HSBC Turkey Manufacturing PMI™

PMI edges back into expansion territory

Key findings:

- Output growth picks up slightly as new orders increase
- New export orders rise at fastest pace in five months
- Increase in buying activity

August data signalled the third consecutive expansion in production levels at Turkish manufacturers, underpinned by a marginal rise in new business. New export orders also increased and purchasing activity rose, although only fractionally.

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 50.9 in August, up from July's 12-month low of 49.8. Operating conditions in the sector improved for the eleventh time in 12 survey periods.

Output levels at Turkish goods producers increased in August, and for the third month in a row. The pace of expansion was up from July and panellists attributed the rise to increased business and improving market conditions.

In line with the trend for production, order book volumes rose during the latest survey period. While the rate of growth was marginal, the rise followed a month of contracting order intakes. Client demand from foreign markets also expanded in August, and at the fastest pace since March. There was some anecdotal evidence that higher export business was driven by a weak Turkish lira and improving market conditions.

Higher production requirements at Turkish manufacturing companies led to an increase in the quantity of inputs purchased. Buying rose marginally in August, following a month of declining purchasing activity.

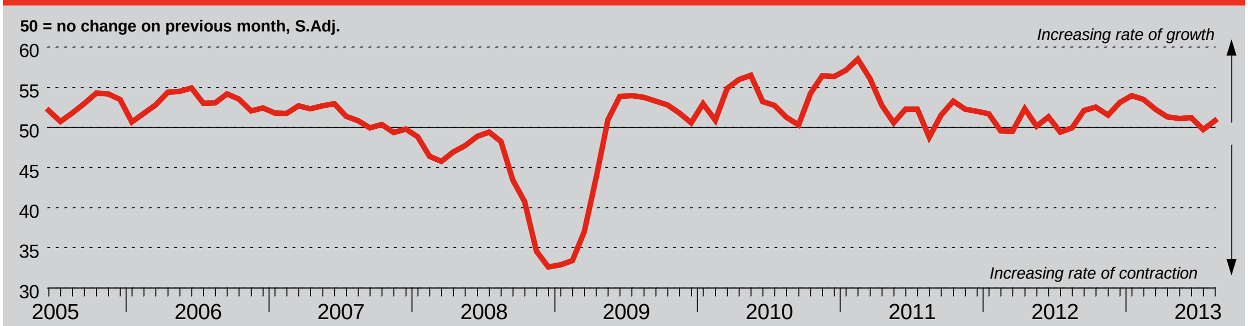
Employment levels in Turkey's manufacturing sector continued to rise in August. Companies reported that they hired additional workers in order to meet higher production requirements. The rate of job creation slowed to the weakest in a year, but remained above the overall series average. Concurrently, manufacturing backlogs continued to decline, providing evidence of ongoing spare capacity in the Turkish manufacturing sector. Panel members linked the decline in work-in-hand to the processing of existing orders.

Input prices continued to increase in August, with more than 27% of survey respondents indicating higher cost burdens. The latest rate of cost inflation was the second-highest in 21 months, and mainly linked to unfavourable exchange rates. In response to increased input costs, Turkish manufacturing companies raised their output charges.

Pre-production inventories held at Turkish manufacturers fell in August, as companies cleared existing stocks. The pace of depletion eased, however, and was the slowest since April. Companies also remained cautious about their post-production inventory levels during the latest survey period. Stocks of finished goods fell for the seventh month in a row, and in August at the fastest pace since May.

Suppliers' delivery times rose for the first time in three months during August. Some panellists linked the worsening in delivery times to capacity problems and higher business levels.

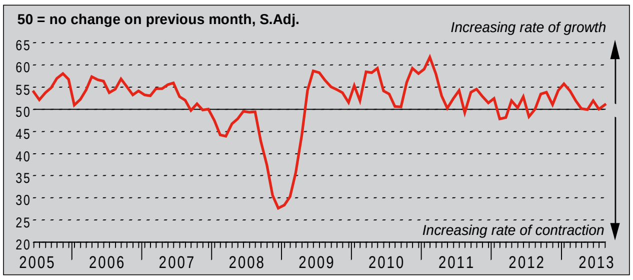
HSBC Turkey *Purchasing Managers' Index*™ *(PMI™)*

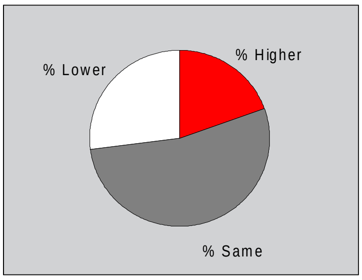


The HSBC Turkey Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new 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. The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies.

