

## HSBC Taiwan Manufacturing PMI™

Rate of month-on-month decrease in Taiwanese manufacturing sector output remains sharp

### Summary

The HSBC Taiwan *PMI*™ – a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector – posted 44.5 in September, down from 45.2 in August. This was the fourth successive month where PMI data have signalled worsening business conditions, with the latest reading the lowest since January 2009.

New order volumes contracted for the third month running in September, with the latest decline the sharpest in that period. Panellists commented that both domestic and overseas demand had weakened during the month. Underpinning this, new export business was reported to have decreased. While the decline was slightly slower than in August, it remained marked. Anecdotal evidence suggested that waning global economic conditions had contributed to the fall in new export business. New orders from Europe were particularly mentioned as having declined.

Production also fell at a sharp rate in September, reflective of lower new order volumes. Despite this, backlogs of work were notably depleted, indicating that spare operating capacity persisted in the sector. While the decrease in new business contributed to the reduction in outstanding business, this was compounded by initiatives to decrease stocks of finished goods amid the weaker demand environment.

September data signalled an increase in employment in the Taiwanese manufacturing sector, despite sustained declines in output and work-in-hand. Nonetheless, the rise was marginal, with the vast majority of respondents indicating no change in staffing levels.

Reflective of lower production requirements, purchasing activity at manufacturers in Taiwan decreased markedly during September. The reduction in demand for inputs eased capacity pressures and increased inventory levels at suppliers. Subsequently, delivery times shortened in September. Stocks of purchases were depleted as companies looked to reduce holdings of pre-production goods.

Input price inflation eased during September, with the latest rise in costs below the long-run trend. Prices charged fell for a third consecutive month. Anecdotal evidence suggested that strong competition for new business and a weaker rise in costs contributed to the decrease in output prices.

### Comment

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

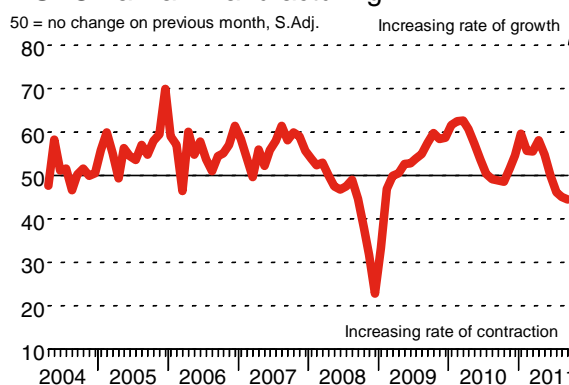
*"Taiwan's growth outlook looks increasingly challenging as external demand softens, but the labour market recovery has yet to be derailed. With inflationary pressures still under control, we now expect the central bank to pause its monetary normalization mission until the global trade cycle settles in mid-2012."*

### Key points

- Further reduction in new business is primary contributor to lower production
- Manufacturers continue to decrease holdings of pre- and post-production goods
- Input price inflation moderates, but charges fall again

### 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 donnahjkwok@hsbc.com.hk

Corporate Communications :

Jamie T Y Chen, Group Communications Taiwan

Telephone +886-2-2725-7733

E-mail jamietychen@hsbc.com.tw

Amber Chung, Group Communications Taiwan

Telephone +886-2-2725-7752

E-mail ambertchung@hsbc.com.tw

**Markit**

Sarah Bingham, Economist

Telephone +44-1491-461-050

Email sarah.bingham@markit.com

Caroline Lumley, Corporate Communications

Telephone +44-20-7260-2047 / +44-781-581-2162

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 industry contribution to Taiwanese 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.

**HSBC:**

Headquartered in London, HSBC is one of the world's largest banking and financial services organisations and one of the industry's most valuable brands. We provide a comprehensive range of financial services to around 89 million customers through two customer groups, Retail Banking and Wealth Management (formerly Personal Financial Services) and Commercial Banking, and two global businesses, Global Banking and Markets and Global Private Banking.

Our international network covers 87 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 129 countries and territories.

**About Markit:**

Markit is a leading, global financial information services company with over 2,200 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](http://www.markit.com).

**About PMIs:**

*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).

**The intellectual property rights to the HSBC Taiwan Manufacturing PMI provided herein is owned by Markit Economics Limited. 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. *Purchasing Managers' Index™ and PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.**