

# HSBC Turkey Manufacturing PMI™

## Business conditions improve slightly in May

### Summary

The latest PMI® survey data indicated mixed business conditions in the Turkish manufacturing sector in May. Output fell for the fifth successive month, but the rate of contraction slowed to a marginal pace. The same trends were evident for new orders and new export business. On the other hand, employment growth was maintained, albeit at a modest pace, while firms increased their purchasing activity. Inflationary pressures remained strong, linked to the weak lira, with average input prices rising at the second-fastest rate in 14 months, while output charges increased at the strongest pace since March 2014.

The headline HSBC Turkey Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI registered above the no-change mark of 50.0 in May, signalling an overall improvement in manufacturing business conditions. That followed a four-month sequence of contraction. The headline figure rose for the second month running from March's 71-month low but, at 50.2, signalled only a fractional rate of improvement. Only two of the PMI's five components – employment and suppliers' delivery times – registered positive contributions, while the three remaining components all signalled marginal declines. The PMI remained below its long-run average of 50.9 in the latest period.

Turkish goods producers cut output in May, continuing the trend shown every month in 2015 so far. That said, the rate of decline slowed to the weakest in this sequence, and was only fractional. Backlogs of work declined for the sixth successive month, but at the slowest pace since last December.

The main contributing factor to declining output in May was a further drop in new business. New orders fell for the fifth month running, albeit at the slowest rate over this period, with the same trend evident for new export orders. Firms reported weak underlying market conditions and uncertainty linked to upcoming elections.

Manufacturers in Turkey raised employment for the second month running in May, despite the ongoing downturn in new work. That said, the rate of job creation was modest, and slower than the average over the past six years.

Firms also increased their purchasing activity in May, following a marginal decline in the previous month. The rate of expansion was the strongest since December, and slightly faster than the long-run survey average. Suppliers' delivery times lengthened for the second month running.

The strong dollar continued to be reported as a factor driving up manufacturing input prices in May. The rate of inflation eased since April, but was still the second-strongest in over a year. Meanwhile, output price inflation hit a 14-month record.

### Comment

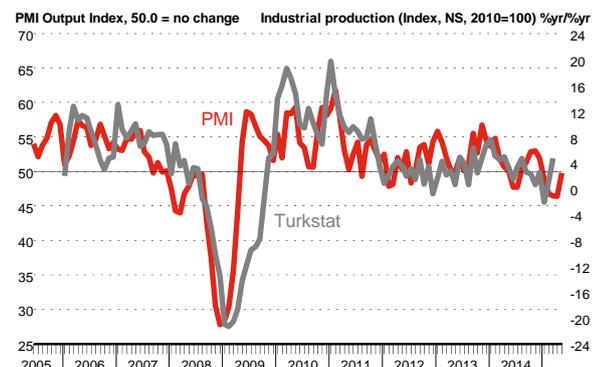
Commenting on the Turkey Manufacturing PMI survey, Trevor Balchin, Senior Economist at Markit, said:

*"May's survey of Turkish manufacturers signaled a broad stabilization in business conditions. The rise in the PMI above 50.0 and further job creation were the main positive findings, while new orders and output fell at the slowest rates in 2015 so far. Inflationary pressures remained strong, however, linked to the weak lira. The most recent official data also show improvements, with business confidence reaching the highest since mid-2014 in May, and IP growing in March."*

### Key points

- PMI registers above 50.0 for first time since December
- Output and new orders fall at marginal rates; job creation maintained
- Output price inflation accelerates to 14-month high

### Historical Overview



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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](mailto:economics@markit.com).

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## About PMI:

*Purchasing Managers' Index*™ (*PMI*™) surveys are now available for over 30 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](http://www.markit.com/economics)

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