Output Index

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

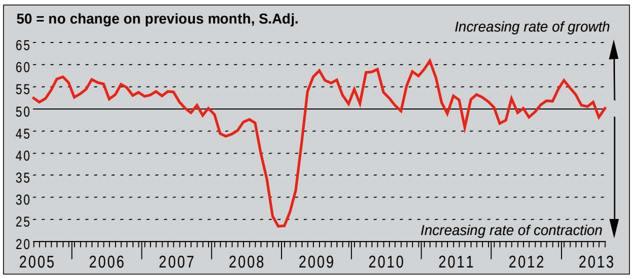


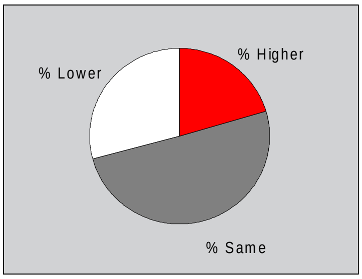


Turkish manufacturers reported increased production levels in August, extending the current sequence of output growth to three months. The pace of expansion was modest overall, although up from that recorded in July. According to anecdotal evidence, the latest rise in production was mainly driven by increased business and improving market conditions.

New Orders Index

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

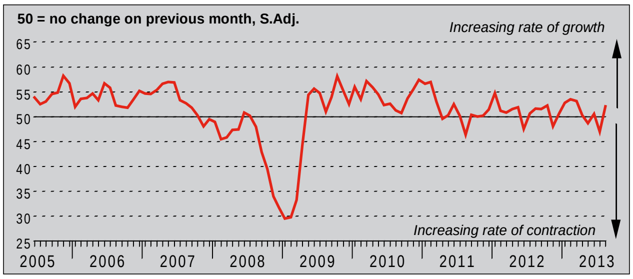


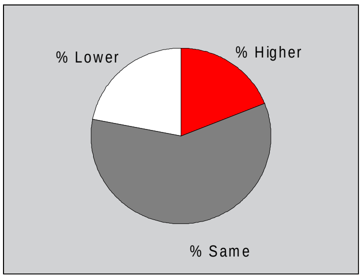


Manufacturing firms in Turkey recorded a marginal increase in order book volumes in August, after order intakes had contracted in the previous month. This was highlighted by the seasonally adjusted New Orders Index registering above the neutral 50.0 threshold. Higher demand from foreign markets accounted for much of the rise in new orders, according to survey respondents.

New Export Orders Index

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

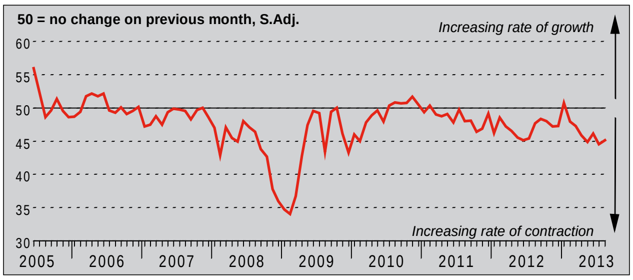


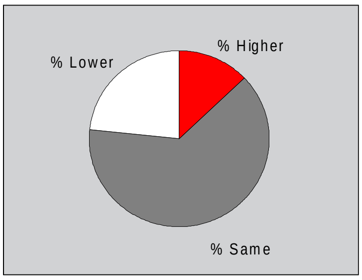


After adjusting for seasonal factors, foreign demand for Turkish goods increased in August. The rate of growth was the sharpest since March and above the overall series average. There was some anecdotal evidence that higher export business was driven by a weak Turkish lira and improving market conditions.

