HSBC *Purchasing Managers' Index*™ 2013

compiled by markit

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HSBC Turkey Manufacturing PMI™

Production levels rise in June, after a stagnation in May

Key findings:

- Output and new export orders both return to growth
- Rate of new business expansion picks up slightly
- First improvement in suppliers' delivery times in 17 months

Turkish manufacturing companies reported growth in both output and new export orders in June. Overall order book volumes also increased, and at the fastest pace in three survey periods. Meanwhile, average lead times on inputs shortened for the first time since January 2012.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – registered 51.2 in June, broadly in line with May's 51.1, and pointed to a further improvement in operating conditions in Turkey's goods producing sector.

After a stagnation in May, Turkish manufacturing firms reported an increase in production levels in June. While the pace of expansion was the quickest in three months, respondents indicated that disruptions caused by ongoing protests in the country prevented output from growing at a stronger pace.

Volumes of incoming new business also increased during the latest survey period, as companies secured new clients. Meanwhile, new export orders rose slightly, and for the sixth time in seven months.

Average lead times on inputs shortened in June, ending a 16-month sequence of worsening vendor performance. The overall rate of improvement was, however, only slight. Meanwhile, volumes of unfinished work fell, as 19% of panellists reported a depletion of outstanding orders. Backlogs of work have now fallen for five successive months. Companies attributed the latest reduction to improvements in production efficiency and the hiring of additional workers.

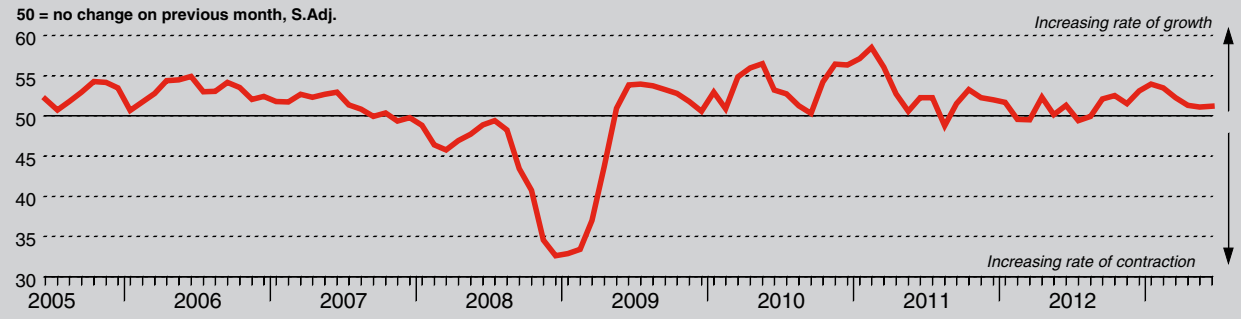
In response to expanding production levels, goods producing companies in Turkey increased their employment levels in June. The rate of job creation eased, however, to the weakest since last August.

Input costs increased at an accelerated pace during the latest survey period, as companies faced unfavourable exchange rates and increased raw material prices. Driven by increased input costs, Turkish manufacturing companies raised their output prices, and the rate of charge inflation was the highest in four months.

Levels of post-production inventory holdings fell in June. According to anecdotal evidence, the decline was driven by faster deliveries, increased production and higher new export orders. Stocks of raw materials and other pre-production inventories also depleted, and at a similar pace to that seen in the previous survey period.

The latest survey data indicated an increase in purchasing activity at Turkish manufacturing companies, with 29% of firms acquiring additional inputs. Buying activity has now increased for 13 consecutive survey periods, and the latest rise was the fastest in three months.

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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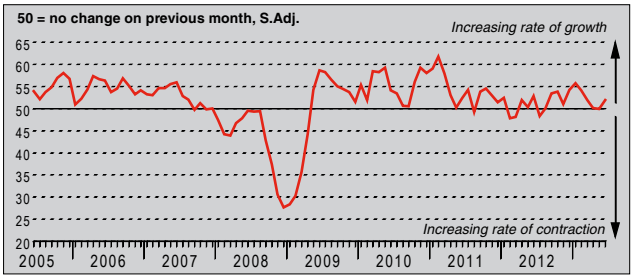
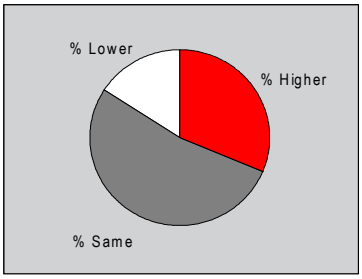
Output Index

