

# HSBC Taiwan Manufacturing PMI™

## Sharpest expansion of output since April 2011 in December

### Summary

Taiwanese manufacturers reported the sharpest expansion of output in 32 months in December. Total new orders and new export orders also increased at sharper rates, amid reports of strengthened client demand. As part of efforts to raise productive capacity, firms increased their staffing levels for the seventh successive month in December. Purchasing activity also rose sharply over the month, resulting in a renewed expansion of pre-production stocks.

December's PMI reading of 55.2 was up from 53.4 in November, and signalled the strongest improvement of operating conditions since April 2011.

Production levels at Taiwanese manufacturers increased for the fourth consecutive month in December. Furthermore, the rate of output growth was the sharpest since April 2011. Higher production levels were supported by the strongest expansion of new business since January 2011. Anecdotal evidence suggested that stronger client demand, particularly from overseas, drove new order growth. Furthermore, new work from abroad increased at the strongest pace in 32 months, with a number of panellists citing greater client demand from China, Japan and the US.

Taiwanese manufacturers increased their payroll numbers for the seventh successive in December, amid reports of planned company expansions. Though moderate, the rate of job creation was the slowest since August. Meanwhile, backlogs of work rose for the fourth month running, though the rate of accumulation eased slightly.

Stronger client demand led to a further reduction of stocks of finished goods. However, the rate of depletion eased from November to a marginal pace.

Input buying also increased over the month, and at the strongest rate since April 2011. According to anecdotal evidence, purchasing activity rose in line with greater production requirements. Concurrently, stocks of purchases increased at a moderate pace, following a slight reduction in November.

On the prices front, average input costs faced by Taiwanese manufacturers increased for the fourth successive month in December. Moreover, the rate of input price inflation was the quickest since October 2012. Firms generally chose to absorb higher cost burdens by cutting their output charges for the twenty-first month in a row during December.

### Comment

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

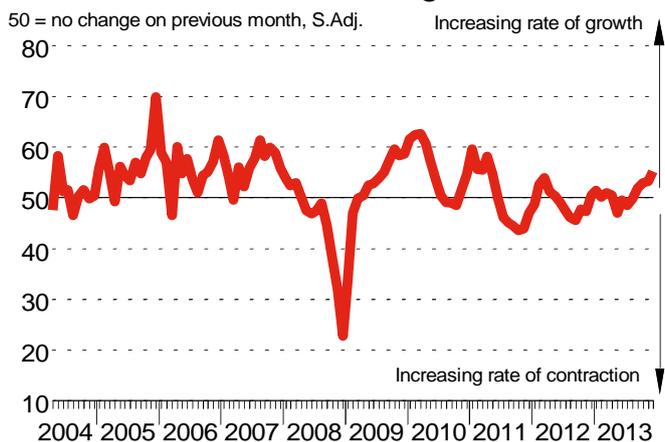
*"Taiwan's manufacturing sector ends 2013 on a positive note. An impressive gain in new orders and output suggest that growth will be sustained in 4Q 2013. With stronger demand being noted in China and continued employment growth, Taiwan is on track for a meaningful gradual export-led recovery. But given the potential external headwinds in 2014, policymakers in Taipei will likely maintain an accommodative stance to support economic activity for now."*

### Key points

- New order growth hits 35-month high
- Payroll numbers increase for the seventh month running
- Sharp increase in purchasing activity

### Historical Overview

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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>™</sup> (*PMI*<sup>™</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 [economics@markit.com](mailto:economics@markit.com).

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