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HSBC Taiwan Manufacturing PMI™

November PMI signalled growth of Taiwanese manufacturing sector for the first time in four months.

Key findings:

- New order volumes expanded modestly.
- Staffing levels rose as manufacturers looked to boost production capacity.
- Input and output prices increased at some of the fastest rates in their respective series history.

November survey data, compiled by Markit for HSBC, signalled an improvement in business conditions within the Taiwanese manufacturing sector. A rise in incoming new business drove the overall strengthening in the sector during the month. Meanwhile, headcounts continued to increase, and at a stronger pace than in the previous month. However, inflationary pressure continued to build, with a steep rise in input costs leading to a solid increase in charges.

The headline figure derived from the survey is the HSBC Taiwan Purchasing Managers' Index™ (PMI™) – a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions while readings below 50.0 signal deterioration. The PMI posted 51.7 in November, rising from October's reading of 48.6. The latest reading signalled a strengthening of the manufacturing sector in Taiwan, but the pace of expansion remained below the long-run series average.

November data indicated that incoming new business increased in November, and for the first time in five months. New orders received from overseas markets also expanded during the month, with panellists commenting that ongoing improvements in global economic conditions had boosted demand, particularly in Europe. Nonetheless, growth of both new export orders and overall new business remained weak in the context of historical data.

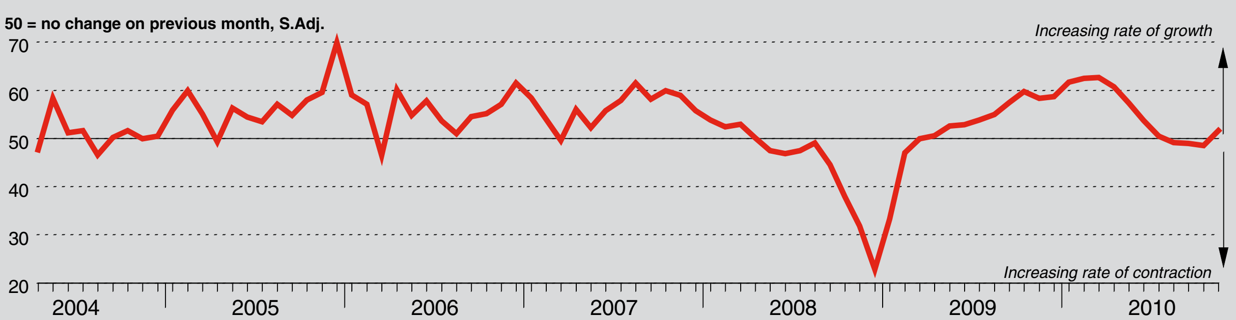
Output increased marginally in November, reflective of the rise in workloads. However, an increase in outstanding business indicated that production capacity had been constrained. Whilst the rise in new orders contributed to this, some panellists also noted that certain materials were in short supply, which delayed production. Stocks of finished goods decreased for a second successive month in November, albeit at only a modest.

Manufacturers in Taiwan reported a rise in staffing levels during the month. Anecdotal evidence suggested that those companies adding to headcounts were aiming to increase production capacity. Nonetheless, the latest rise in employment was marginally weaker than the long-run average for the series.

Suppliers' delivery times were reported to have lengthened again during November. Panellists commented that the short supply of some materials had lead to the increase in lead times. Purchasing activity continued to fall, but at the slowest rate in four months. Pre-production inventories declined negligibly during the month.

November data signalled a considerable rise in input prices faced by manufacturers in Taiwan. Higher raw material prices, the short supply of certain items, and unfavourable exchange rate fluctuations all contributed to the latest increase in costs. Input cost inflation has been recorded for eighteen consecutive months, with the latest increase one of the strongest in the series history. Output prices also rose, reflective of the increase in costs. The rise in charges was notably sharp in the context of historical data, but was prevented from increasing further due to strong competition for new business.

HSBC Taiwan Purchasing Managers' Index (PMI™)



The HSBC Taiwan Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index.