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

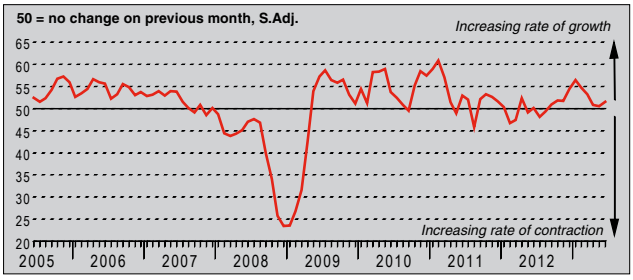


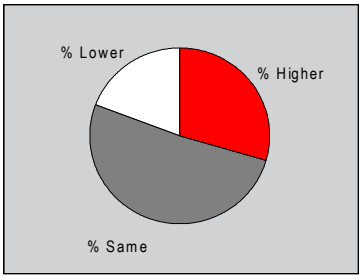


The seasonally adjusted Output Index registered above the neutral 50.0 mark in June, pointing to production growth in Turkey's manufacturing sector. While output grew at the joint-fastest pace in four months, some panellists reported that disruptions caused by protests in the country had prevented even stronger growth.

New Orders Index

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

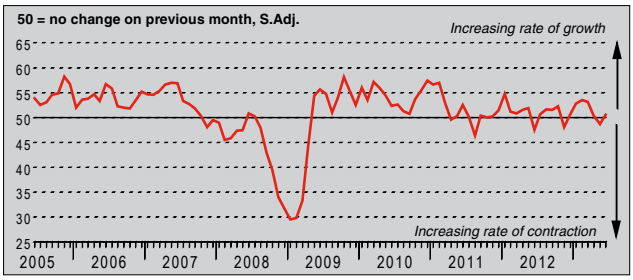


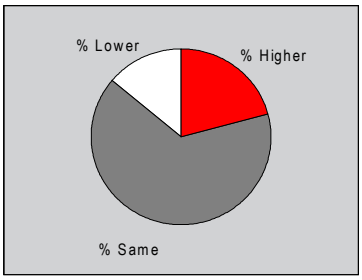


Order book volumes in Turkey's manufacturing sector increased for a tenth successive survey period in June, as 30% of panellists indicated growth of new work. The rate of expansion picked up from May, and posted a three-month high. The securing of new clients and increased demand from foreign markets were among the factors that led to the latest rise.

New Export Orders Index

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

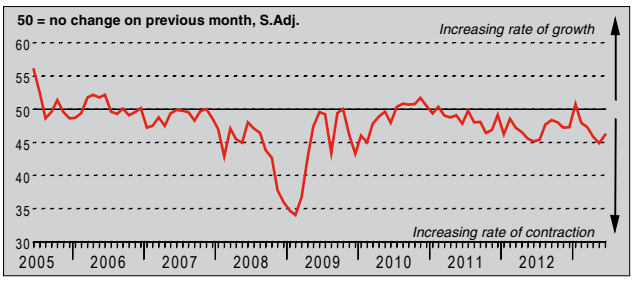


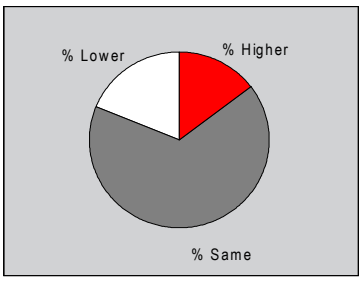


Turkish manufacturers reported a rise in new business from abroad in June. After adjusting for seasonal factors, the rate of expansion was the highest in three months, although only marginal overall. According to anecdotal evidence, unstable market conditions in foreign economies and disruptions caused by protests in Turkey prevented new export orders from rising at a faster pace.

Backlogs of Work Index

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





Volumes of unfinished orders in Turkey's manufacturing sector fell further in June, as the seasonally adjusted Backlogs of Work Index registered below the no-change mark of 50.0. The latest decrease extended the current sequence of depletion to five months, and some companies linked this to improvements in production efficiency and additional workforce numbers.

