

HSBC Turkey Manufacturing PMI™

Production rises at fastest pace since beginning of the year

Summary

Turkish manufacturers reported sharp rises in output levels and order intakes in September, with the rates of expansion accelerating to the quickest since January. 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 and panel members 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.

Backlogs of work fell for the eighth consecutive month in September. 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 depleted.

Suppliers' delivery times lengthened in September with companies commenting on raw material shortages and stronger client demand. Concurrently, purchasing activity rose at the fastest pace since January and stocks of purchases accumulated for the first time in a year.

Comment

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

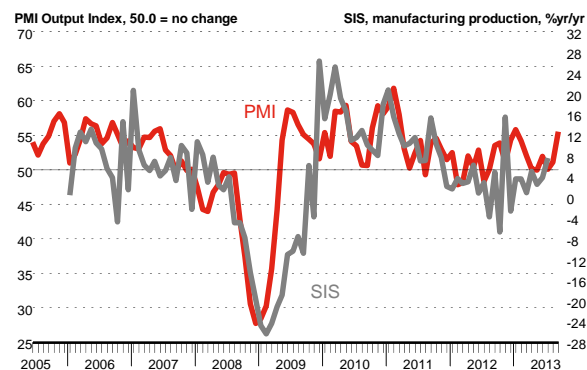
"Manufacturing conditions in Turkey showed a strong improvement in September. Output, new orders and new export orders all rose. New export orders had improved sharply in August, but in September, it was total orders that registered a stronger increase. Firms continued to grow their workforces and increased their purchases of raw materials at the fastest pace since January. Price pressures continued to build during the month. Both input and output prices rose sharply in September, with the latter reaching its highest level since April 2011. Producers reported that the lira weakness had fed through to the most recent increase in their output prices."

"Despite the social unrest during the month of June, sharp lira depreciation since May, and a modest increase in loan rates, manufacturing activity in Turkey remains quite resilient. Rising output prices are a concern though, as they are likely to translate into consumer inflation with a few months' lag. Headline CPI is already above target in Turkey, standing at 8.2% as of August."

Key points

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

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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