HSBC *Purchasing Managers' Index*™ 2013

compiled by markit

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HSBC Turkey Manufacturing PMI™

Companies report stagnation in output levels during May

Key findings:

- Output unmoved from previous survey period
- Further moderation in new order growth
- New export orders fall for first time in six months

May data signalled a stagnation in production levels at Turkish manufacturing companies. While new orders increased for a ninth successive survey period, the rate of expansion slowed for the fourth month running and was the weakest in the current sequence of growth. Meanwhile, new orders from abroad fell for the first time since last November.

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 51.1 in May, down slightly from 51.3 in April, extending the current sequence of improving operating conditions in Turkey's goods producing sector to nine months. The rate of improvement, however, has now weakened in four successive survey periods.

Manufacturing companies in Turkey indicated unchanged production levels in May. The latest data ended a nine-month sequence of output growth. Panellists commonly linked this to generally slow market conditions. Incoming order book volumes continued to increase, but the rate of expansion eased to the weakest in nine months. Meanwhile, new business from abroad fell for the first time six months, mainly driven by lower demand from European countries.

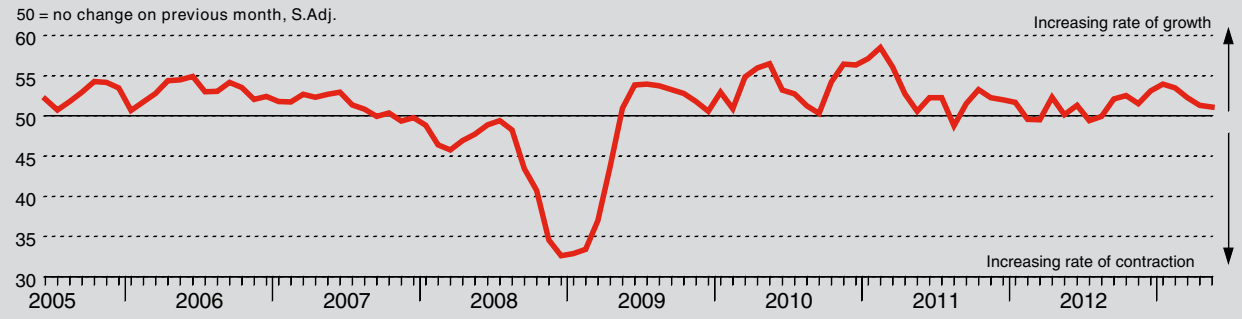
A fall in export orders accounted for much of the latest decline in outstanding business, according to panellists. Backlogs of work fell for a fourth consecutive month, and at the fastest pace since December 2009. Meanwhile, employment levels continued to rise during the latest survey period. Increased new orders was often commented on by companies that hired additional staff. The latest rise in payroll numbers was the sharpest in three months.

Purchasing activity in Turkey's goods producing sector continued to increase in May, as one-in-four respondents indicated a rise in buying. The rate of expansion eased, however, and was the weakest in a year. Concurrently, stocks of purchases fell at an accelerated pace during May. According to anecdotal evidence, the decline was driven by the clearance of existing stocks and a stagnation in production levels. Vendor performance worsened again during the latest survey period and panellists linked this to increased demand for inputs.

The level of post-production inventories held at Turkish manufacturing companies fell for the fourth successive survey period in May, and at the fastest pace in 28 months. Companies often attributed the decline to stagnating production levels.

Input costs increased in May, as 16% of companies faced higher cost burdens. There was some evidence that the rise was caused by increased raw material prices. The rate of cost inflation moderated, however, to the weakest in ten months. Meanwhile, output charges rose at a slower rate during the latest survey period. Companies that raised their output prices commonly attributed this to increased input costs.

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.