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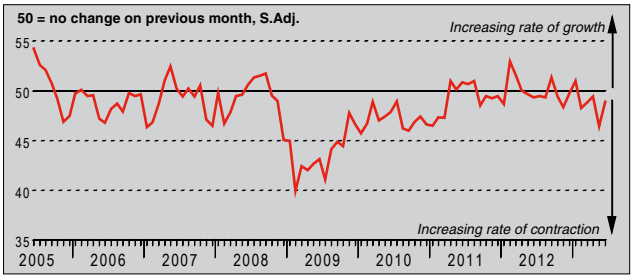
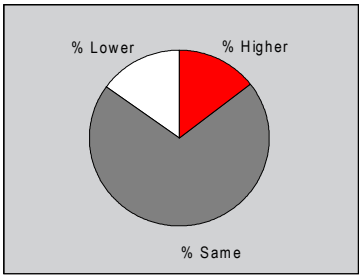
Stocks of Finished Goods Index

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

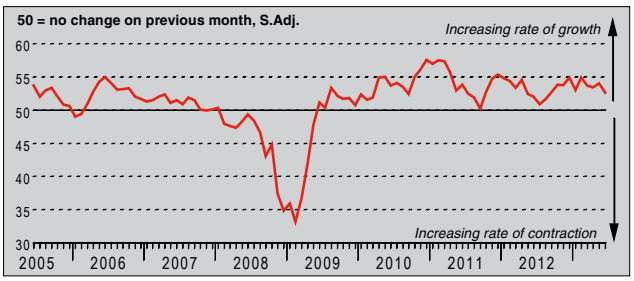


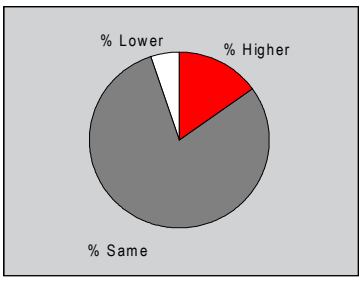


Stocks of finished goods held at Turkish manufacturers fell during June, as 15% of panellists reported a decline in post-production inventory levels. The latest data extended the current sequence of contraction to five survey periods. Faster deliveries and higher new business contributed to the decline in holdings, according to respondents.

Employment Index

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

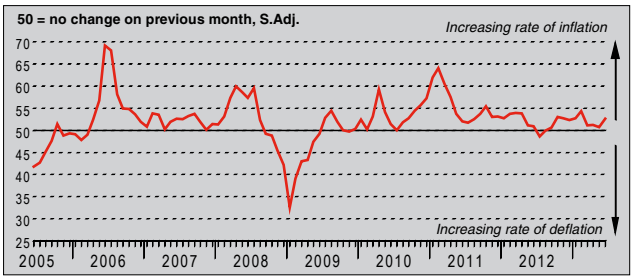


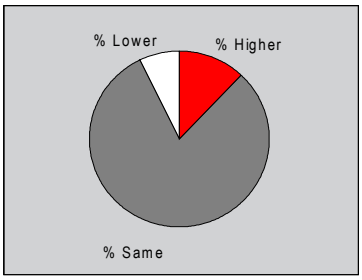


Employment levels in Turkey's goods producing sector rose further in June, with 15% of companies hiring additional workers. According to anecdotal evidence, the rise was mainly driven by higher production. While workforce numbers have increased in every month since June 2009, the latest rate of job creation was the weakest in ten survey periods.

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.

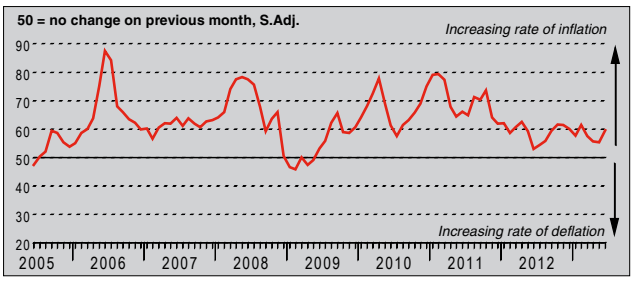


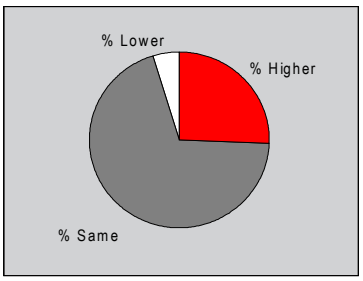


Factory gate prices in Turkey's manufacturing sector continued to increase in June, extending the current sequence of rising output charges to ten survey periods. The rate of charge inflation picked up from May, and was the sharpest in four months. Panellists commonly linked the rise in output prices 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.

