HSBC Purchasing Managers' Index™ Press Release

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HSBC Taiwan Manufacturing PMI™

Deterioration of Taiwanese manufacturing sector operating conditions eases to marginal rate

Summary

The HSBC Taiwan PMI^{TM} – a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector – posted 48.9 in January, up from 47.1 in December. The latest reading pointed to an eighth successive month of worsening business conditions. However, the rate of deterioration eased for the third survey period running, and was only marginal.

Manufacturers in Taiwan reported a further decline in new business received during January, attributing this to weaker demand, both at home and overseas. However, the rate of reduction slowed to the weakest since June 2011. Similarly, the fall in new export orders also eased, with the latest decrease the weakest in the current seven-month period of contraction.

In line with the slower reduction in overall new work intakes, the rate at which output declined also eased. Levels of outstanding business were broadly unchanged in January, pointing to stabilisation in backlogs after seven months of depletion. Stocks of finished goods continued to fall, but at only a moderate pace that was the weakest since August 2011.

January data signalled a broadly flat level of employment in the Taiwanese manufacturing sector. Attempts to increase production capacity at some companies were offset by non-replacement of leavers at others, leading to the overall stagnation in staffing levels. The vast majority of respondents noted no change in employment since December.

Purchasing activity continued to fall in January. However, reflective of weaker contractions in output and new business, the rate of decline slowed. Suppliers' delivery times lengthened again, and at a sharper pace than in December. Stocks of purchases decreased for the seventh consecutive month.

Taiwanese manufacturers reported a slight decrease in input costs during the latest survey period. Input prices fell for a fourth successive month, but to the weakest extent in this sequence. Reduced demand for raw materials, and the subsequent fall in their costs, was cited as the main contributor to input price deflation. Output prices were also lower than in the previous survey period. Panellists commented that the moderate reduction in charges reflected the need to stimulate demand.

Comment

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

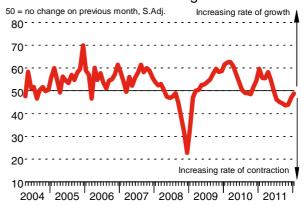
"Taiwan's manufacturers are still struggling, but the deterioration of operational conditions they face is stabilizing. Slower inventory de-stocking and reports of tentative capacity expansion plans suggest that a small boost for production could be around the corner. However, until one-off distortions created by Chinese New Year celebrations (which are near impossible to completely eliminate) and the floods in Thailand fade, it's still too early to declare Taiwan immune from faltering European demand."

Key points

- Slower contractions of both output and new orders
- Recent trend of depleting backlogs eases to broad stabilisation
- Both input costs and output prices fall again in January

Historical Overview

HSBC Taiwan Manufacturing PMI



Sources: Markit, HSBC.





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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 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' IndexTM (PMITM)* 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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