

HSBC Taiwan Manufacturing PMI™

Taiwanese manufacturing sector operating conditions improve for first time since May 2011

Summary

The HSBC Taiwan PMI™ – a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector – posted 52.7 in February, up from 48.9 in January, and signalled modest growth of the sector. Furthermore, the expansion ended an eight-month period of deteriorating operating conditions.

Manufacturers in Taiwan reported a rise in new business during February, the first such increase since May 2011. Increasing almost seven points, the seasonally adjusted New Orders Index pointed to solid growth of new work intakes. Similarly, an expansion of new export business was also registered. Panellists commented that increased demand, both at home and overseas, had contributed to the rise in overall new orders. Export markets particularly noted to have shown an improvement were China, Europe and the US.

Reflective of higher new orders, output rose solidly during February. However, backlogs of work increased, suggesting that previously apparent spare capacity had largely been utilised. Manufacturers in Taiwan reported an accumulation of stocks of finished goods. This was attributed to both the rise in production, and also, in some cases, to fewer shipments to clients.

February data signalled an increase in employment in the Taiwanese manufacturing sector. Anecdotal evidence suggested that this was in line with higher output requirements. However, the rate of job creation was only modest, with the vast majority of respondents noting no change in staffing levels since January.

Purchasing activity rose in February, reflecting growth of both production and new business. Despite this, suppliers' delivery times were broadly unchanged since February. This followed deteriorations in vendor performance in the previous four survey periods. A modest increase in stocks of purchases was indicated.

Taiwanese manufacturers reported a rise in input costs during February, citing higher raw material prices as the main driver of inflation. While the increase in costs was solid, it was below the long-run series trend. Output prices also rose, as manufacturers aimed to pass on higher costs to clients. However, the rate of charge inflation was only marginal, with customers retaining a degree of negotiating power.

Comment

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

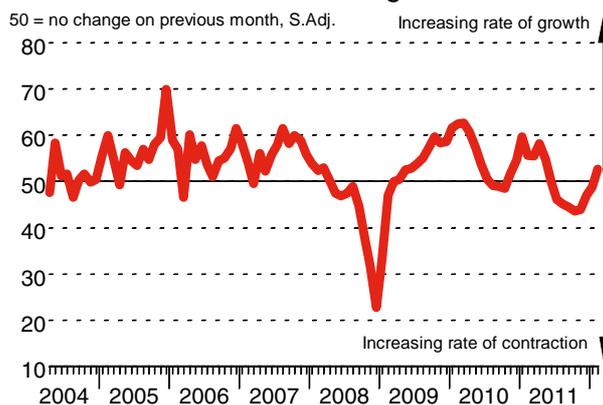
"Manufacturers returned from the Lunar New Year holidays with a spring in their step, more than making up for their inactivity a month earlier. February's production and employment rebound was underpinned by stabilizing demand both at home and abroad, and, restocking activity. Taiwan is fending off faltering European demand better than expected, but with one-off distortions created by Chinese New Year celebrations lingering and the US and China's recovery still fragile, risks to growth remain tilted to the downside."

Key points

- Improving demand boosts new business and output
- Employment increases as previous spare capacity abates
- Both input costs and output prices rise

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' 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:

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