

# HSBC Turkey Manufacturing PMI™

## Turkish manufacturing growth moderates further, but remains solid

### Summary

Business conditions facing Turkish manufacturers continued to improve in January, according to the latest PMI™ survey data from HSBC. The overall rate of growth remained solid, but slipped further from November's peak. Employment continued to rise solidly but firms faced sharp upward pressure on input costs during the month, linked to the weaker lira exchange rate. Output prices rose substantially as a result.

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 sixth month in succession in January, pointing to a sustained overall improvement in business conditions at Turkish goods producers. The PMI fell further from November's 32-month peak of 55.0, to 52.7. That signalled the slowest expansion since August, but the latest figure was nonetheless above the survey's long-run average.

Central to the overall improvement was a further increase in new orders. The rate of growth slowed further from November's marked pace, but remained robust nonetheless and strong in the context of historic survey data. Domestic demand drove the overall increase in new work, as new export orders rose only fractionally during January.

Output followed a similar trend to new business, registering slower growth for the second month running but a solid increase nonetheless. Production also rose sharply enough to result in a fall in backlogs of work for the first time in three months. Firms also maintained a preference for lean inventories, as stocks of finished goods declined for the twelfth successive month.

The Turkish manufacturing workforce expanded in January, as it has every month since June 2009. Moreover, the rate of job creation remained above the long-run survey average.

January data signalled a marked acceleration in cost pressures at Turkish goods producers. The rate of input price inflation was the fastest since March 2011, and the extent of the pick-up since December was the second-greatest over the survey history. Firms directly linked higher raw material costs to the weaker lira exchange rate. The volume of inputs purchased rose in line with output and new orders, but the rate of expansion slowed to a five-month low and the level of input stocks declined. Meanwhile, output prices charged for final goods rose at the fastest rate since February 2011, as firms passed on higher input prices to customers.

### Comment

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

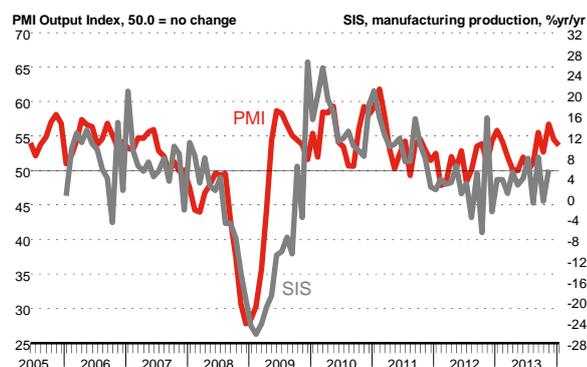
*"Manufacturing conditions in Turkey improved in January, but at a slower pace compared to the previous month. Output, new orders and new export orders were all in expansion territory, but all three indexes moderated from their December levels. After two months of rising backlogs, businesses reported a fall in the level of outstanding business in January. Firms also slowed their purchases of raw materials. Both the input and the output price indexes saw their second-largest increase on record, as sharp lira depreciation pushed up raw material prices, and firms passed on their rising costs to output prices."*

*"The first PMI reading of the new year points to two trends: 1) output growth is showing signs of a slowdown, and 2) producers are reflecting cost-side price pressures onto output prices. With regards to the production outlook, rising loan rates and a weaker lira are likely to slow domestic demand, while foreign demand is likely to be more resilient in 2014. With regards to the inflationary outlook, cost-side pressures are likely to persist until the lira stabilises."*

### Key points

- Growth rates for output, new orders and purchasing all ease further
- Marked acceleration in inflationary pressures, linked to exchange rates
- Employment continues to rise at solid pace

### Historical Overview



Sources: Markit, HSBC, Ecwin.

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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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