moreover, buying rose for the tenth month running. Stocks of raw materials and other pre-production inventories fell for the sixth consecutive month, and at a slightly faster pace than in February. Panellists linked this to the processing of orders. Concurrently, manufacturers in Turkey had to face a further worsening in vendor performance during March. Average lead times have now lengthened in every month since February 2012.

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.

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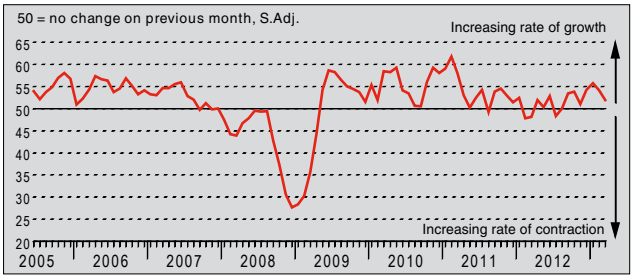
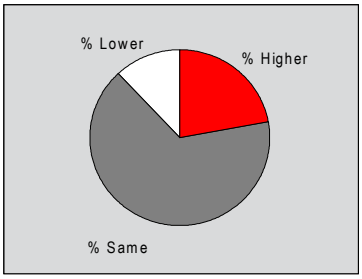
Output Index

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

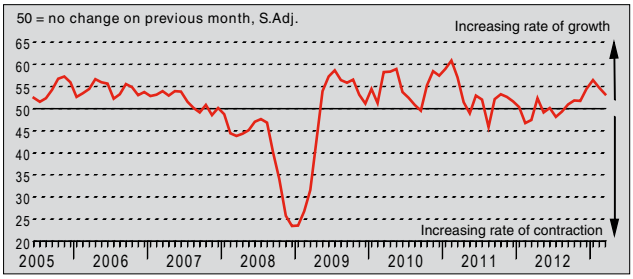


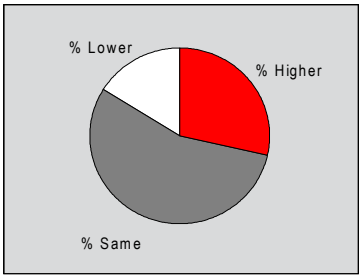


Output in Turkey's manufacturing sector increased during March and marked the eighth successive survey period of production growth. The rate of expansion, however, eased from February and was weaker than the average of the current sequence of growth. Higher new business and improved market conditions were drivers of the latest rise, according to panellists.

New Orders Index

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

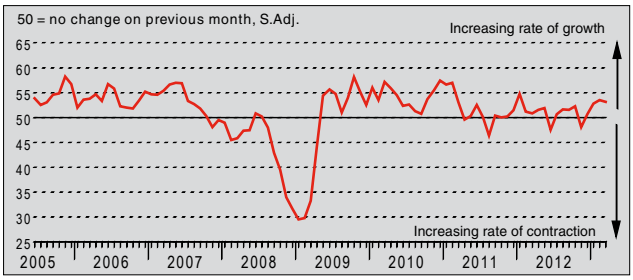


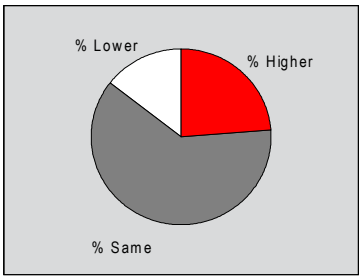


March data signalled a further increase in order book volumes at Turkish manufacturing firms, as the seasonally adjusted New Orders Index posted above the no-change mark of 50.0. Around 29% of respondents indicated higher new business and linked this to improved market conditions. While new orders rose for the seventh consecutive survey period, the rate of growth was the weakest in four months.

New Export Orders Index

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

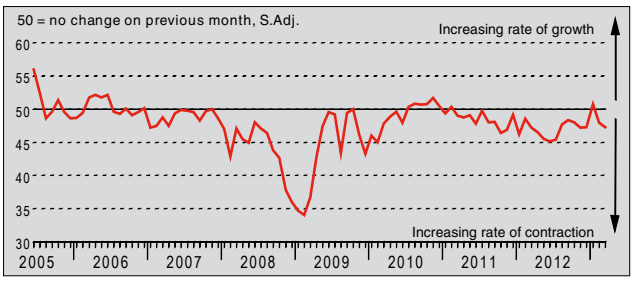


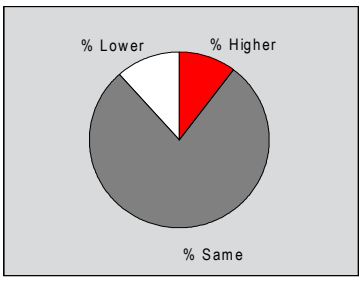


New export business placed at Turkish manufacturing companies increased during March, and for the fourth successive survey period. The rate of expansion was only slightly lower than in February, but remained above the overall series average. According to anecdotal evidence, the latest rise in new business from abroad was partly driven by the securing of new clients.

