

HSBC Turkey Manufacturing PMI™

Turkish manufacturing continues to contract in February

Summary

Turkish manufacturing PMI™ survey data from HSBC signalled an ongoing modest deterioration in business conditions in the sector in February. Lacklustre market conditions were also compounded by severe winter weather during the month, resulting in a steeper drop in output than in January and longer supplier delivery times. More positively, the contraction in new orders eased slightly and firms continued to add to payrolls at a robust, albeit slower, pace. Inflation of both input and output prices accelerated during February, but remained relatively subdued despite the weakening lira.

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. The PMI registered below the no-change mark for the second straight month in February, and fell slightly to 49.6 from 49.8 in January. That was the lowest figure in seven months, but signalled only a marginal overall deterioration in business conditions in the goods-producing sector. Weighing on the PMI in February were falling output, new orders and stocks of purchases, while positive contributions were provided by employment and suppliers' delivery times (a lengthening in the latter is treated as a positive impact on the headline figure).

Manufacturing output in Turkey fell for the second month running in February. The rate of contraction accelerated from January's modest pace to the fastest since April 2009, although this partly reflected the impact of severe winter weather on firms' operations during the month, according to respondents.

The volume of new orders also decreased for the second successive month in February. Unlike output, the rate of decline eased slightly since January and was modest. New export orders followed a similar trend to that shown for total new work. With incoming new business continuing to fall, firms completed existing work at the fastest rate since July 2013.

Manufacturers in Turkey continued to increase employment in February, despite falling output and new orders. The rate of job creation was robust despite easing to a four-month low, and extended the current sequence of growth to 69 months.

Severe winter weather impacted on supplier operations in February. The volume of inputs ordered by

manufacturers rose only fractionally following January's decline, but supplier delivery times lengthened to the greatest extent since October 2011.

Input price inflation rose to a three-month high in February, linked to the weaker lira driving up import prices. That said, input price inflation remained slower than the long-run survey average, as did inflation of prices charged for final manufactured goods.

Comment

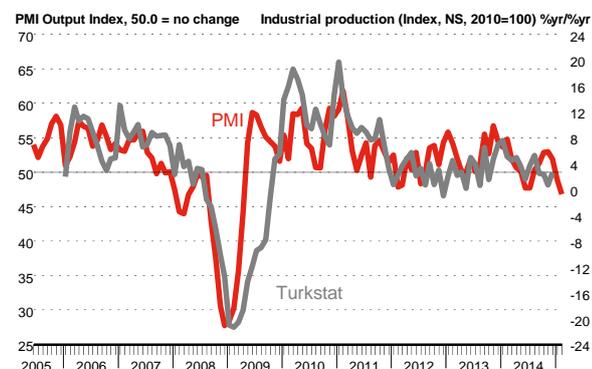
Commenting on the Turkey Manufacturing PMI survey, Trevor Balchin, Senior Economist at Markit, said:

"Turkey's manufacturing economy remained in a mild downturn in February. At first glance the steep drop in output looks alarming, but this can partly be attributed to severe weather during the month, which also impacted on suppliers' delivery times. Other survey indicators were less worrisome – the contraction in new orders eased during the month and firms continued to expand workforces at a robust pace. The two price indicators rose but remained at relatively low levels, lending support to the recent decision to cut interest rates."

Key points

- PMI falls to seven-month low as output and new orders decline further
- Severe weather impacts output and supplier delivery times
- Inflationary pressures remain historically subdued despite weaker lira

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.

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About PMI:

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