Backlogs of Work Index

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

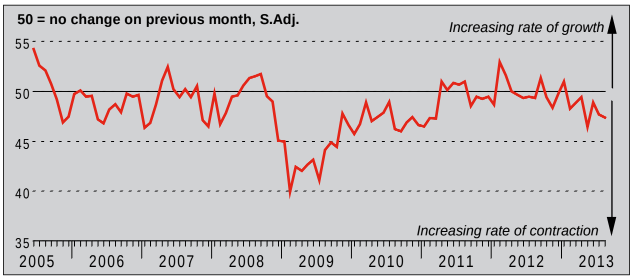


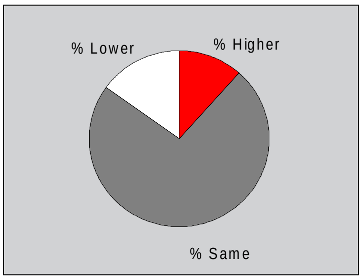


The overall volume of incomplete business at Turkish goods producers fell further in August, with 23% of companies indicating a decline in backlogs. Work outstanding decreased for the seventh month in succession. Some firms reported that the processing of existing orders led to the depletion of backlogged work.

Stocks of Finished Goods Index

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

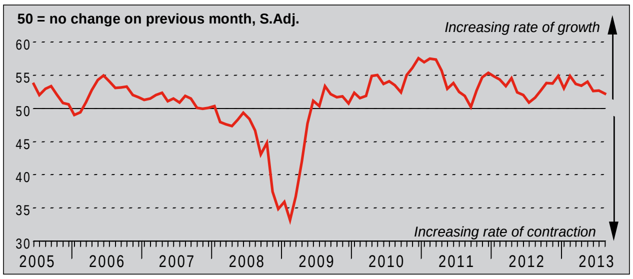


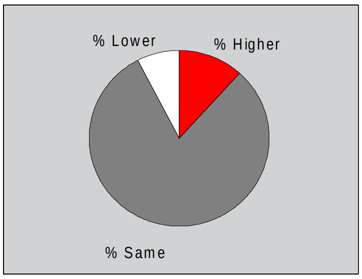


Turkish manufacturers remained cautious about their inventory levels in August, highlighted by the seasonally adjusted Stocks of Finished Goods Index posting below the 50.0 no-change mark. Post-production inventories fell for the seventh month running, and at the fastest pace since May. Companies partly depleted stocks in response to higher production requirements.

Employment Index

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

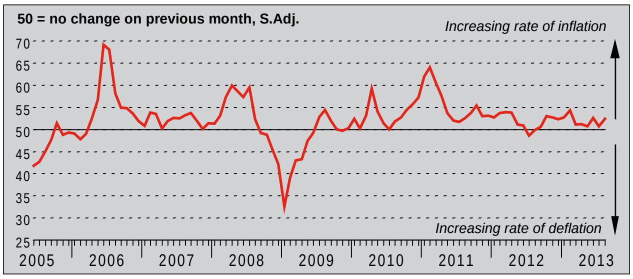


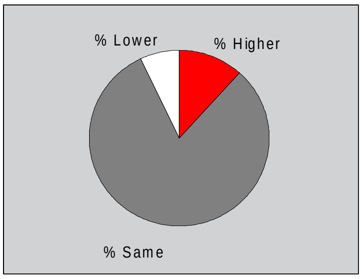


As has been the case in every month since June 2009, Turkish manufacturing companies hired additional workers in August. The rate of job creation eased to the weakest in a year, but remained above the series average. Employment levels rose in response to increased business, according to panel members.

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.

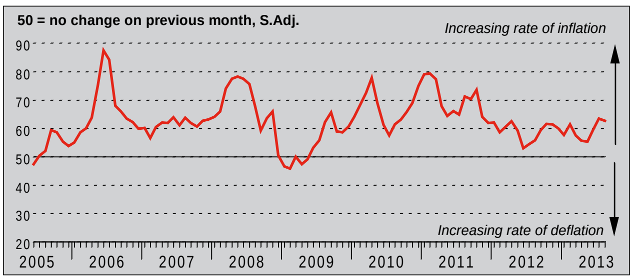


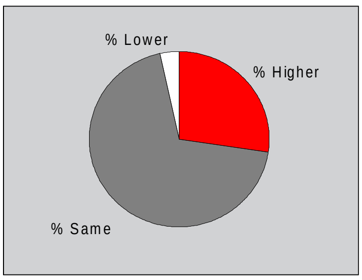


Factory gate prices in Turkey's goods producing sector increased in August, extending the current sequence of charge inflation to 12 months. Around 12% of respondents raised their charges, while 7% reduced output prices. Panellists repeatedly linked higher selling prices to increased input costs and a depreciation of the Turkish lira.

