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# HSBC Turkey Manufacturing PMI™

Production rises at fastest pace since beginning of the year

**Key findings:**

- Output growth picks up as new orders rise markedly
- Further rise in employment levels
- Selling prices increase on back of accelerated input cost inflation

Turkish manufacturers reported sharp rises in output levels and order intakes in September, with the rates of expansion accelerating to the quickest since the beginning of the year. Meanwhile, output charges increased markedly as companies faced higher inflationary pressures and staffing levels continued to increase.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – signalled the strongest improvement in operating conditions in the sector since the beginning of the year. The headline PMI registered 54.0 in September, up from 50.9 in August.

September data signalled the strongest expansion in production at Turkish goods producers since January. Around 35% of panel members indicated output growth and commonly linked this to stronger domestic and foreign demand. New orders also rose at the quickest pace since the beginning of the year with survey respondents commenting on improved market conditions and the securing of new projects.

Client demand from foreign markets strengthened for the second month running in September. Anecdotal evidence suggested that increased market activity and expansions into new markets accounted for much of the latest rise in new export business.

In line with higher output levels and new order growth, Turkish manufacturers reported an increase in payroll numbers in

September. Moreover, the rate of job creation was the highest in four months.

Inflationary pressures persisted into September with cost inflation accelerating to the highest in almost two years. A combination of unfavourable exchange rates and increased raw material prices resulted in the latest rise in input prices.

In response to higher cost burdens, Turkish manufacturers raised their selling prices in September. Charge inflation was the strongest in nearly two-and-a-half years.

The latest survey results pointed to spare capacity at Turkish manufacturing firms as backlogs of work fell for the eighth consecutive month. The decline in work-in-hand was driven by capacity expansions and the hiring of additional workers, according to panellists. Meanwhile, stocks of finished goods were also depleted, although to a lesser degree than in August.

Suppliers' delivery times lengthened for the second month in a row in September with companies commenting on raw material shortages and stronger client demand. The rise in average lead times was, however, marginal.

Manufacturing firms in Turkey reported a strong rise in purchasing activity in September, with the pace of expansion the highest since January. Concurrently, stocks of purchases accumulated for the first time in a year with some companies linking this to increased production.

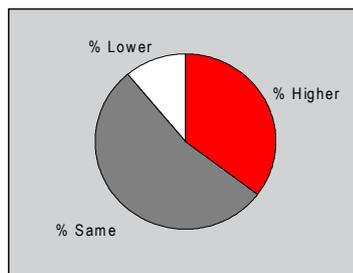
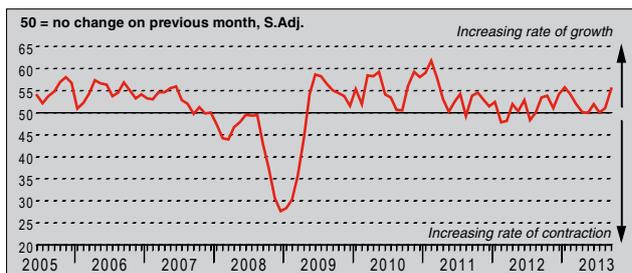
HSBC Turkey Purchasing Managers' Index™ (PMI™)



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

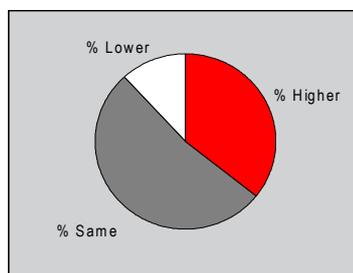
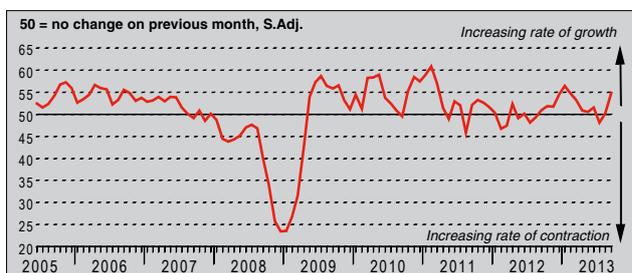
Q. Please compare your production/output this month with the situation one month ago.



