# **HSBC Purchasing Managers' Index™ Press Release**

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# HSBC Taiwan Manufacturing PMI™

# Operating conditions continue to improve in January

#### **Summary**

The HSBC Taiwan *Purchasing Managers' Index*<sup>TM</sup> (*PMI*<sup>TM</sup>) is a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration. The PMI posted 51.5 in January, up from 50.6 in December and a ten-month high. Operating conditions in the Taiwanese manufacturing sector have now improved for the past two months.

Output in the manufacturing sector increased at a marked pace in January. Moreover, it was the fastest rate of expansion since March 2012. Total new orders increased for the second month in a row in January. The rate of growth was modest, with over 25% of survey respondents recording increased new orders. New export orders also rose, albeit slightly, for the second successive month in January. A number of panellists mentioned increased demand from clients in China, Europe and the US.

The level of outstanding business at manufacturing plants fell for the eighth month in a row. However, the rate of backlog depletion eased from December to only a marginal pace. Stocks of finished goods declined for the seventh successive month in January. A number of panellists suggested the readjustment of stock reflected efforts to reduce operating costs. Employment levels increased in January, though the rate of job creation was only fractional.

Suppliers' delivery times lengthened for the second successive month in January. That said, the rate at which vendor performance deteriorated was only slight, with the majority of panellists reporting unchanged average lead times.

On the price front, input costs rose sharply in January, with over 14% of survey respondents reporting higher average input costs. Anecdotal evidence attributed inflation to rising prices for raw materials. Meanwhile, average tariffs fell for the tenth month in a row in January. However, the rate at which prices were discounted eased from December and was only marginal.

Purchasing activity increased during January and at the fastest rate since May. Moreover, approximately 23% of survey respondents noted increased input buying. The rise in purchasing activity was generally associated with increased new orders. Stocks of purchases decreased for the seventh month in a row, with more than 14% of survey respondents recording a reduction.

#### Comment

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

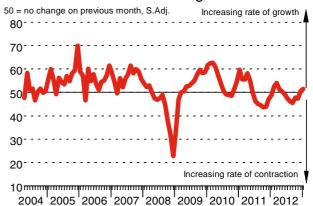
"Taiwan's manufacturing sector continued its delicate recovery into the New Year, with the new orders-minus inventory ratio jumping to a 22-month high. Support for production activities was broad-based this month, with stronger demand not only from Mainland, but also local, US, and European buyers. Output appears strong enough to keep headcount steady for now. With raw material prices back on the rise, we retain our view that the central bank will remain in a neutral to cautious monetary stance in the coming months."

# **Key points**

- Strongest expansion of output since March 2012
- Both new work and new export orders increase
- Solid rise in input costs, while output charges are reduced

## **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<sup>TM</sup> (PMI<sup>TM</sup>)* 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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>) 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

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