

## HSBC Taiwan Manufacturing PMI™

Sharpest contraction in Taiwanese manufacturing sector output in 33 months

### Summary

The HSBC Taiwan *PMI*™ – a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector – posted 43.7 in October, down from 44.5 in September. The latest reading pointed to a worsening in business conditions that was the sharpest since January 2009.

New business received by manufacturers in Taiwan decreased substantially during October. This was primarily driven by a reduction in demand, both domestically and overseas, due to weakening global economic conditions. Overall new order volumes have now fallen in each of the last five months, although the latest decrease was the strongest in that period.

Output reduced markedly, in line with the decline in new work intakes. Nonetheless, backlogs of work at manufacturers in Taiwan fell for a fifth consecutive month. This indicated that spare operating capacity in the sector persisted. The rate of depletion remained marked, and was broadly unchanged since September. Stocks of finished goods decreased for a fourth month running in October. Panellists commented that they had utilised existing inventories as part of initiatives to control stocks.

October data signalled a flat level of employment since September. The vast majority of respondents noted that staffing levels were unchanged, with anecdotal evidence suggesting that recruitment plans had been dampened by the current softness in demand.

Purchasing activity fell sharply during October, reflective of lower production requirements. Despite the decline in input buying, suppliers' delivery times lengthened, albeit at a marginal rate. Manufacturers continued efforts to reduce stocks of purchases, with inventories decreasing for a fourth successive month.

Input costs faced by manufacturers in Taiwan decreased in October for the first time in three months. Panellists commented that the reduction in suppliers' tariffs reflected lower demand for inputs. Prices charged by Taiwanese manufacturers fell for a fourth successive month, with the rate of deflation the sharpest since July 2009. Lower costs and strong competition for new business drove the decrease in output prices.

### Comment

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

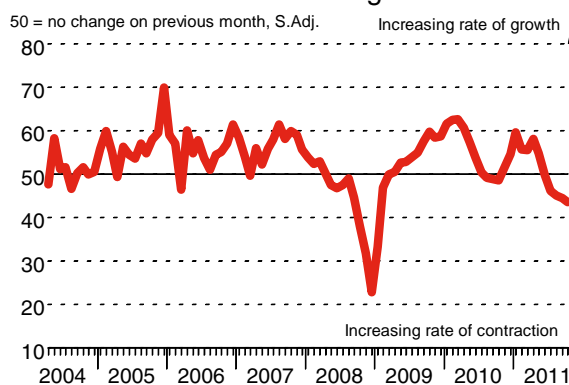
*"The impact of softening Western demand is becoming more evident as output continues to cool. That said, with employment holding up better than the last downturn of 2008-2009, and with China's manufacturing activity now stabilizing, Taiwan should be able to lean a bit more heavily on Mainland demand as it fends off the impact of US and European deleverage going forwards."*

### Key points

- Lower new orders from both export and domestic markets lead to fall in production
- Holdings of pre- and post-production inventories continue to decrease
- Both input and output prices reduce

### 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.**