

## HSBC Taiwan Manufacturing PMI™

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

### Summary

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 – 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.

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. Purchasing activity continued to fall, but at the slowest rate in four months.

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.

### Comment

Commenting on the Taiwan Manufacturing PMI survey, Donna Kwok, Economist at HSBC in Asia said:

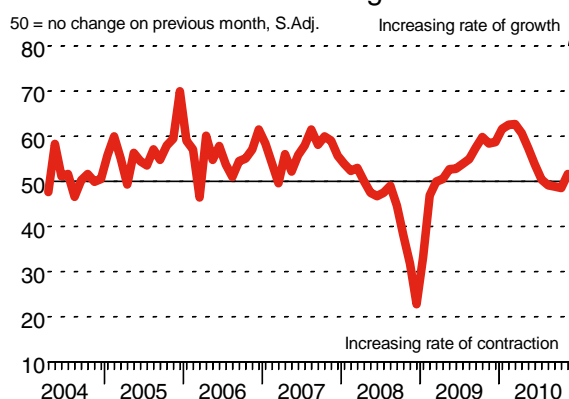
*"November's PMI result lays to rest fears that the rebound in the performance of Taiwan's manufacturing sector post the global financial crisis is about to plummet back into deep negative territory. Manufacturing is finding its feet again after a prolonged summer lull in Western demand. Although the outlook's far from clear, the interim support this lends the island's labour market recovery will be critical for keeping its domestic demand recovery on track."*

### Key points

- 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.

### Historical Overview

#### HSBC Taiwan Manufacturing PMI



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### Notes to Editors:

The HSBC Taiwan Report on Manufacturing 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: 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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