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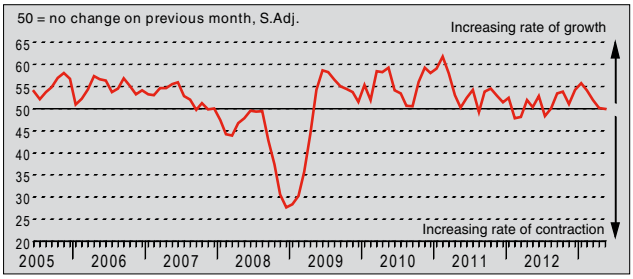
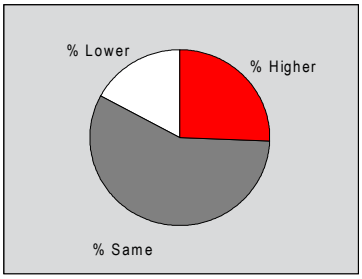
Output Index

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

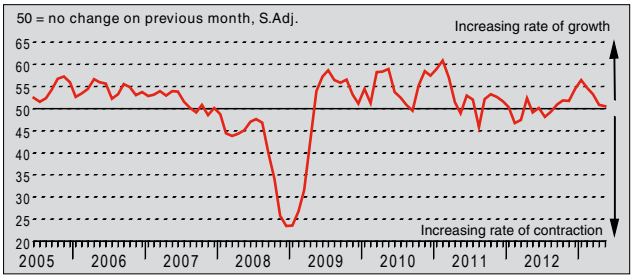


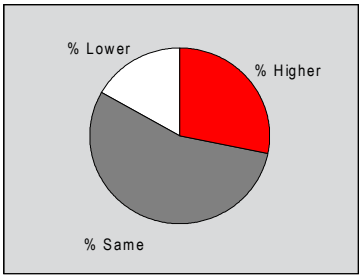


The seasonally adjusted Output Index posted at the no-change mark of 50.0 in May, signalling stagnating production levels in Turkey's manufacturing sector. The latest reading ended a nine-month sequence of output growth. According to anecdotal evidence, generally slow market conditions led to the stagnation in output levels.

New Orders Index

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

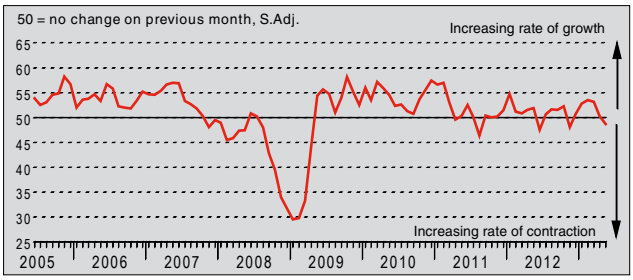


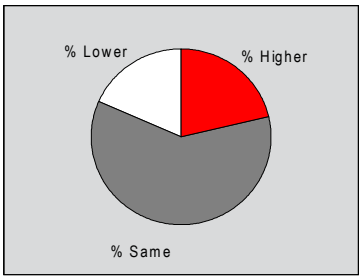


After adjusting for seasonality, volumes of new orders in Turkey's goods producing sector increased in May, and for a ninth successive survey period. Around 28% of companies indicated growth of new work, while 17% reported a decline. The rate of expansion eased, however, to the weakest in the current sequence of growth.

New Export Orders Index

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

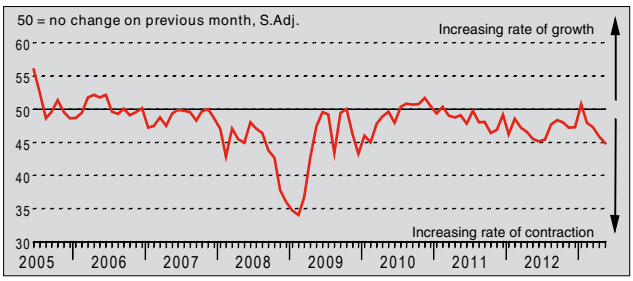


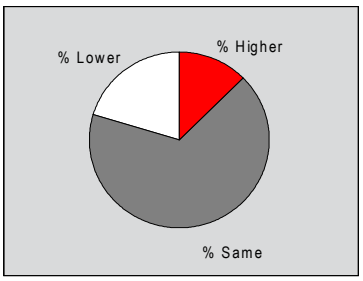


New business from abroad placed at Turkish manufacturers decreased in May. This was highlighted by the seasonally adjusted New Orders Index posting below the no-change mark of 50.0. New export orders declined for the first time in six months, driven mainly by lower demand from European countries.

Backlogs of Work Index

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





Levels of outstanding business at Turkey's goods producers decreased in May, with 20% of panellists indicating a reduction in work-in-hand. Overall volumes of incomplete business have now fallen for four successive survey periods, with the latest depletion the fastest since December 2009. According to anecdotal evidence, the latest fall was driven by a decline in export orders and the hiring of additional staff.

