

HSBC Turkey Manufacturing PMI™

Output increases further, although at weaker rate

Summary

December data signalled increased output and new orders at Turkish manufacturers, although the rates of growth eased since November. Meanwhile, work-in-hand rose at an accelerated pace and companies reported higher selling prices, as input costs increased.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – fell slightly from November's 32-month high of 55.0 to 53.5 in December. The latest reading marked the fifth consecutive monthly improvement in operating conditions in the sector.

Turkey's manufacturing companies reported a further rise in production in December. Although down since November, the pace of expansion was above the long-run series average. New orders also increased at a weaker, but still solid rate, with companies commenting on higher activity in the auto sector and improving market conditions. Concurrently, panellists linked growth in new export business to stabilising conditions in Egypt and the securing of new clients.

New order growth imparted pressure on capacity in December, with work outstanding rising at the quickest pace since November 2010. Meanwhile, stocks of finished goods were depleted for an eleventh month in a row.

Input costs continued to increase at a sharp rate in December. Anecdotal evidence suggested increased raw material prices and unfavourable exchange rates accounted for most of the latest rise in input costs. In response to higher input costs, Turkish manufacturers raised their selling prices in December, but the latest increase was the slowest in four months.

The latest survey data signalled a further rise in employment levels in Turkey's goods producing sector. Job creation was largely attributed to increased production requirements. Meanwhile, vendor performance worsened for the fifth straight month.

In line with the trends for output and new orders, purchasing activity increased in December. The rate of expansion eased since November's 33-month high, but was among the sharpest recorded in the survey history to date. Survey respondents linked the latest rise in input buying to increased new business.

Stocks of raw materials and other pre-production inventories accumulated further in December, with companies linking this to increased production requirements.

Comment

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

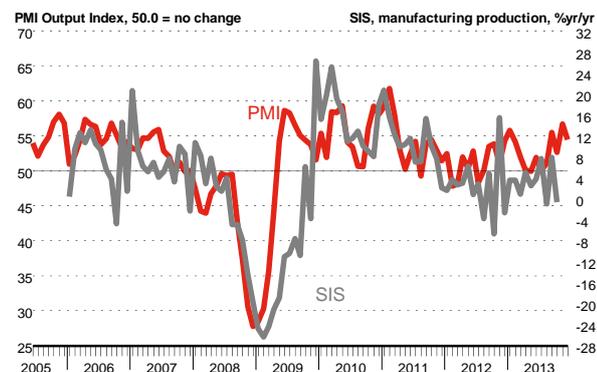
"Manufacturing conditions in Turkey improved for the fifth month running in December. The PMI index moderated slightly from its November level, but remained above its long-term average. Growth in total orders and new export orders slowed. Businesses increased their purchases, albeit at a slower pace than last month, while backlogs of work rose slightly. Output prices were in inflationary territory during December, but the pace of price increases moderated."

"Manufacturing growth in Turkey picked up pace in the fourth quarter despite significant market volatility. Official data also bear this out, to a certain extent. The real sector confidence index has been volatile in 2013, but capacity utilisation rose steadily throughout 2013, rising from 73.6% at the end of last year to 74.9% as of November. Looking forward to 2014, we would expect to see some deceleration in domestic orders as household spending slows on the back of higher interest rates and a weaker lira. But the foreign demand outlook is set to improve next year, which could support exporters' performance."

Key points

- Further increases in output and new orders
- Backlogs of work accumulate at quickest pace in just over three years
- Companies increase their charges as input costs continue to rise sharply

Historical Overview



Sources: Markit, HSBC, Ecowin

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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.

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