Backlogs of Work Index

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

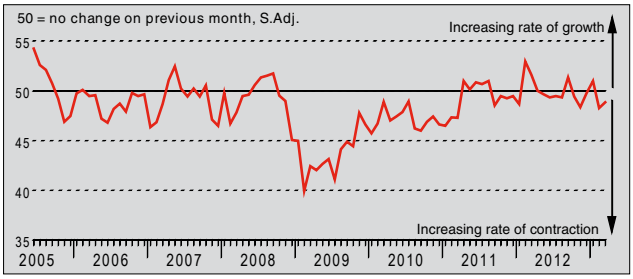


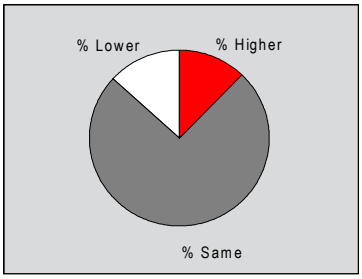


Turkish manufacturing companies indicated less work-in-hand during March, as the seasonally adjusted Backlogs of Work Index recorded a level below the neutral 50.0 threshold for the second month running. Where a decline in work-in-hand was reported, companies often linked this to the clearing of existing orders.

Stocks of Finished Goods Index

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

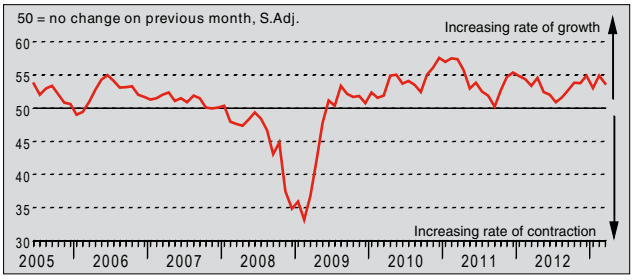


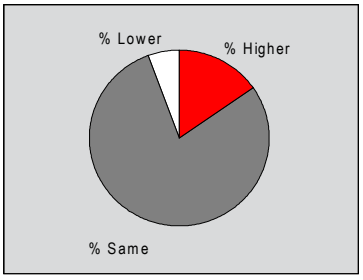


Stocks of finished goods at manufacturing companies in Turkey declined for the second month in a row during March, albeit at a slightly slower rate. Post-production inventories have now decreased in five out of the last six months. Increased production was cited as one of the main drivers of the latest fall in stocks.

Employment Index

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

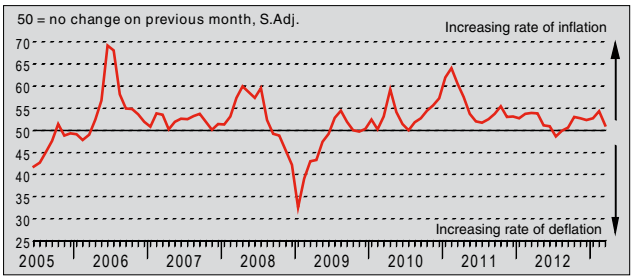


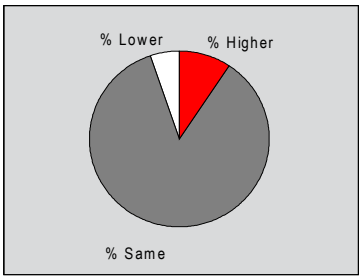


As has been the case in every month since June 2009, employment levels in Turkey's manufacturing sector rose during March. While the rate of job creation eased from the previous month, it remained above the long-time series average, with around 15% of companies hiring additional staff. Companies commonly attributed this to increased new orders.

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.

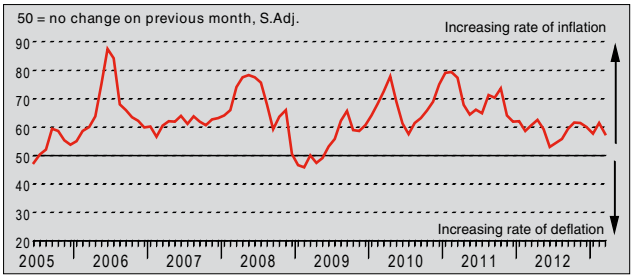


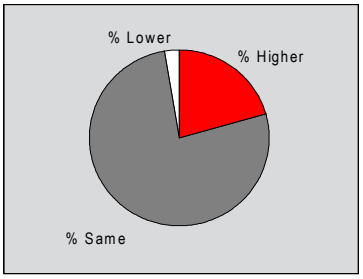


Factor gate prices at Turkish manufacturing firms rose during March. Increased raw material prices and unfavourable exchange rates reportedly led to higher input costs, thereby resulting in the rise in average charges. The latest data marked the seventh successive survey period of increased output prices, but charge inflation was the weakest since last September.

