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HSBC Turkey Manufacturing PMI™

Output grows further, albeit at slower pace

Key findings:

- Production increases for fifth month running
- New business rises further, but pace of expansion weakens
- · Employment levels rise at fastest pace in eight months

October data signalled a further increase in production at Turkish manufacturing firms. New orders also rose, although at a slightly slower pace than seen in September. Meanwhile, workforce numbers increased at the sharpest rate in eight months.

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 53.3 in October, down slightly from September's eight-month high of 54.0. Operating conditions in the sector improved for the third month in succession.

Turkish manufacturers reported an increase in production in October, extending the current sequence of output growth to five months. However, the pace of expansion eased since September. New order growth also weakened during the latest survey period, but remained above the long-run series average. Anecdotal evidence suggested that expansion into new markets and new product launches both contributed to the latest increase in new business. Export orders rose for a third month in a row during October, however, only marginally. Panel members commented on the securing of new clients, improving market conditions and capacity expansions.

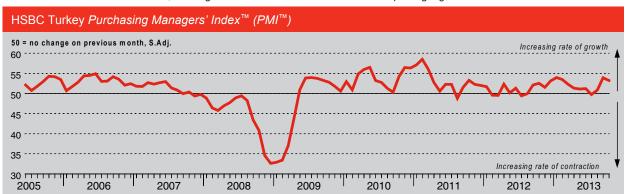
The latest survey results signalled a lack of pressure on operating capacity at Turkish goods producers. Work-in-hand fell for a ninth consecutive month, although in October at the

slowest pace in that sequence. Companies linked the decline in backlogged work to higher staffing levels. Workforce numbers rose at the fastest pace in eight months during October as companies reported higher production requirements.

Cost pressures persisted into October with around 24% of companies recording higher input costs. The rate of inflation eased markedly from the previous survey period, but remained sharp overall. Panel members reported that increased raw material prices and unfavourable exchange rates accounted for most of the latest cost increase. In response to higher input prices, Turkish manufacturing firms raised their selling prices. However, factory gate prices rose to a lesser degree than seen in September.

Driven by the delivery of products to clients, stocks of finished goods fell in October. The rate of stock depletion, eased however, and was marginal overall. Meanwhile, suppliers' delivery times lengthened further, as increased demand caused some transportation problems. The rate at which average lead times worsened was the sharpest in two years.

In line with the trends for output and new orders, Turkish manufacturers reported a further rise in purchasing activity during October. The pace of expansion eased fractionally from the previous month, but was sharp overall. Concurrently, stocks of purchases accumulated for a second successive month, with 13% of firms reporting higher inventories.



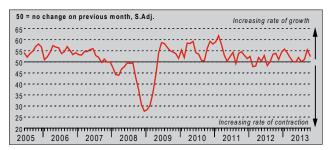
The HSBC Turkey Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new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

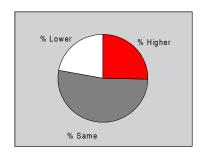




Output Index

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



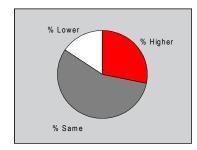


Turkish manufacturers reported a further rise in production in October, with one-in-four panellists signalling an expansion. Output has now increased for five months in succession, although in October at a weaker pace than seen in the previous survey period. Anecdotal evidence suggested that the latest rise in production was driven by increased new orders.

New Orders Index

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



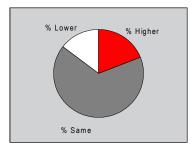


Order intakes at Turkish goods producers rose during October, highlighted by the seasonally adjusted New Orders Index posting above the neutral 50.0 mark. The pace of expansion eased slightly since September, but remained above the long-run series average. The expansion into new markets and new product launches accounted for part of 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.

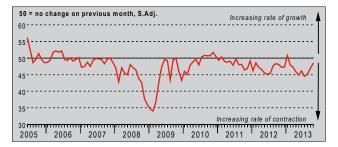


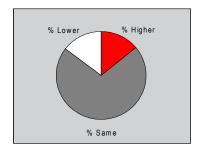


New business from abroad placed at Turkish manufacturing firms rose in October, extending the current sequence of growth to three months. The pace of expansion eased, however, and was marginal overall. The securing of new clients, improving market conditions and capacity expansions all contributed to the latest increase, according to survey respondents.