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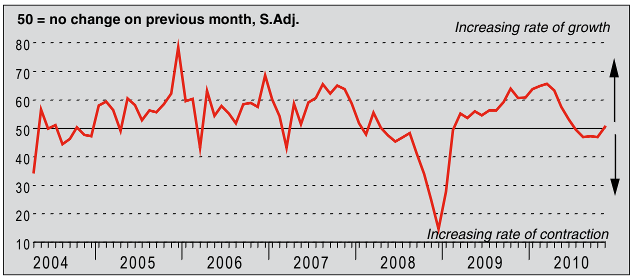
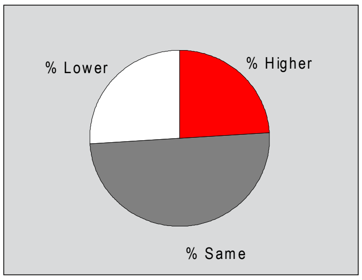
Output Index

Q. Please compare your production/output this month with the situation one month ago.

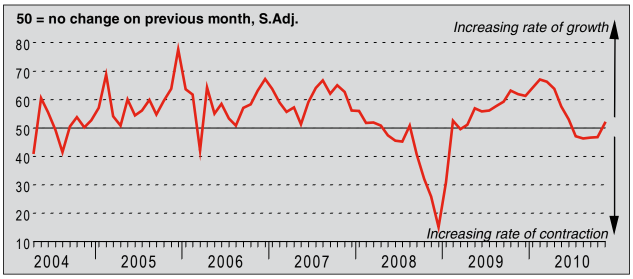


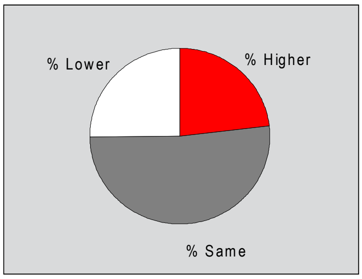


After accounting for seasonal factors, output in the Taiwanese manufacturing sector increased marginally during November. Approximately 24% of panellists indicated that output had expanded compared to the previous month, and attributed this to a rise in incoming new business. November's increase in production ended a four-month period of contraction. Nonetheless, the pace of output growth was weak in the context of historical data.

New Orders Index

Q. Please compare the level of new orders received (Taiwan and export) this month with the situation one month ago.

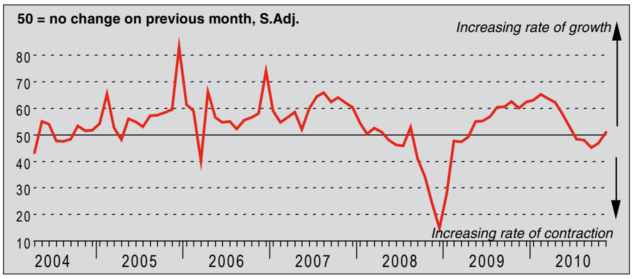


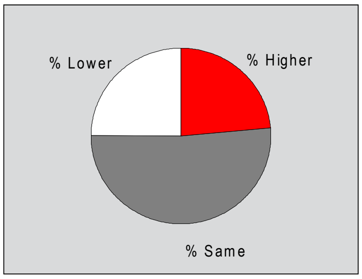


November data signalled a modest rise in new orders received by manufacturers in Taiwan. Anecdotal evidence suggested that general improvements in economic conditions had boosted demand. Some panellists commented that the automobile market had strengthened in November. The increase in incoming new business ended a four-month sequence of falling new order volumes. However, the rate of growth remained slower than the long-run series average.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

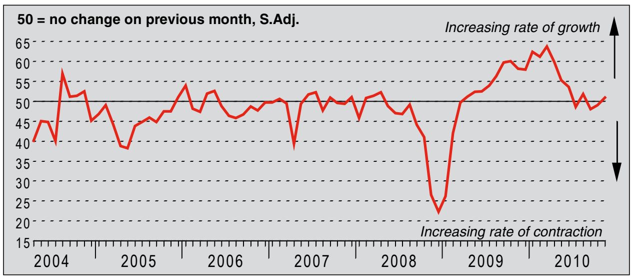


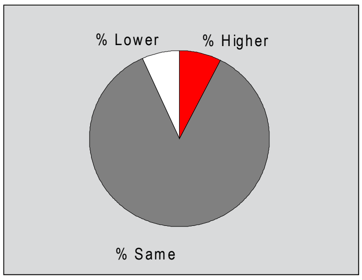


Manufacturers in Taiwan reported a marginal rise in new business received from export markets during November. Panellists commented that a further improvement in global economic conditions had boosted demand from overseas, leading to the first rise in new export orders in five months. An increase in new orders received from Europe was particularly noted. However, November's rise in new export business was weak in the context of historical data, with approximately one-quarter of respondents indicating that export orders had fallen during the month.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

