

HSBC Turkey Manufacturing PMI™

Turkish manufacturing output continues to contract

Summary

The Turkish manufacturing sector remained in a downturn in April, according to PMI™ survey data from HSBC. Output, new orders and new export business all fell for the fourth successive month, with the latter posting a faster rate of decline. Manufacturers' input stocks declined as purchasing fell, but inventories of finished goods built up. The strong US dollar was again cited as the main factor driving up average input prices, which increased at the fastest rate since March 2014. In contrast, manufacturing output prices rose at a weaker rate as firms reported competitive pressures. On a more positive note, employment growth resumed, albeit at a modest pace.

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 remained below the no-change mark for the fourth successive month in April, indicating an ongoing downturn in the Turkish goods-producing sector. The PMI rose from March's 71-month low of 48.0 to 48.5, but the latest figure was still the joint-second lowest since April 2009. Three of the PMI's five components weighed on the headline figure during the month, the exceptions being employment and suppliers' delivery times.

Turkish manufacturers reported a fourth consecutive monthly drop in new orders received in April. The rate of contraction eased slightly since March, but remained solid. New export contracts fell at the fastest rate in six years, despite the weakening lira-dollar exchange rate.

In line with the trend shown for new work, production declined for the fourth month running April. The rate of contraction was unchanged from March's near-six year record. Survey data also signalled a lack of pressure on operating capacity, as backlogs of work declined for the thirteenth time in 14 months.

A key finding from the latest survey was a further build-up of input cost inflation. Average input prices rose at the fastest rate since March 2014, linked by many firms to higher import prices as a result of the weak lira-dollar exchange rate.

In contrast to accelerating input price inflation, prices charged by Turkish manufacturers rose at a slower pace in April. This was partly attributed by firms to rising competition for sales, amid lacklustre market conditions.

The main positive from the latest survey was a rise in manufacturing employment, following broadly no change in workforces in March. Firms reported investing in capacity and expectations of new contract wins.

Stocks of purchases held by Turkish manufacturers declined in April, reflecting a drop in input volumes. Conversely, stocks of finished goods rose for the third month running, the longest sequence of growth in more than three-and-a-half years.

Comment

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

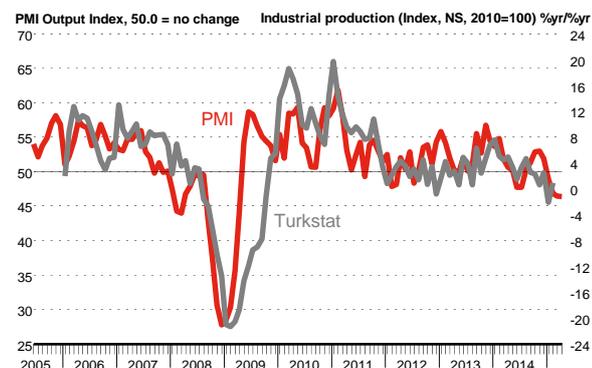
"The latest PMI data signal an entrenched downturn in the Turkish manufacturing sector with output, new orders and exports all falling for the fourth consecutive month. The latter showed the steepest drop in six years, despite the weak lira-dollar exchange rate."

"Turkish goods producers face the unenviable combination of falling demand and rising inflation, with average input prices increasing at the fastest rate since March 2014. The weak currency was again widely blamed for the latest build-up of inflationary pressure."

Key points

- Output and new orders continue to fall sharply
- PMI remains negative but rises since March on back of renewed employment growth
- Currency pressures drive input price inflation to 13-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.

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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

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