Backlogs of Work Index

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

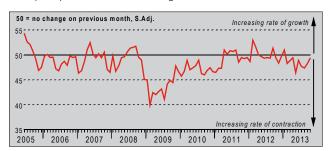




Backlogs of work fell further in October, signalling ongoing spare capacity in Turkey's goods producing sector. Work-in-hand fell for a ninth consecutive month, although in October at the slowest pace in that sequence. The hiring of additional workers resulted in the latest depletion of unfinished work, according to panellists.

Stocks of Finished Goods Index

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



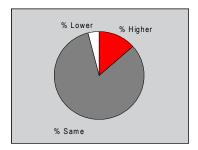


Turkish manufacturing companies remained cautious about their inventory levels in October, highlighted by the seasonally adjusted Stocks of Finished Goods Index posting below the no-change mark of 50.0. The rate of depletion eased, however, and was the weakest since April. Companies attributed the fall in inventory levels to the delivery of products.

Employment Index

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

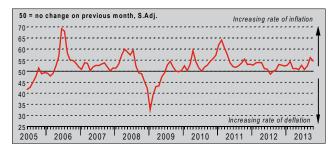


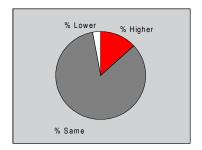


As has been the case in every month since June 2009, manufacturing firms in Turkey increased their workforce numbers during October. Employment levels rose to the greatest extent since February, with almost 14% of companies reporting increased payroll numbers. According to anecdotal evidence, the increase in staffing levels was largely attributed to higher production requirements.

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.



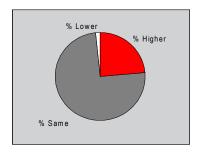


Turkish goods producers raised their selling prices in October, extending the current sequence of increasing factory gate prices to 14 months. Charge inflation eased slightly since September, but remained above the series average. Companies reported that increased input costs accounted for much of the latest rise in output charges.

Input Prices Index

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

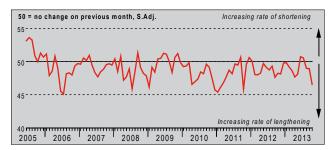


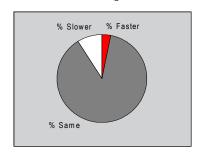


Average cost burdens increased in October, with the seasonally adjusted Input Prices Index registering well above the neutral 50.0 threshold. A combination of increased raw material prices and unfavourable exchange rates resulted in the latest cost increase, according to panel members. That said, the rate of inflation eased markedly and was the lowest in four months.

Suppliers' Delivery Times Index

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

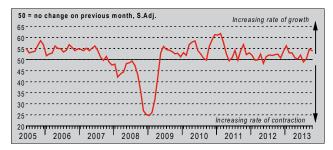


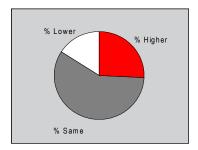


Suppliers' delivery times lengthened for a third successive month during October, with 9% of companies indicating longer lead times for inputs. The rate at which vendor performance worsened picked up, and was the quickest in two years. Some firms linked longer delivery times to capacity problems caused by increased demand.

Quantity of Purchases Index

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



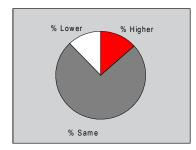


Purchasing activity continued to increase in October, with more than one-in-four survey respondents recording a rise in input buying. The quantity of items purchased rose for the third month in a row, although in October at a slightly weaker rate than seen in September. Increased production was mentioned as the main reason for the latest rise.

Stocks of Purchases Index

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





Turkish goods producers reported a second consecutive accumulation of stocks of purchases in October with around 13% of panellists indicating a rise in their inventory levels. According to anecdotal evidence, increased output requirements accounted for most of the latest rise in pre-production inventories.

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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