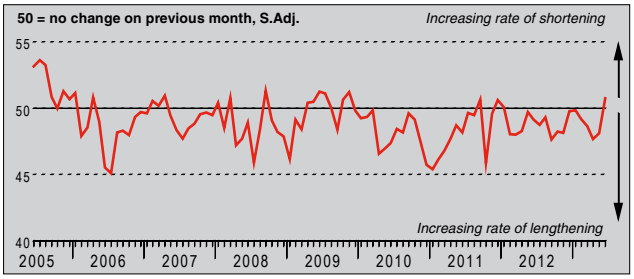


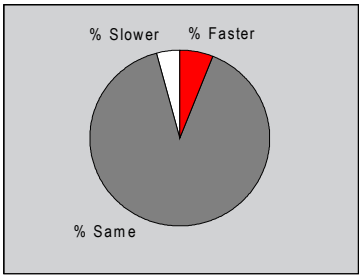


Turkish manufacturing companies faced higher cost burdens in June, with the seasonally adjusted Input Prices Index registering above the neutral 50.0 threshold. More than one-in-four panellists indicated a cost rise and many attributed this to unfavourable exchange rates and increased raw material prices. The rate of cost inflation was the sharpest since February.

Suppliers' Delivery Times Index

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

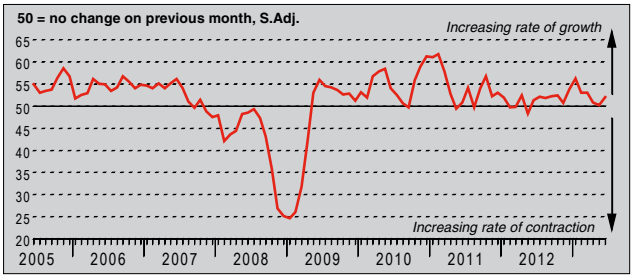


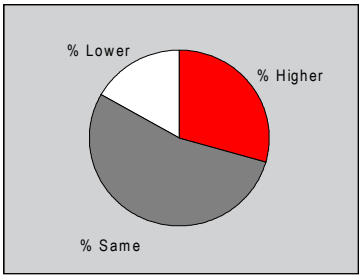


Suppliers' delivery times in Turkey's goods producing sector improved in June. The improvement was only marginal, as the majority of respondents suggested unchanged delivery times from the previous survey period. However, the latest data indicated the first shortening in average lead times in 17 months.

Quantity of Purchases Index

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

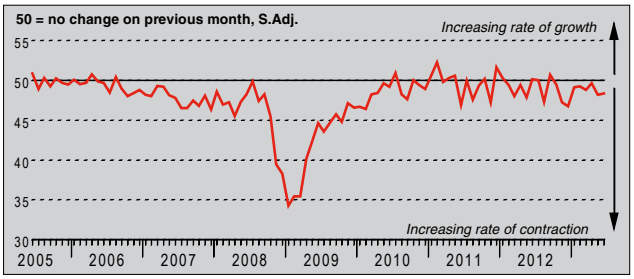


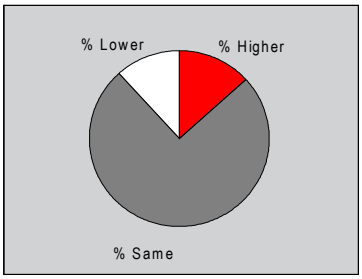


Manufacturing firms in Turkey acquired additional raw materials and semi-finished goods in June, extending the current sequence of increased buying activity to 13 months. The rate of expansion was the highest in three months, and above the series average. Increased new business was commonly mentioned by companies to have contributed to the latest rise.

Stocks of Purchases Index

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





The latest survey data indicated a fall in input stocks held at Turkish manufacturers, highlighted by the seasonally adjusted Stocks of Purchases Index posting below the no-change mark of 50.0. The rate of depletion was broadly in line with that seen in the previous month, and remained modest overall.

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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