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# HSBC Turkey Manufacturing PMI™

Output growth eases to marginal pace during April

# Key findings:

- · Moderations in both output and new order growth
- Employment levels continue to increase
- · Input price inflation decelerates

Turkish manufacturers reported a slowing of both output and new order growth during April. Meanwhile, employment levels increased, with the rate of job creation only marginally slower than that seen in the previous month. Average input prices rose further, although at the lowest rate in nine 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 51.3 in April, down from 52.3 in March. While operating conditions have now strengthened for eight successive survey periods, the latest reading signalled the weakest improvement in this sequence.

Output in Turkey's manufacturing sector rose for the ninth month running during April. The rate of expansion, however, eased to the slowest in eight months and was only marginal. Around 14% of companies reported a fall in production amid signs of a market slowdown.

Order book volumes increased in April, and companies linked growth of new work to the introduction of new projects. While the latest survey data indicated an eighth consecutive increase in order book volumes, the rate of expansion was the weakest in this sequence, having slowed for the third successive month. New business from abroad rose for the fifth month running, but also at a weaker rate than in the previous survey period.

April data indicated a third consecutive monthly decline in

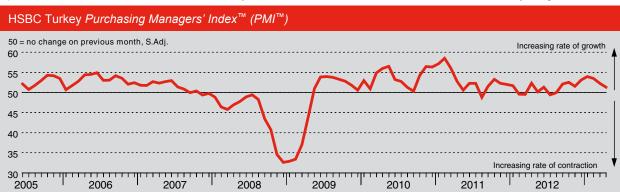
backlogs of work, as Turkish manufacturers completed existing orders. The rate of decline was the sharpest in nine months.

Stocks of finished goods also declined for the third month running, albeit at the weakest rate in the current sequence. Meanwhile, average lead times on the delivery of inputs worsened for the fifteenth survey period in a row. According to anecdotal evidence, the worsening in vendor performance was partly driven by suppliers' difficulties in obtaining some raw materials.

Manufacturing firms in Turkey continued to hire additional staff during April. Around 20% of respondents recorded higher employment levels and commonly linked this to increased incoming new business.

Driven by increased raw material prices, input costs rose during the latest survey period. The rate of input price inflation, however, eased to the lowest in nine months. In response to increased input costs, Turkey's manufacturers raised their output charges. The rate of inflation was slight, and little-changed from March.

Purchasing activity in the Turkish manufacturing sector increased during the latest survey period, although at the slowest pace in five months. Where a rise was reported, respondents linked this to increased production levels. Concurrently, stocks of purchases declined for a seventh successive month in April, but the rate of contraction eased, and was only marginal.



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.

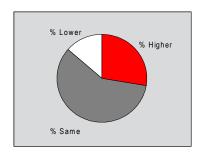




#### **Output Index**

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



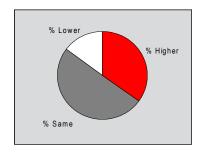


The seasonally adjusted Output Index posted marginally above the 50.0 no-change mark in April, pointing to a near-stagnation of output at Turkish manufacturers. Companies that indicated a fall in production linked this to a market slowdown, while increased new orders were mentioned by panellists reporting a rise in output levels. The rate of expansion was the slowest in eight months.

#### New Orders Index

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



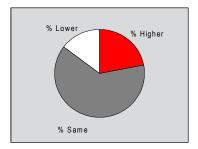


Turkish manufacturers indicated an increase in order book volumes in April and some panellists linked the rise to the introduction of new projects. Incoming new business has now increased for eight successive survey periods, but the rate of growth in new work weakened for the third month running and was the lowest in the current sequence of expansion.

# New Export Orders Index

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



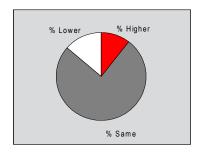


April data signalled a marginal increase in new business from abroad placed at Turkish manufacturing companies. While new export orders increased for the fifth successive survey period, the rate of expansion eased to the slowest in this sequence. Where a rise in new export business was reported, some companies attributed this to 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.



