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# HSBC Taiwan Manufacturing PMI™

PMI signals modest improvement in operating conditions

## Key findings:

- 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

Output in the Taiwanese manufacturing sector increased for the fourth successive month in March. The rate of expansion quickened from February and was solid. New orders and new export orders also rose in March, and at modest rates. Employment levels fell fractionally, while volumes of outstanding business increased for the first time in ten months. Average input costs rose at a slightly quicker pace, while output charges were lowered for the twelfth month in a row.

The HSBC Taiwan *Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>)* is a composite indicator designed to provide a single-figure snapshot 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 51.2 in March, up from 50.2 in February, signalling a modest improvement. Operating conditions in the Taiwanese manufacturing sector have now improved for four consecutive months.

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.



The HSBC Taiwan Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

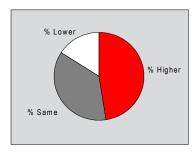




## **Output Index**

Q. Please compare your production/output this month with the situation one month ago.



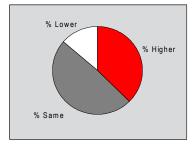


The seasonally adjusted Output Index signalled an increased level of output at manufacturing firms for the fourth successive month in March. The rate of expansion accelerated from February and was solid. Moreover, it was the second-quickest rate of growth recorded in the last year. Some respondents suggested that new order growth boosted output.

#### New Orders Index

Q. Please compare the level of new orders received (Taiwan and export) this month with the situation one month ago.



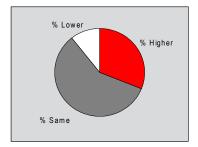


New orders placed at Taiwanese manufacturers rose for the fourth month running in March. After adjusting for seasonality, the rate of growth quickened slightly from February and was modest. A number of panellists linked new order growth to strong client demand in both domestic and international markets.

# New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.



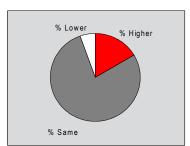


Manufacturers signalled an increased level of new export orders for the fourth consecutive month in March. The seasonally adjusted New Export Orders Index indicated that the rate of growth, though modest, was the quickest in a year. Anecdotal evidence attributed growth to strong client demand, particularly in China, Europe and the US.

# Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



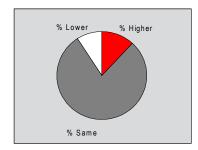


Volumes of outstanding business increased in March, following a nine-month period of backlog depletion. After adjusting for seasonal factors, the rate of accumulation was slight, with just over 16% of respondents recording a higher level of work-in-hand. Some firms suggested that rising order numbers led to the overall rise in business outstanding.

## Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



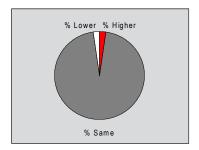


The seasonally adjusted Stocks of Finished Goods Index signalled net stock reduction for the ninth successive month in March. The rate of depletion eased slightly from February and was only marginal. A number of survey respondents reported that increased order volumes led to the depletion of existing stocks.

## Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.





Employment in the Taiwanese manufacturing sector fell in March, following on from a four-month period of job creation. After adjusting for seasonality, the rate of reduction was fractional overall, with just over 2% of panellists reporting job shedding. However, a majority of respondents (over 95%) noted no change to workforce numbers.

# Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



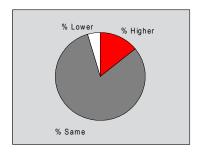


Average tariffs set by manufacturing firms in Taiwan decreased in March, extending the current trend to 12 months. The seasonally adjusted Output Prices Index signalled a modest rate of deflation, with nearly 3% of panellists lowering output charges in the latest survey period. A number of firms had reduced average tariffs in response to requests made by clients for lower prices.

# Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.

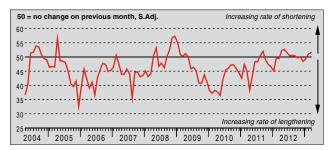


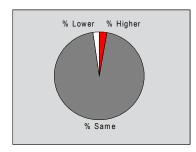


Average input prices increased for the sixth successive month in March. After adjusting for seasonality, the rate of inflation increased from February. More than 14% of panellists recorded higher input prices, compared with nearly 5% that saw a reduction. Anecdotal evidence suggested that increased raw material costs drove inflation overall, with a number of firms reporting higher steel and copper prices.

## Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



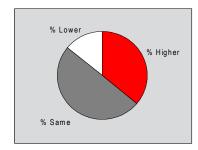


Suppliers' delivery times shortened for the second consecutive month in March. The rate at which times shortened accelerated slightly from February to a modest pace, with nearly 3% of panellists reporting shorter lead times. Moreover, it was the strongest rate of improvement since May last year. Vendor performance improved as a result of requests made by firms for quicker deliveries.

## Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

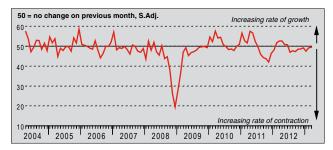




Purchasing activity at Taiwanese manufacturing firms increased for the fourth month in a row in March. After adjusting for seasonal factors, the rate of growth was modest, and the joint-fastest in ten months. Increased input buying was generally associated with new order growth by respondents.

# Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





Stocks of purchases fell for the ninth month in a row in March. The seasonally adjusted Stocks of Purchases Index indicated that the rate of depletion was slight, and broadly unchanged from February. Anecdotal evidence suggested that inventory depletion reflected increased new order volumes as stocks were used in the production process.

### Notes on the Data and Method of Presentation

The Purchasing Managers' Index 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 regional and industry contribution to Taiwanese Industrial Production. 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

Data collected prior to May 2009 are based exclusively on survey responses from companies operating in the electronics sector.

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