Turkish manufacturers reported a solid rise in production levels in September, extending the current sequence of growth to four months. The pace of expansion accelerated markedly from August and was the fastest since the beginning of the year. According to anecdotal evidence, output growth was driven by increased domestic and foreign demand.

## New Orders Index

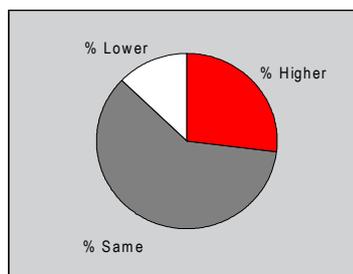
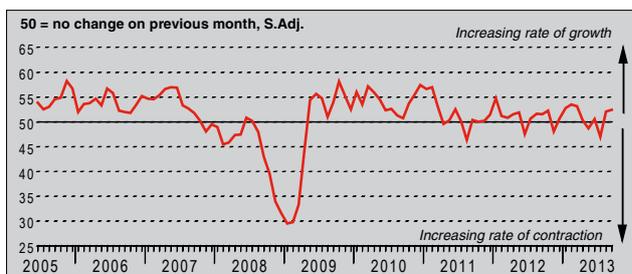
Q. Please compare the level of new orders received (Turkey and export) this month with the situation one month ago.



September data signalled a rise in order intakes at Turkish manufacturing companies. Order book volumes rose for the second month in succession, and in September at the quickest pace in eight survey periods. Panellists linked the rise in new orders to improved market conditions and the securing of new projects.

## New Export Orders Index

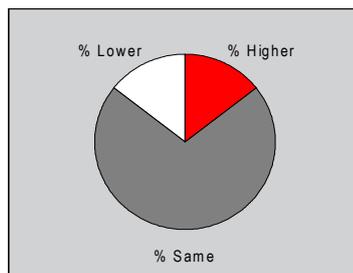
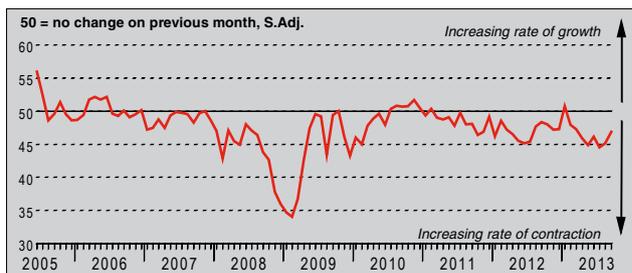
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The seasonally adjusted New Export Orders Index posted above the neutral 50.0 threshold in September, suggesting stronger client demand from foreign markets. More than one-in-four respondents reported a rise in new business from abroad, commenting on expansions into new markets and increased market activity. The latest rise in new export orders was the sharpest in six months.

## Backlogs of Work Index

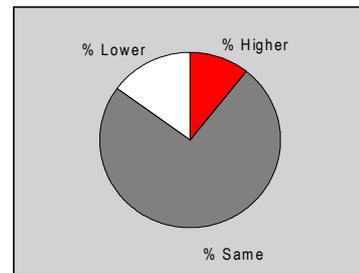
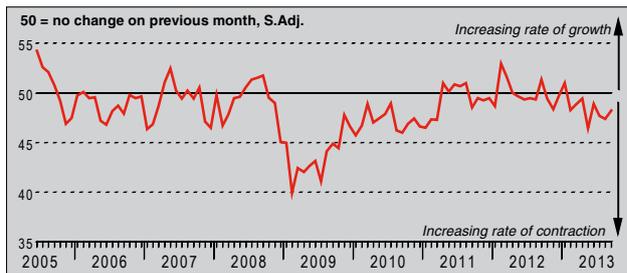
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Manufacturing backlogs in Turkey continued to decline in September, providing evidence of ongoing spare capacity in the sector. Work-in-hand fell for the eighth consecutive month, although at the weakest rate since March. Anecdotal evidence suggested that the hiring of additional workers and capacity expansions led to the latest depletion of backlogs.