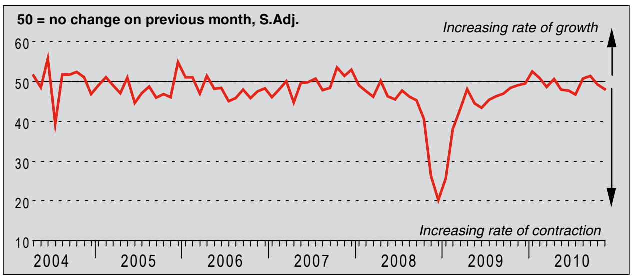


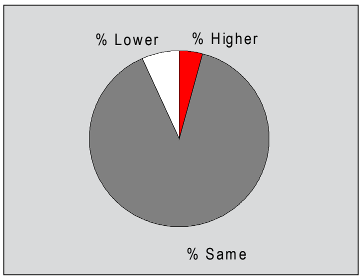


Backlogs of work at manufacturers in Taiwan increased during November. This was the first rise in outstanding business recorded in three months, and signalled that the increase in incoming new business had put pressure on operating capacity. Some panellists also commented that the short supply of some materials had delayed production. However, reflective of the marginal rise in backlogs, the majority of respondents (approximately 86%) noted that outstanding business was unchanged during the month.

Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.

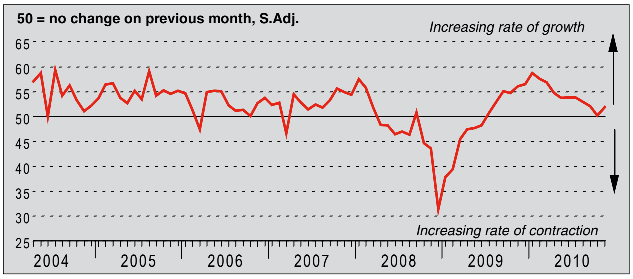


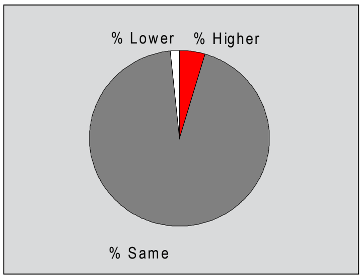


Manufacturers in Taiwan reported a reduction in finished goods stocks during November. This was the second successive month where post-production inventories declined, with the latest decrease sharper than in the previous survey period. Nonetheless, the fall in finished goods stocks remained only modest (and weaker than the long-run series average), with the majority of panellists (approximately 89%) indicating that stock levels were unchanged in the month.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

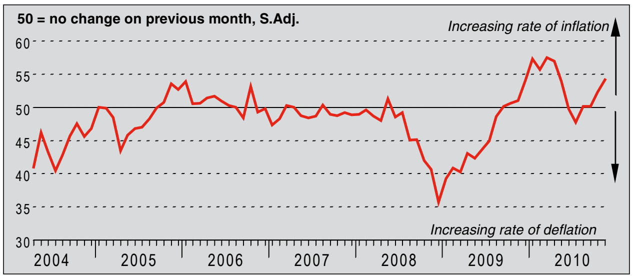


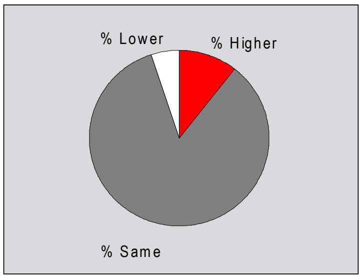


November data signalled a modest rise in employment within the Taiwanese manufacturing sector. Moreover, the rate at which staffing levels grew was faster than in the previous survey period, when headcounts rose only fractionally. Anecdotal evidence suggested that where a rise in employment was indicated, this reflected higher new order volumes and the need to expand production capacity.

Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.

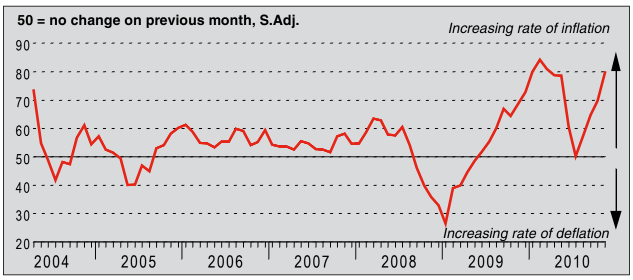


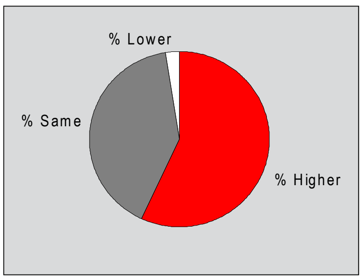


Manufacturers in Taiwan reported a solid rise in output prices during November. The latest increase in charges was the strongest in the current four-month period of inflation, and notably sharp in the context of historical data. Panellists commented that a steep rise in input costs during the month had led to the latest rise in charges. Nonetheless, the extent of the increase in output prices was limited by strong competition for new business.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.

