

HSBC Turkey Manufacturing PMI™

Manufacturing performance improves slightly

Summary

Turkey's manufacturing sector continued to experience a modest recovery in business conditions in September, according to the latest PMI™ survey data from HSBC. Output rose further, and at the strongest rate since March, while new business volumes stabilised having declined over the previous four months. That said, the rise in output was still modest overall, and supported by a further cut to backlogs of work.

The headline HSBC Turkey Manufacturing PMI is a composite single-figure indicator of manufacturing performance. The PMI remained above the no-change mark of 50.0 for the second month running in September, and edged up to 50.4 from 50.3 in August. This signalled only a marginal improvement in business conditions, but was the highest figure since April. The headline figure was boosted by faster growth of output and employment, but weighed down by an improvement in supplier performance (the best since August 2005) and a sharper cut in input stocks. The new orders component was broadly neutral in the latest period.

Turkish manufacturing production rose for the second month running in September, and at the strongest rate since March. Output was supported during the month by a stabilisation of new business and a further drop in the level of outstanding work. That said, growth of production remained weak in the context of historic survey data.

New orders were broadly unchanged in September, following a four-month sequence of contraction. Data suggested that the domestic market had led the stabilisation in new business inflows, as new export business fell slightly following August's expansion.

Turkish manufacturers stepped up recruitment and purchasing in September. Employment increased at the fastest rate in six months, while the volume of inputs ordered rose at the strongest pace since April. Despite stronger demand for inputs, suppliers' delivery times improved to the greatest extent since August 2005.

Average input prices in the Turkish manufacturing sector rose in September, continuing the trend shown since June 2009. Firms reported higher prices for metals, oil-related items and foodstuffs. The rate of inflation was the fastest since April, but remained weaker than the long-run survey average. Meanwhile, output prices charged by manufacturers for final goods rose at the strongest rate in three months, albeit one that remained weaker than the long-run survey average.

Comment

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

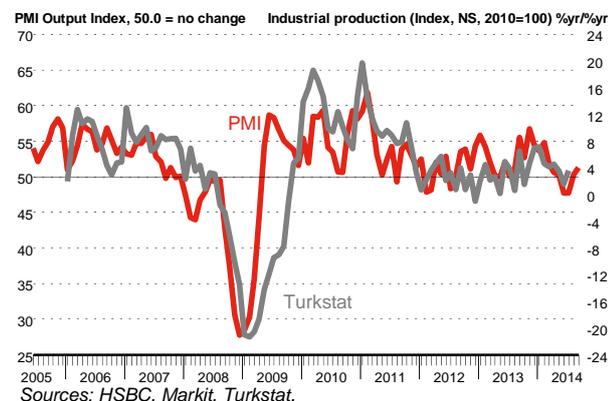
"September PMI showed little change in overall business conditions compared to the previous month. Total new orders were broadly unchanged, while new export orders fell, after rising in August. Some firms attributed the weakness in export orders to geopolitical tensions in the Middle East.

"In Q4, domestic demand is likely to grow at a faster pace than foreign demand. Subdued growth in Europe and unrest in Iraq are likely to weigh on Turkey's export performance. Official data shows that in 2013, Iraq was Turkey's second-largest export destination. In the first five months of 2014, exports going to the country rose by 12% y-o-y. But in the June-July period, they fell sharply, by 32%. Meanwhile, domestic demand growth is likely to accelerate over the next few months. Loan growth has already picked up pace, rising from a trough of 9% in early May to 15% as of mid-September."

Key points

- PMI edges higher to 50.4
- Output rises modestly as new orders stabilise
- Employment growth at six-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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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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