Input Prices Index

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

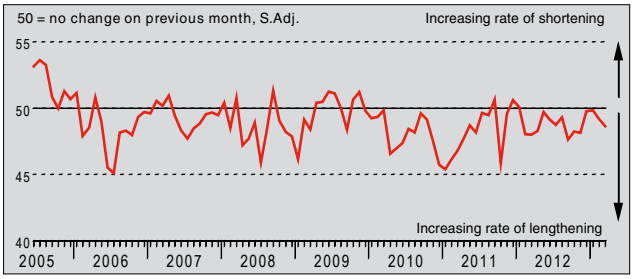


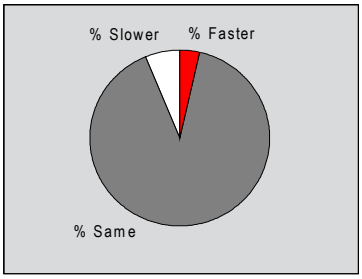


The latest survey data indicated a further solid rise in input costs at Turkish manufacturers in March, as the seasonally adjusted Input Prices Index posted well above the 50.0 no-change threshold. Companies attributed this to higher prices for foreign currencies and raw materials. The rate of cost inflation, however, slowed from February, and was the weakest in seven months.

Suppliers' Delivery Times Index

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

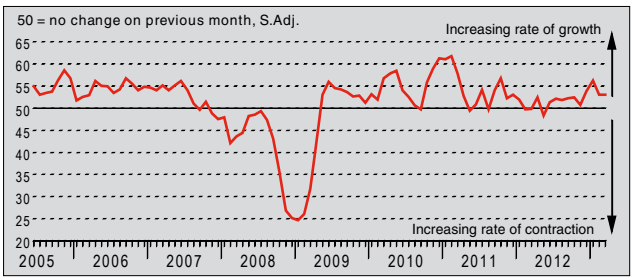


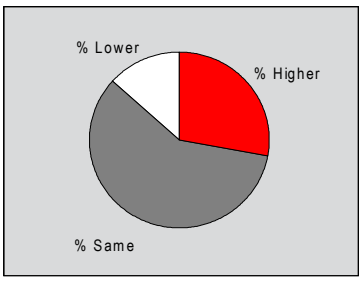


Vendor performance in Turkey's manufacturing sector continued to worsen in March. Average lead times lengthened for the fourteenth consecutive survey period, and the rate of deterioration was the sharpest in four months. Nevertheless, the majority of panellists reported unchanged delivery times from February.

Quantity of Purchases Index

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

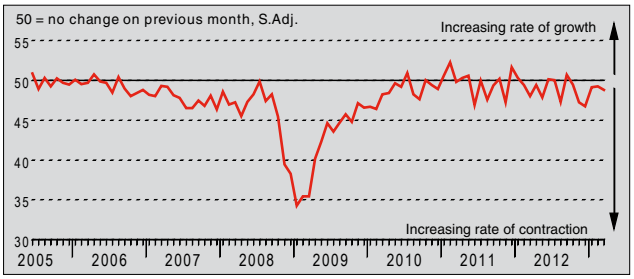


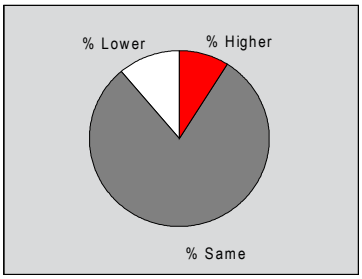


Purchasing activity at Turkish manufacturing companies increased further in March. Buying rose for the tenth month running, and at an unchanged pace from February, with around 28% of respondents indicating a rise. There was some anecdotal evidence that the increase was driven by higher production and increased export orders.

Stocks of Purchases Index

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





Stocks of raw materials and other pre-production goods held at Turkish manufacturers fell in March. This was highlighted by the seasonally adjusted Stocks of Purchases Index posting a reading below the neutral 50.0 mark. The latest reading extended the current sequence of falling input stocks to six months. Anecdotal evidence suggested that the decline was caused by the processing of orders.

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.

Warning