HSBC Purchasing Managers' Index™ Press Release

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HSBC Taiwan Manufacturing PMI™

PMI signals modest improvement in operating conditions

Summary

The HSBC Taiwan *Purchasing Managers' Index*TM (*PMI*TM), a composite indicator designed to provide a single-figure snap-shot of the health of the manufacturing sector, posted 51.2 in March, down from 50.2 in February, signalling a modest improvement. Operating conditions in the Taiwanese manufacturing sector have now improved for four consecutive months.

PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

Production at manufacturing plants rose for the fourth month in a row in March. Furthermore, the rate of expansion quickened from February to a solid pace. New orders rose for the fourth successive month in March, with the rate of growth quickening from the previous month to a modest pace. New export orders also increased modestly in March, and growth was generally attributed to strong client demand in China, Europe and the US.

Backlogs of work increased for the first time in ten months in March. That said, the rate of accumulation was slight, with just over 16% of panellists reporting an increased level of work-in-hand. Employment levels, meanwhile, fell fractionally in March, following four months of net job creation. That said, the vast majority of respondents (over 95%) recorded no change to staffing levels.

Average input prices rose for the sixth month in a row in March. The rate of inflation accelerated from February, with a number of firms attributing the rise to higher raw material costs. Output charges, however, decreased in March, extending the current trend to one year. The rate of reduction increased from February and was solid. Anecdotal evidence suggested that tariffs were discounted in an effort to secure sales.

Purchasing activity increased for the fourth successive month. The rate of growth strengthened to a modest pace that was the joint-strongest since May 2012. Higher purchasing activity was attributed to increased new order volumes.

Suppliers' delivery times shortened for the second consecutive month in March. The rate of improvement strengthened from February to a modest pace, with nearly 3% of respondents reporting shorter lead times.

Finally, stocks of purchases fell for the ninth month in a row, albeit at the slowest pace in this sequence.

Comment

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

"Taiwan's manufacturers are back from their Chinese New Year holiday, pushing March's PMI up to a two-month high. New orders from both local and foreign buyers rose for the fourth straight month, pushing output above its long term average. While some of this rebound can be discounted as a post-CNY seasonal distortion, the underlying trend remains one of incremental improvement, underpinning our view that GDP maintained positive growth in the first quarter of this year."

Key points

- Solid expansion in output
- Total new orders and new export orders both increase at faster rates
- Purchasing activity rises modestly on the back of new order growth

Historical Overview

HSBC Taiwan Manufacturing PMI



10 2004 2005 2006 2007 2008 2009 2010 2011 2012

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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