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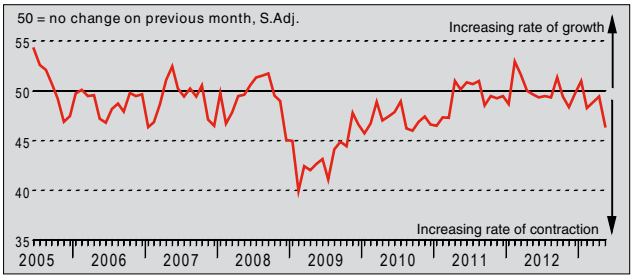
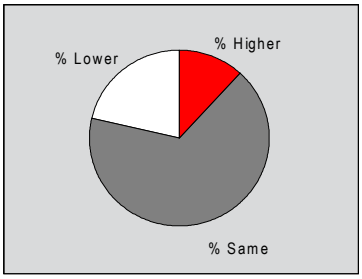
Stocks of Finished Goods Index

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

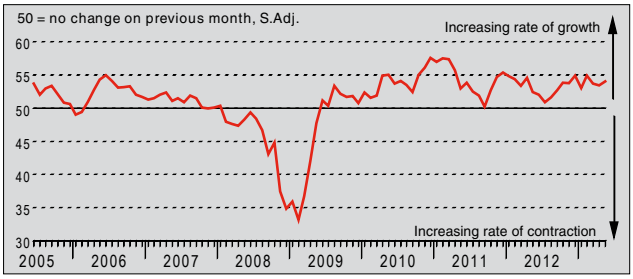


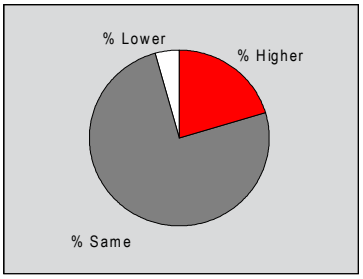


Post-production inventory levels in Turkey's manufacturing sector fell for a fourth successive survey period in May, as more than one-in-five respondents reported lower stocks of finished goods. The rate of decline accelerated from April, and was the sharpest in 28 months. Some companies attributed the reduction to a stagnation in production.

Employment Index

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

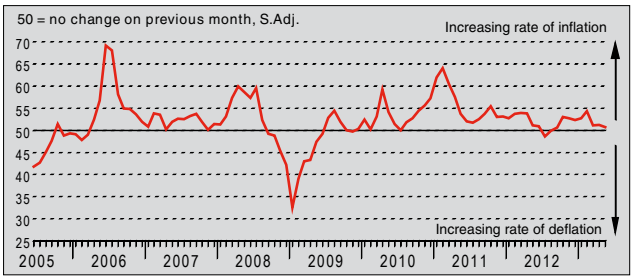


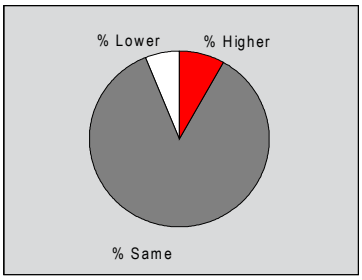


Manufacturing companies in Turkey hired additional staff in May, as the seasonally adjusted Employment Index posted above the neutral 50.0 threshold. Workforce numbers have now risen on a monthly basis for four straight years, and the latest rate of job creation was the highest since February. Around 20% of panellists indicated increased payroll numbers and partly linked this to high amounts of 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.

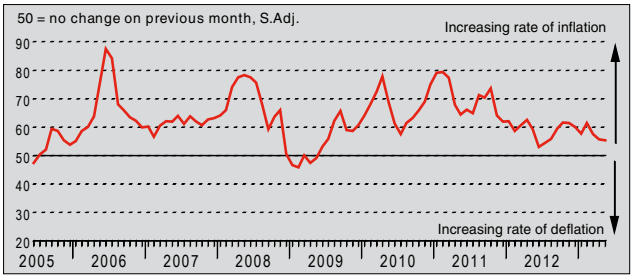


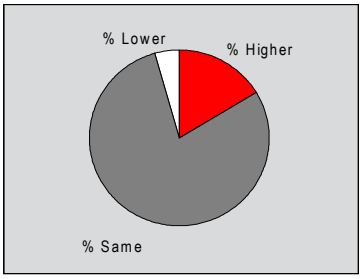


Average charges set by Turkish goods producers rose during the latest survey period. Output prices have now increased for nine months in a row, but the rate of charge inflation eased to the second-lowest in this sequence. Where a rise in charges was reported, companies often attributed this to increased input costs.

