

# HSBC Turkey Manufacturing PMI™

## Turkish manufacturing downturn continues in July

### Summary

Turkey's manufacturing sector remained in a downturn at the start of the third quarter, according to the latest PMI™ survey data from HSBC. Incoming new work declined at the fastest rate in nearly three years, resulting in further cuts to output, purchasing and backlogs. Firms continued to raise employment, but the rate of job creation remained weak. The latest survey findings pointed to a further weakening of inflationary pressures, with both input and output prices rising more slowly.

The headline HSBC Turkey Manufacturing PMI is a composite single-figure indicator of manufacturing performance. The PMI remained in negative territory in July, indicating a further deterioration in the overall business climate. Moreover, the headline figure fell further from 48.8 to 48.5, the lowest since April 2009.

New orders received by Turkish manufacturers fell for the third month running in July. That was the longest sequence of deterioration in over five years, and the rate of decline in the latest period was the fastest since August 2011. This was despite a slower fall in the volume of new export orders during the month.

Goods production in Turkey declined for the second month in a row in July, following a 12-month period of growth. The rate of contraction in output was little-changed from June's moderate pace.

The survey highlighted an ongoing lack of pressure on manufacturing capacity in Turkey at the start of the second half of the year. Backlogs declined for the fifth month running, and at the fastest rate since August 2013.

With new business declining, goods producers cut purchasing volumes for the second month running. The rate of contraction was unchanged from June, and contributed to the fastest drop in input inventories since December 2012.

The main positive from the latest survey findings was a further rise in manufacturing employment, continuing the sequence that started in June 2009. That said, the rate of job creation was little-changed from the weak rates posted in May and June.

Inflationary pressures in the Turkish manufacturing sector continued to subside in July. The rate of input price inflation moderated for the sixth consecutive month since hitting a 34-month record at the start of the year, to the weakest since May 2013. Similarly, output price inflation slowed for the fifth time in six months, to a marginal pace.

### Comment

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

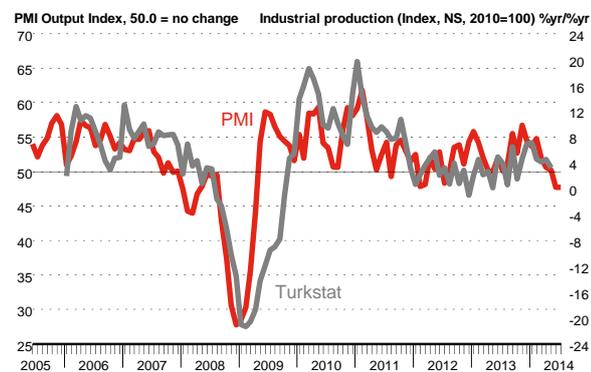
*"July PMI reading points to continued weakness in the manufacturing sector. New orders have been falling for three months now, and new export orders for two. Backlogs of work and quantity of purchases were also below the 50.0 threshold, while the forward-looking new orders minus inventories measure retreated to its lowest level since March 2012."*

*"Official data shows that seasonally adjusted month-over-month growth in the manufacturing sector was close to flat in Q1, and fell by 0.3% in the April-May period. We expect output growth to slow in June and in Q3, then pick up slightly in Q4. As a result of the CBRT's recent policy easing, there are early signs that domestic demand growth is accelerating. Credit growth has strengthened, and import growth in Q2 was stronger when compared to Q1."*

### Key points

- PMI hits 63-month low as new orders decline at faster rate
- Inflationary pressures ease further
- Employment growth sustained, but at weak rate

### Historical Overview



Sources: HSBC, Markit, Turkstat.

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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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*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](http://www.markit.com/economics)

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