

HSBC Turkey Manufacturing PMI™

Turkish manufacturing business conditions continue to improve

Summary

Turkish manufacturers faced an improving business climate in February, according to the latest PMI™ survey data from HSBC. New orders, output, exports and purchasing all expanded at sharper rates than at the start of the year. The latest survey results also highlighted ongoing marked inflationary pressure on both input and output prices, linked to the weakening lira exchange rate.

The headline HSBC Turkey Manufacturing PMI is a composite single-figure indicator of manufacturing performance. The PMI remained comfortably above the no-change mark of 50.0 in February, and rose for the first time since November to 53.4, from 52.7 in January. This signalled a solid overall improvement in operating conditions at Turkish manufacturers, with the headline figure above its long-run average of 51.0 (since June 2005). New orders, output and employment were the main positive influences on the PMI.

The volume of new business received by Turkish manufacturers rose for the seventh month running in February, and at the strongest rate since November. Moreover, the pace of growth was the second-fastest in over a year. New business inflows were supported by both domestic and export demand, with the latter also rising at the fastest pace in three months.

In line with the trend shown for new business, manufacturing output growth accelerated for the first time in three months to the fastest since November. The rate of expansion also remained historically strong. Stronger output growth meant that firms were able to control workloads, and the volume of outstanding business was largely unchanged from January as a result.

Turkish manufacturing employment continued to rise in February, continuing the trend shown since June 2009. Moreover, the rate of job creation remained solid.

Goods producers in Turkey stepped up their purchasing activity in February. The rate of growth accelerated from January's five-month low, and was greater than the long-run survey average. The volume of inputs held in stock increased for the fifth time in six months, albeit at a marginal pace. Final goods inventories also rose fractionally.

February survey data highlighted ongoing marked inflationary pressures at manufacturers, linked to the exchange rate. Input and output prices both rose at the second-fastest rates since March 2011.

Comment

Commenting on the Turkey Manufacturing PMI survey, Melis Metiner, Economist at HSBC, said:

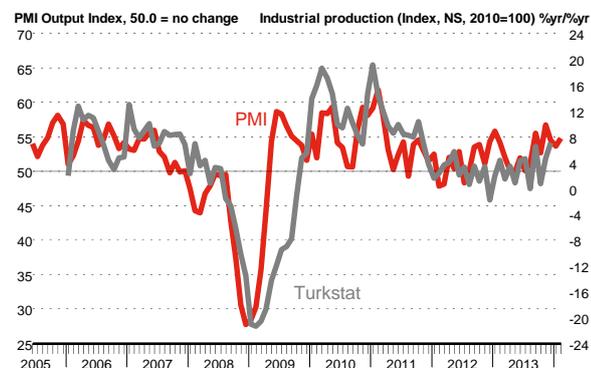
"Manufacturing conditions in February improved at a faster pace when compared to the previous month. Growth in new orders and new export accelerated. As a result of improving demand, job creation picked up pace for the first time in four months. Inflationary pressures remained elevated, but eased slightly from January's levels."

"In early February, Turkey's banking regulator pushed through a series of macro-prudential measures limiting the number of instalments for credit cards and general purpose loans. Anticipating the negative impact this would have on consumer demand, many firms launched marketing campaigns during the month, cutting prices. These marketing campaigns may have played a role in boosting domestic demand during February. Going forward, we would expect domestic spending to slow on the back of renewed political uncertainty, deteriorating consumer confidence, a weaker currency, and tighter monetary conditions."

Key points

- PMI remains above no-change mark of 50.0 for seventh month running
- Strongest rise in new orders in three months
- Inflationary pressures remain marked

Historical Overview



Sources: HSBC, Markit, Turkstat.

For further information, please contact:

HSBC

Melis Metiner, Economist,
Turkey
Telephone +90-212-376-4618
Email melismetiner@hsbc.com.tr

Aslı Arbel, Corporate Communication
Telephone +90-212-376-4365
Email asliarbel@hsbc.com.tr

Markit

Trevor Balchin, Senior Economist
Telephone +44-1491-461-065
Email trevor.balchin@markit.com

Alex Brog, Corporate Communications
Telephone +44-20-7264-7602
Email alex.brog@markit.com

Notes to Editors:

The HSBC 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

HSBC:

HSBC is one of the world's largest banking and financial services organisations. With around 6,600 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 55 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 80 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 shareholders in 130 countries and territories.

About Markit:

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 11 countries. For more information, please see www.markit.com.

About PMI:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

The intellectual property rights to the HSBC Turkey Manufacturing PMI™ provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. HSBC use the above marks under license. Markit is a registered trade mark of Markit Group Limited.