Input Prices Index

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

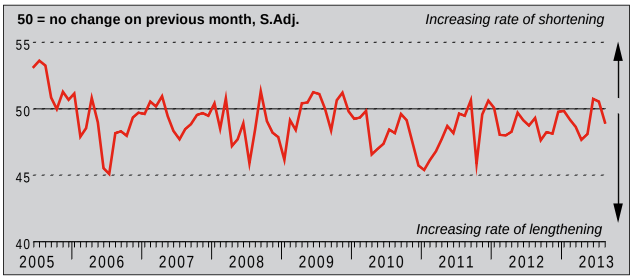


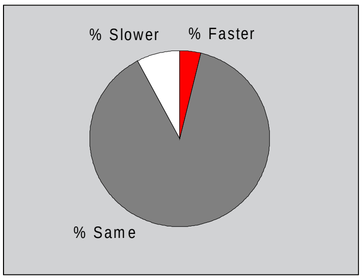


The seasonally adjusted Input Prices Index posted well above the no-change mark of 50.0 in August, signalling further inflationary pressures in Turkey's manufacturing sector. The rate of cost inflation eased fractionally from July, but was the second-sharpest in 21 survey periods. Panellists repeatedly attributed higher input prices to unfavourable exchange rates.

Suppliers' Delivery Times Index

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

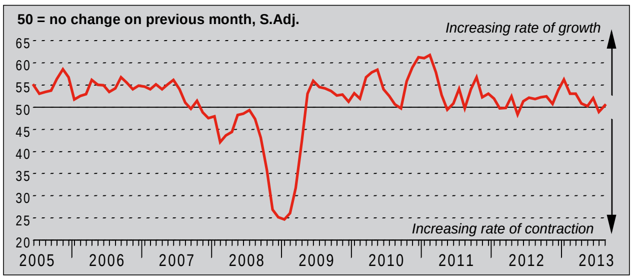


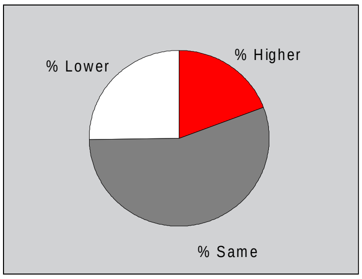


Average lead times on inputs in the Turkish goods producing sector rose in August. Vendor performance worsened for the first time since May, although only modestly as the vast majority of survey respondents indicated unchanged delivery times. Where suppliers' delivery times lengthened, some companies linked this to capacity problems and higher business levels.

Quantity of Purchases Index

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

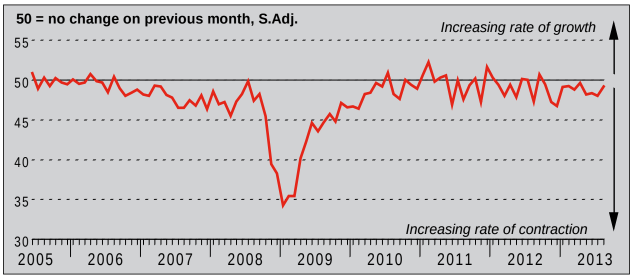


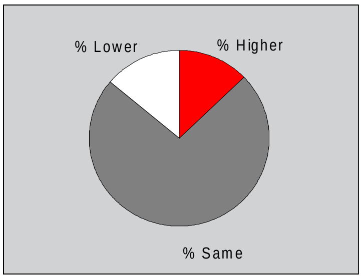


The latest survey data signalled a rise in purchasing activity at Turkish manufacturing companies. However, the pace of expansion in August was fractional, and below the long-run series average. There was some anecdotal evidence that companies increased buying in order to meet higher production requirements.

Stocks of Purchases Index

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





Turkish manufacturers reported a decline in pre-production inventories in August, extending the current sequence of falling input stocks to 11 months. The latest decline in stocks of purchases eased to the slowest since April. Some panel members linked the decrease in inventory levels to the clearance of existing stocks.

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