Embargoed until: 10:00 (ANKARA), 1 August 2013

HSBC Turkey Manufacturing PMI™

First deterioration in new orders in 11 months

Key findings:

- · Output levels stagnate, as new orders decline
- Payroll numbers rise further
- Input cost inflation accelerates

July data signalled stagnating output levels in Turkey's goods producing sector. New order intakes declined for the first time since last August and firms reduced their purchasing activity. That said, workforce numbers continued to rise. Meanwhile, the rate of input cost inflation accelerated to the quickest since November 2011.

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 49.8 in July, down from June's 51.2. The latest data indicated the first deterioration in overall operating conditions in the sector since last July.

Turkish manufacturing companies reported broadly unchanged production levels in July, while order book volumes declined for the first time in 11 months. Around one-in-four survey respondents recorded lower new business, and linked this to slowing market conditions. New export orders also fell in July, and at the fastest pace since August 2011. Current disruptions in the country caused by protests and fragile political conditions in Egypt were among the reasons behind the decline, according to panel members.

In line with the trend for new orders, stocks of purchases in Turkey's manufacturing sector fell in July. The latest rate of depletion was the quickest since last December. Stocks of finished goods also declined, as companies remained cautious

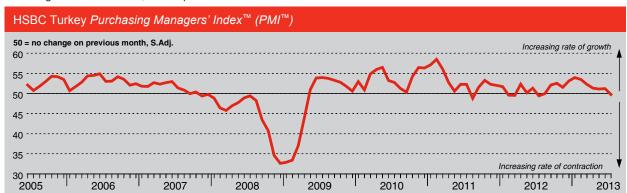
about their inventory levels. Purchasing activity decreased, with 22% of respondents reporting a decline in input buying. There was some anecdotal evidence that the latest decline was driven by lower order book volumes, unfavourable exchange rates and slowing market conditions.

In contrast to declining new orders and stagnating production levels, workforce numbers in Turkey's manufacturing sector continued to rise in July. Some panellists linked the hiring of additional workers to factory expansions.

Cost pressures in Turkey's goods producing sector increased in July, extending the current sequence of rising input costs to 50 months. The rate of cost inflation accelerated from June, and was the fastest since November 2011. Companies linked higher input prices to unfavourable exchange rates and increased raw material prices.

In response to higher cost burdens, Turkish manufacturers raised their output charges, although to a lesser extent than in the previous month.

Work-in-hand declined sharply in July, with 23% of companies reporting a decline in unfinished work. The rate of depletion accelerated to the quickest in 43 months. Respondents often attributed the fall to low workloads. Meanwhile, suppliers' delivery times improved marginally, and for the second month in succession.



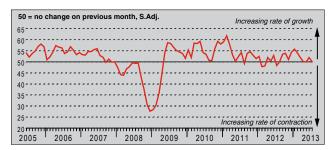
The HSBC Turkey *Purchasing Managers' Index™ (PMI™)* is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, 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 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.

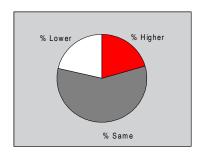




Output Index

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

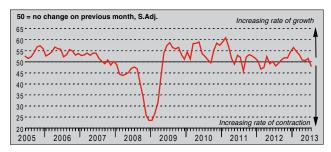


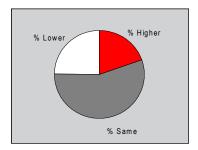


July data signalled a stagnation in production levels at Turkish manufacturing companies. Firms that reported an increase in output, partly linked this to improved marketing efforts, whereas declining new orders and slowing market conditions were mentioned by survey respondents that indicated contracting production levels.

New Orders Index

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

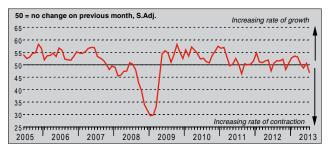


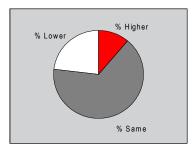


The seasonally adjusted New Orders Index registered below the no-change mark of 50.0 in July, indicating declining demand in Turkey's goods producing sector. Around one-in-four companies reported declining order book volumes, linking the fall to slowing market conditions. The decrease followed ten months of increasing workloads.

