

HSBC Taiwan Manufacturing PMI™

Growth of Taiwanese manufacturing sector strongest since May

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. PMI readings above 50.0 signal an improvement in business conditions while readings below 50.0 indicate deterioration. The PMI posted 54.7 in December, a solid increase on November's 51.7. The latest reading signalled an improvement in business conditions that was stronger than the long-run series average.

Incoming new business received by manufacturers in Taiwan increased for a second successive month in December. Moreover, the latest expansion in new work intakes was marked, and the strongest since May. New orders received from overseas markets also rose during the month. Panellists commented that demand from Europe was a principal source of export growth.

December data signalled a marked rise in output, reflective of the expansion in overall new business. However, backlogs of work at manufacturers in Taiwan increased and the rate of accumulation was notably sharp in the context of historical data. This indicated that output growth was not sufficient to meet the rise in new work intakes. Some panellists noted that shortages of certain materials had led to delays in production.

Employment in the Taiwanese manufacturing sector rose for an eighteenth month running in December. Sustained rises in output and new orders drove the increase in staffing levels, which was the strongest since August.

Manufacturers in Taiwan reported a rise in purchasing activity during December, ending a four-month sequence of reduction. The increase in input buying reflected higher production requirements, and was above the long-run series average. In line with the rise in purchasing activity, suppliers' delivery times lengthened during the month. The deterioration in vendor performance was compounded by shortages of certain materials.

Input costs faced by manufacturers in Taiwan increased at their sharpest rate in nine months. Moreover, December's input price inflation was steep in the context of historical data. Output prices rose at their strongest pace since April 2010.

Comment

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

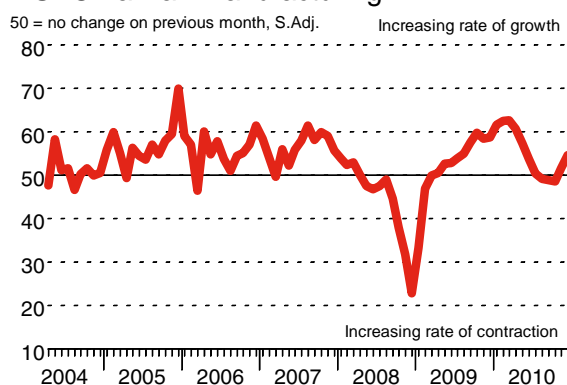
"Taiwan's manufacturers are tightening their grip on recovery as European and US demand continue to hold up since reawakening from their summer lull. More importantly, the subsequent creation of new jobs is translating into stronger local demand, as evidenced by the latter's rising contribution to new orders. The longer this trend continues, the more likely Taiwan's internal growth drivers will be able to rotate into fuller play, so lessening the island's exposure to the global tech cycle."

Key points

- Strong increase in new orders supported marked expansion in output.
- Employment continued to increase, extending growth period to a year-and-a-half.
- Output price inflation fastest in eight months.

Historical Overview

HSBC Taiwan Manufacturing PMI



For further information, please contact:

HSBC

Hongbin Qu

HSBC Global Research Managing Director and Chief Economist Greater China

Telephone +852 2822 2025

Email hongbinqu@hsbc.com.hk

Donna Kwok, Greater China Economist

Telephone +852-2996-6621

E-mail: donnaahkwok@hsbc.com.hk

Corporate Communications :

Zoe Hsu, Group Communications Taiwan

Telephone +886-2-2725-7752

E-mail: zoewchsu@hsbc.com.tw

Markit

Sarah Ledger, Economist

Telephone +44-1491-461-050

Email sarah.ledger@markit.com

Caroline Lumley, Corporate Communications

Telephone +44-20-7260-2047

Email caroline.lumley@markit.com

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.

The Hongkong and Shanghai Banking Corporation Limited:

The Hongkong and Shanghai Banking Corporation Limited is the founding and a principal member of the HSBC Group which, with over 8,000 offices in 87 countries and territories and assets of US\$2,418 billion at 30 June 2010, is one of the world's largest banking and financial services organizations.

About Markit:

Markit is a leading, global financial information services company with over 1,900 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become 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.

The intellectual property rights to the HSBC Taiwan Manufacturing PMI provided herein is owned by Markit Group. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.