

HSBC Taiwan Manufacturing PMI™

Growth of Taiwanese manufacturing sector eased markedly in February. Price pressures intensified

Summary

The HSBC Taiwan PMI™ – a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector – posted 55.8 in February, down from 59.8 in January. Nonetheless, this signalled growth for a fourth successive month, with the latest increase above the long-run series average.

Manufacturers in Taiwan reported a marked rise in incoming new business received during February, with expansion now recorded in each month since November 2010. The extent to which new orders increased slowed sharply since January, but was the second-strongest in nine months. New export order growth also eased, with the latest rise in new export business slower than the historical average.

February's increase in output was the weakest in three months. However, backlogs of work continued to accumulate, and at a marked rate as pressure on operating capacity remained.

Stocks of finished goods held at manufacturers in Taiwan increased slightly during February. However, the vast majority of panellists (approximately 90%) indicated that post-production inventories were unchanged since January.

Reflective of sustained growth in workloads and a further accumulation of outstanding business, employment in the Taiwan manufacturing sector increased for a twentieth consecutive month. Moreover, the rate of job creation was the fastest since January 2010.

February data signalled a solid rise of purchasing activity at manufacturers in Taiwan. The latest increase in input buying slowed in line with weaker output growth. However, suppliers' delivery times lengthened again, due to the rise in purchasing activity and shortages of stocks at vendors.

Input costs faced by Taiwanese manufacturers increased considerably during February, with the rate of input price inflation the fastest since data collection began in April 2004. Higher raw material prices were cited as the main driver of costs. Subsequently, manufacturers increased their charges substantially, with the respective index also posting its highest level in the series history.

Comment

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

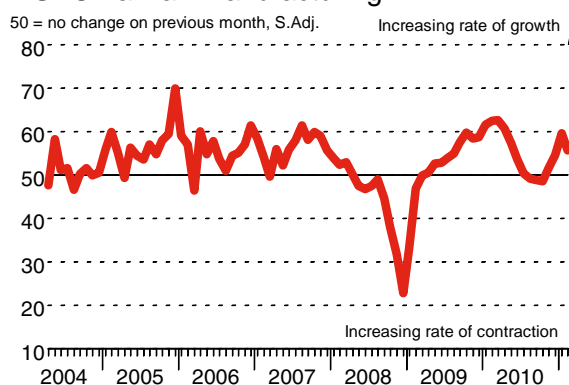
"Taiwan's export growth moderated noticeably, but remains solid. Escalating input cost pressures are starting to pass through to consumers, which we'll continue to monitor closely when assessing the need for the central bank to step up its steady pace of monetary normalization."

Key points

- Rise in new export orders weakest in three months.
- Employment continued to increase, and at the fastest pace since January 2010.
- Input and output prices rose at fastest rates in seven years of data collection.

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.

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