

# HSBC Taiwan Manufacturing PMI™

## PMI slides to four-month low in September

### Summary

Manufacturers in Taiwan signalled a further improvement in overall operating conditions in September. However, the pace of improvement was the slowest since May, suggesting the sector has lost some growth momentum. Output, new orders and new export business all continued to expand over the month, albeit at weaker rates than in August. Consequently, payroll growth eased to a modest pace, while backlogs of work rose at the slowest rate since June. Inflationary pressures in the sector meanwhile eased, with input costs rising at the weakest pace in 13 months.

The HSBC Taiwan *Purchasing Managers' Index*™ (PMI™) posted at 53.3 in September, down from August's 40-month high of 56.1, and signalled a marked improvement in the health of the sector. That said, it was the slowest rate of improvement since May.

Production levels in Taiwan's manufacturing sector continued to increase in September, thereby extending the current sequence of expansion to 13 months. Though solid, the rate of output growth was the weakest in a year. Similarly, total new business also rose at a slower rate in September, having eased from August's 43-month high. Meanwhile, new export business increased at the weakest rate since last November. Higher volumes of new export orders were generally linked by panellists to (albeit slower) increases in client demand in a number of key export markets.

Staffing levels in Taiwan's manufacturing sector rose for the sixteen successive month in September. The rate of payroll expansion was modest overall, having eased further from July's 39-month high. Firms that reported greater workforce numbers generally attributed this to higher production requirements. Meanwhile, capacity pressures persisted, as highlighted by a further rise in backlogs of work. Though solid, the rate of accumulation was the slowest in three months.

Higher volumes of new work led to an increased amount of purchasing activity in September. The rate of growth was solid overall, despite easing to the weakest in six months. However, expectations of further increases in new business volumes led firms to continue stock building, with inventories of both inputs and finished goods rising over the month.

Meanwhile, average input costs rose at a marginal pace that was the slowest in the current 13-month sequence of inflation in September. In contrast, output charges were cut for the eighth successive month, with a number of panellists suggesting that this was due to price negotiations with clients.

### Comment

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

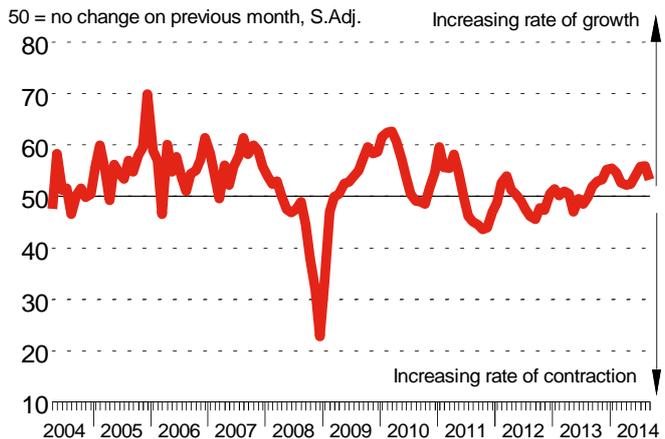
*"The HSBC Taiwan Manufacturing PMI fell back in September slightly, but from a multi-year high. Output and new orders are still growing faster than their respective long-term averages. Output prices were cut for the eighth month in a row however, while input price inflation was the lowest in over a year, suggesting that the recent strong growth is not inflationary. This should give the authorities plenty of room to keep policy accommodative to support growth."*

### Key points

- Output growth eases to 12-month low but remains solid
- Both total new orders and new export orders increase at slower rates
- Moderate expansion of workforce numbers

### 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>™</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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