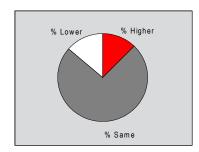


Backlogs of work in Turkey's manufacturing sector decreased for a third consecutive month during the latest survey period, with around 14% of respondents indicating a fall in work-in-hand. The rate of decline picked up from March, and was the sharpest in nine months. There was some anecdotal evidence that the decrease in outstanding business was driven by the completion 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.



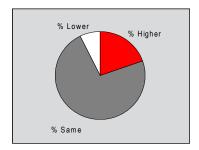


Companies in Turkey's manufacturing sector recorded a decline in levels of post-production inventories in April. The seasonally adjusted Stocks of Finished Goods Index posted below the neutral 50.0 mark for the third month running. According to anecdotal evidence, the latest decline was driven by efforts among companies to reduce costs associated with holding inventories.

#### **Employment Index**

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



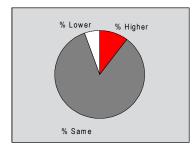


Employment levels at Turkish manufacturers rose further during April, as around 20% of companies hired additional staff. Workforce numbers have now increased for 47 months in a row, but the rate of job creation moderated slightly from March and was the lowest since January. Increased new orders was one of the reasons that led to higher staffing levels, according to panellists.

# 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.

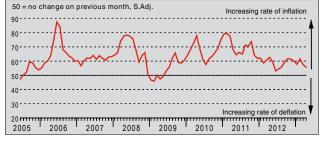


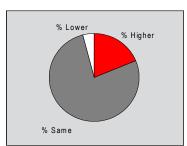


Turkey's manufacturers raised their output charges further during April. The latest survey data signalled the eighth successive monthly increase in output prices, but the rate of charge inflation was below the series average. According to respondents, increased raw material prices accounted for much of the latest rise in output prices.

## Input Prices Index

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

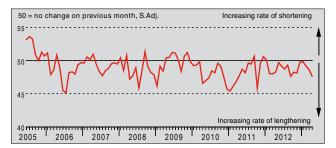


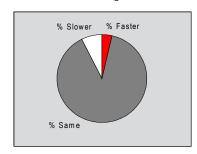


Input costs in the Turkish manufacturing sector continued to increase during April, as around 19% of respondents recorded higher input prices. While input prices have now risen for 47 consecutive survey periods, the latest rate of cost inflation was the lowest in nine months, and well below the series average. Increased raw material prices was cited as the main driver behind the latest cost increase.

## Suppliers' Delivery Times Index

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

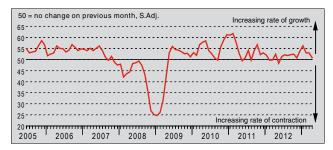


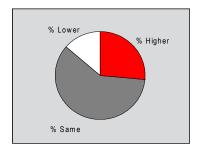


Average lead times on inputs worsened during April, with the seasonally adjusted Suppliers' Delivery Times Index posting below the no-change mark of 50.0 for the fifteenth successive survey period. Suppliers' difficulties in obtaining some raw materials and financial problems accounted for part of the latest worsening in vendor performance.

#### Quantity of Purchases Index

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



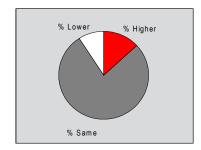


April data pointed to a further increase in purchasing activity at Turkish manufacturing companies. While the pace of expansion was the weakest in five months, buying has now increased for 11 consecutive survey periods. Around 27% of panellists recorded an increase in the quantity of inputs purchased, while 14% posted a decrease.

# Stocks of Purchases Index

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





Pre-production inventory levels in the Turkish manufacturing sector decreased further in April, as the seasonally adjusted Stocks of Purchases Index posted below the neutral 50.0 threshold. Input stocks have now fallen for seven months running, but the rate of contraction was only marginal, and eased to the slowest in the current sequence.

# 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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