New Export Orders Index

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



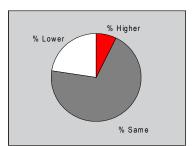


Client demand from foreign markets weakened in July. New export orders decreased for the second time in three months and at the fastest pace since August 2011. Current disruptions in the country, slowing market conditions and fragile political conditions in Egypt all contributed to the decline in new business from abroad.

Backlogs of Work Index

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



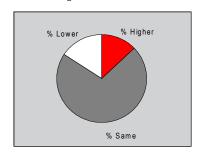


Manufacturing backlogs in Turkey continued to decline in July, providing evidence of ongoing spare capacity in the sector. The rate of backlog depletion accelerated to the quickest in 43 months, with 23% of panellists recording a decrease in work outstanding. According to anecdotal evidence, the latest decline in work-in-hand was due to lower new business.

Stocks of Finished Goods Index

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



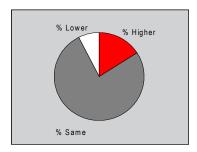


Turkish manufacturing companies remained cautious about their inventory levels in July. This was highlighted by the seasonally adjusted Stocks of Finished Goods Index posting below the neutral 50.0 threshold. The latest rate of depletion was the second-sharpest in the current six-month sequence of falling inventory levels. Companies linked the reduction to declining new order intakes.

Employment Index

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

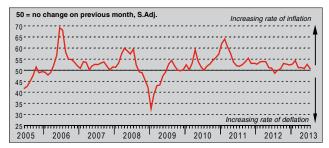


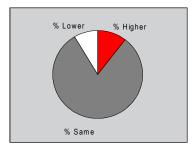


July data signalled a further rise in employment levels in Turkey's goods producing sector. Workforce numbers have now increased for 50 straight months, but the latest rate of job creation was the joint-weakest since last August. Where companies hired additional workers, some linked this to increased production and factory expansions.

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.

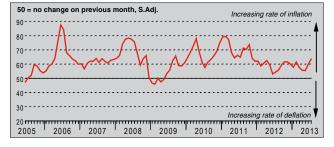


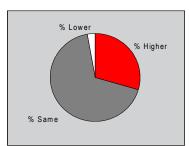


Turkish manufacturers raised their charges in July, extending the current sequence of increasing selling prices to 11 months. The rate of charge inflation eased, however, to the joint-weakest since last September. There was some evidence that companies increased their output prices in response to higher input costs.

Input Prices Index

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

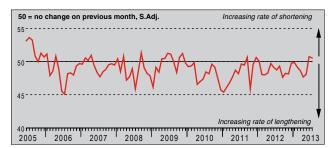


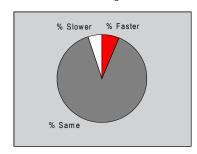


Average cost burdens in Turkey's manufacturing sector increased in July, as around 30% of companies recorded higher input prices. The rate of cost inflation picked up from June and was the sharpest in 20 months. A combination of unfavourable exchange rates and increased raw material prices resulted in the latest input price inflation, according to panellists.

Suppliers' Delivery Times Index

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

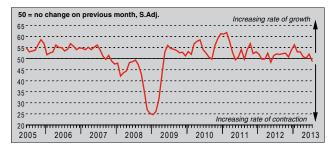


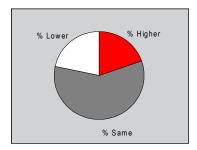


Vendor performance in Turkey's goods producing sector improved for the second consecutive month in July, highlighted by the seasonally adjusted Suppliers' Delivery Times Index registering above the 50.0 no-change threshold. The rate of improvement was marginal, as the vast majority of respondents indicated unchanged average lead times.

Quantity of Purchases Index

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



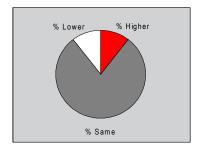


The latest survey data signalled a fall in buying in Turkey's goods producing sector. The decrease in the quantity of inputs purchased followed a 13-month period of increasing purchasing activity. Declining new business, unfavourable exchange rates and slowing market conditions all contributed to the reduction, according to survey respondents.

Stocks of Purchases Index

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





After adjusting for seasonal factors, stocks of raw materials and other pre-production inventories at Turkish manufacturers declined in July. Input stocks have now fallen for ten months running and the rate of depletion was the strongest since last December. Panellists mainly linked the latest decrease in input stocks to lower new business.

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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