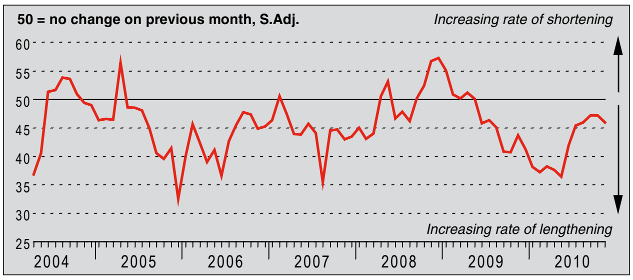


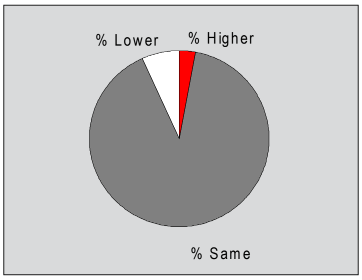


Input prices faced by manufacturers in Taiwan increased considerably during November. Moreover, the latest increase was markedly above the long-run series average, with only three previous months in the series history indicating a sharper rise in input prices. Exactly 57% of panellists reported that input costs had increased during the month, commenting that higher raw material prices had contributed to the latest increase. The short supply of some materials and fluctuations in the Yen exchange rate were also cited as drivers of inflation.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

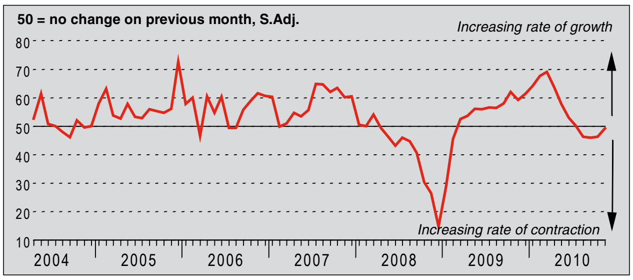


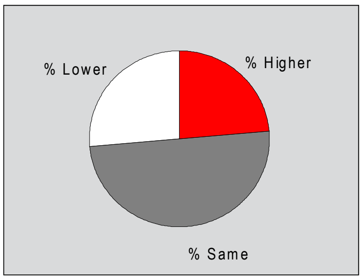


Manufacturers in Taiwan indicated that suppliers' delivery times had lengthened during November. The extent to which vendor performance deteriorated was the sharpest in three months, but remained marginally weaker than the long-run series average. Anecdotal evidence suggested that shortages of materials at suppliers had led to the increase in lead times during the month.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

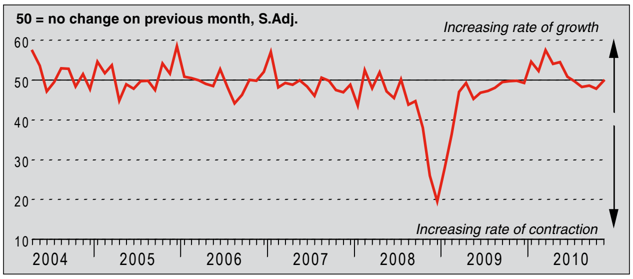


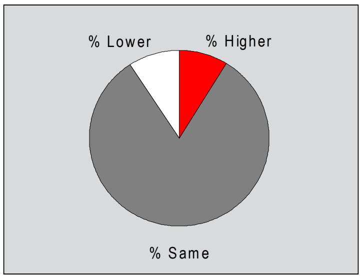


Purchasing activity at manufacturers in Taiwan fell marginally during November. Panellists commented that input buying had decreased due to the implementation of stock reduction initiatives amid recent reductions in new business. This was the fourth successive month where a decline in purchasing activity had been reported, although the latest contraction was the weakest in that sequence. Manufacturers noting a rise in input buying suggested that this reflected renewed growth of new work.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





The seasonally adjusted Stocks of Purchases Index posted fractionally below the 50.0 no-change threshold in November, signalling a negligible reduction in pre-production inventories at manufacturers in Taiwan. Where a decrease in stocks of purchases was indicated, this was predominately attributed to initiatives to control inventory levels. However, this was largely offset by other manufacturers that were aiming to increase stocks due to the rise in new business during the month.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 300 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on regional and industry contribution to Taiwanese Industrial Production. 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

Data collected prior to May 2009 are based exclusively on survey responses from companies operating in the electronics sector.

Warning