## Stocks of Finished Goods Index

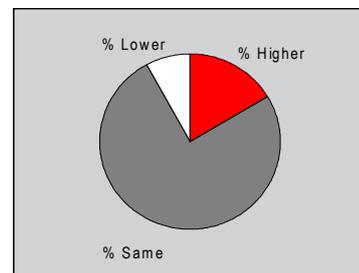
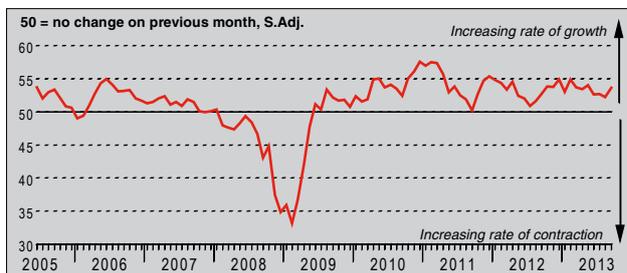
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Post-production inventory levels fell further in September, highlighted by the seasonally adjusted Stocks of Finished Goods Index registering below the no-change mark of 50.0. The latest survey data marked the eighth successive depletion of inventories and panellists linked this to higher new business and the hiring of additional staff.

## Employment Index

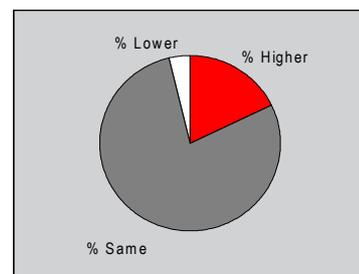
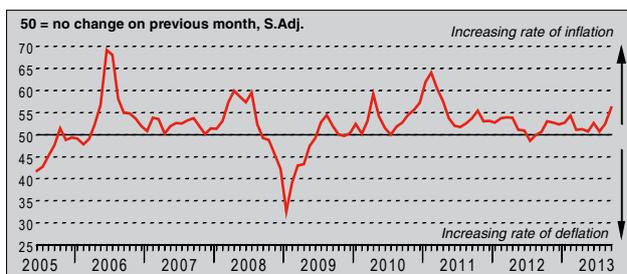
Q. Please compare the level of employment at your unit with the situation one month ago.



September saw a rise in employment levels in Turkey's goods producing sector, with 16% of companies reporting increased workforce numbers. Payroll numbers have increased continuously since June 2009 and the rate of job creation in September was the highest in four months. Increased production requirements was repeatedly mentioned by panellists that recorded higher staffing levels.

## Output Prices Index

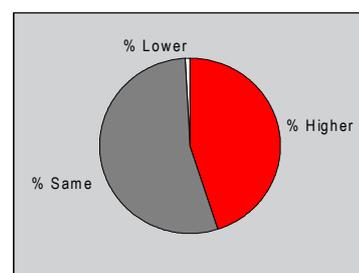
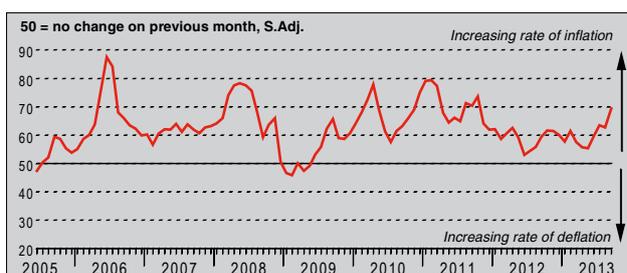
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Turkish manufacturing firms raised their selling prices in September. The rate of charge inflation accelerated markedly from August to the highest in nearly two-and-a-half years, with around 18% of companies indicating higher factory gate prices. Increased input costs in turn reflecting shortages of some raw materials and unfavourable exchange rates fed through to the latest rise in output prices, according to survey respondents.