Input Prices Index

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

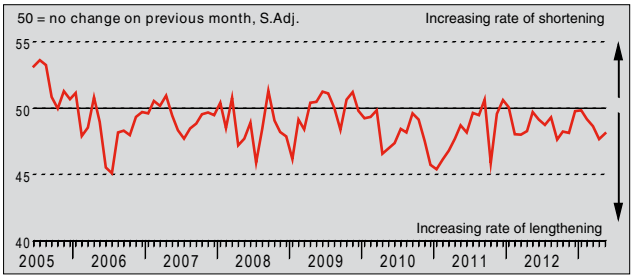


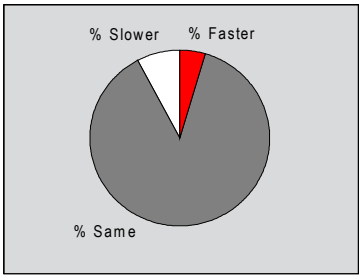


The seasonally adjusted Input Prices Index posted above the 50.0 no-change mark threshold in May, signalling increased costs at Turkish manufacturing firms. According to anecdotal evidence, the cost rise was driven by increased raw material prices. While input prices have risen in every month since June 2009, the rate of inflation in May was the weakest in ten survey periods.

Suppliers' Delivery Times Index

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

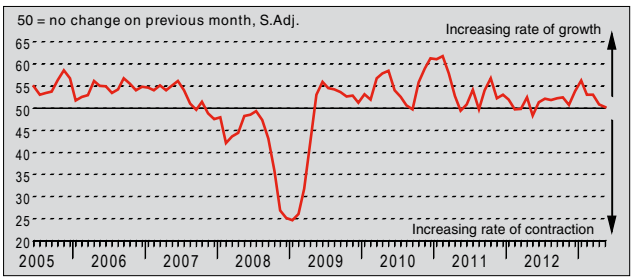


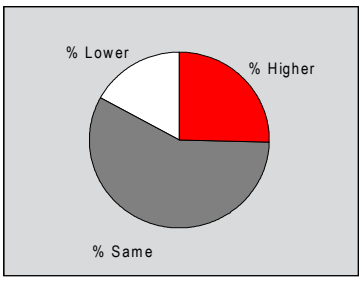


May data signalled a further lengthening of suppliers' delivery times in May, extending the current sequence of rising lead times to 16 months. Around 8% of respondents reported a worsening in vendor performance and 5% indicated an improvement. Increased purchasing activity was commonly highlighted by panellists to have contributed to the latest worsening in delivery times.

Quantity of Purchases Index

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

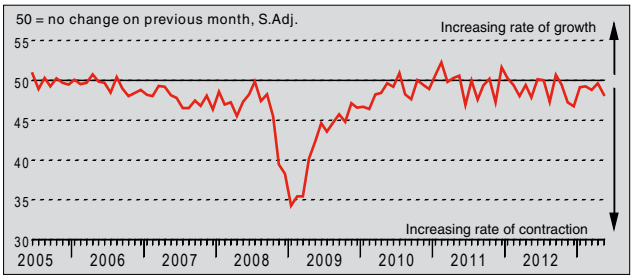


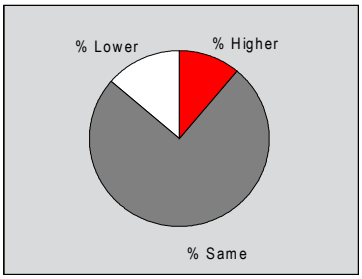


Turkish manufacturers indicated an increase in purchasing activity in May, with one-in-four respondents recording a rise in inventory levels. Buying has now increased for 12 successive survey periods, although the latest expansion was only marginal, and the slowest in the current sequence of growth. A stagnation in production levels accounted for much of the weaker growth rate, according to panellists.

Stocks of Purchases Index

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





Companies in the Turkish goods producing sector indicated a further decline in holdings of pre-production inventories in May. Input stocks have now fallen for eight months running and the latest depletion was the fastest in five survey periods. There was some anecdotal evidence that the latest decline was driven by the clearance of existing stock and a stagnation of output levels.

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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