HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 10:00 (Taipei), 2 April 2012

compiled by markit

HSBC Taiwan Manufacturing PMI™

Improvement of Taiwanese manufacturing sector operating conditions gains pace in March

Summary

The HSBC Taiwan Manufacturing PMI™ – a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector – posted 54.1 in March, up from 52.7 in February, and signalled the second consecutive month of improving business conditions. Furthermore, the rate of growth strengthened, and was above the long-run trend.

A marked rise in new business was reported by manufacturers in Taiwan during March. The expansion, which was the second in as many months, was the fastest since April 2011. Panellists commented that increased demand, both at home and overseas, had led to the rise in new orders. Growth of new work intakes from export markets was also stronger than in the previous survey period.

Despite a marked rise in output, backlogs of work were reported to have increased during March. Moreover, the rate of accumulation was one of the strongest in the series history. Anecdotal evidence suggested that the latest expansion in new orders had increased pressure on production capacity. Stocks of finished goods also rose at a solid rate. Higher output, attempts to boost stocks and, in some cases, delayed shipments, were cited as the main contributors to the accumulation.

March data signalled a rise in employment in the Taiwanese manufacturing sector. However, the rate of job creation was only marginal. Where an increase in staffing levels was reported, this largely reflected the need to boost production capacity.

In line with the rise in new orders and higher output, purchasing activity increased markedly during March. Subsequently, suppliers' delivery times lengthened for a sixth month running, with panellists commenting that this reflected staff and stock shortages at vendors. Manufacturers' inventories of purchases increased to meet the rise in production.

Input prices faced by manufacturers in Taiwan increased markedly during March. Higher raw material and petrol costs were cited as the main drivers of inflation. The latest rise in input prices was the fastest in seven months, but remained below the historical average. A slight increase in output prices was reported, as manufacturers aimed to pass on higher costs to clients. However, strong competition for new business prevented a sharper increase.

Comment

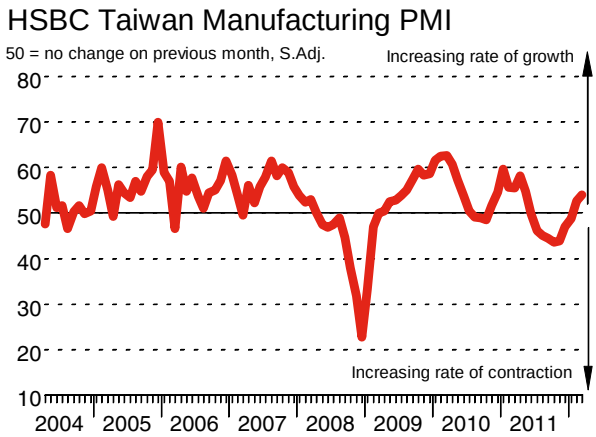
Commenting on the Taiwan Manufacturing PMI™ survey, Donna Kwok, Economist at HSBC in Asia said:

"The global economic outlook has, on balance, taken on a more positive tone compared to a quarter ago. Taiwan's manufacturing stabilization has been driven not only by re-stocking activity in the global electronics cycle, but also by more resilient than expected demand at home. Though downside risks to growth remain, this latest result suggests that Taiwan could emerge out of recession in 1Q12."

Key points

- PMI signals growth of manufacturing output for second successive month
- Further increase in purchasing to meet higher production requirements
- Cost inflationary pressures rise

Historical Overview



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.

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