## Input Prices Index

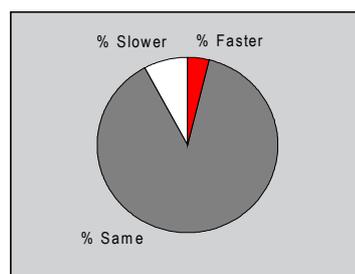
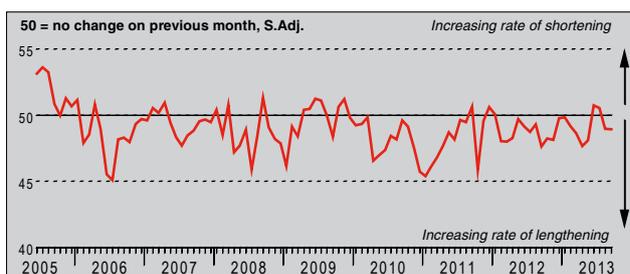
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



The latest survey data signalled a sharp increase in input costs in Turkey's manufacturing sector, with the rate of cost inflation accelerating substantially to the highest in almost two years. Exactly 45% of panel members recorded higher input prices, while only 1% reported a fall. According to anecdotal evidence, unfavourable exchange rates and increased raw material prices were the main reasons for the latest rise in costs.

### Suppliers' Delivery Times Index

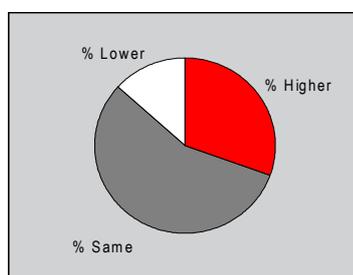
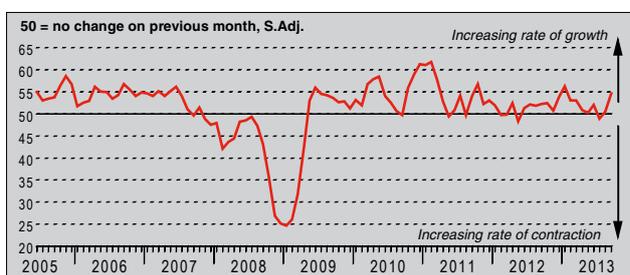
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Vendor performance in the Turkish manufacturing sector deteriorated for the second month in succession during September. This was highlighted by the seasonally adjusted Suppliers' Delivery Times Index posting below the no-change mark of 50.0. Panellists linked longer lead times on inputs to a shortage of some raw materials and increased purchasing activity.

### Quantity of Purchases Index

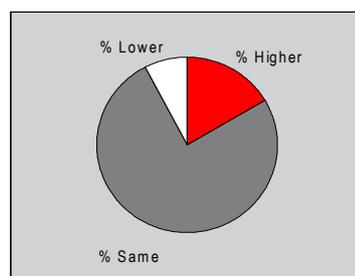
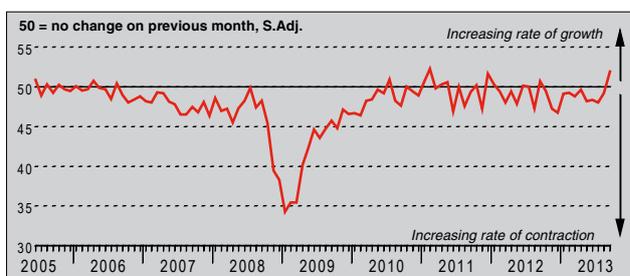
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Turkish goods producers acquired further raw materials and semi-finished goods in September. Purchasing activity increased at the quickest pace since the beginning of the year, with almost one-in-three respondents reporting a rise in input buying. Higher new business was the key driver behind higher buying activity, according to panel members.

### Stocks of Purchases Index

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



September data signalled an increase in pre-production inventories, ending an 11-month period of falling input stocks. The rate of stock accumulation was the second-sharpest in the survey history with around 17% of panellists reporting a rise. Anecdotal evidence suggested that increased production and the securing of new contracts accounted for most of the accumulation.

### 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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