

HSBC Taiwan Manufacturing PMI™

PMI hits 33-month high as both output and new orders rise sharply

Summary

January saw a further solid improvement of operating conditions in Taiwan's manufacturing sector, with output and new business rising sharply over the month. Higher production requirements led to a similarly sharp expansion of purchasing activity as firms sought to support productive capacity. Employment growth meanwhile was relatively subdued, with firms increasing headcounts modestly. Consequently, the level of work-in-hand (but not yet completed) rose at the quickest pace in three years.

The HSBC Taiwan Purchasing Managers' Index™ (PMI™) posted at 55.5 in January, up slightly from 55.2 in December, and signalled the strongest improvement of business conditions since April 2011.

The overall improvement of operating conditions was largely driven by further expansions of both output and new orders. Furthermore, it was the quickest rate of output growth since April 2011, while new orders rose at a sharp pace that was little-changed from December's 35-month high. Anecdotal evidence suggested that total new business was boosted by stronger client demand both at home and abroad, with new export orders also rising at a marked rate.

Goods producers in Taiwan raised their staffing levels again in January, extending the current sequence of job creation to eight months. However, the rate of payroll growth was relatively subdued, with employment levels rising at a modest pace that was the weakest in five months. As a result, the level of unfinished business increased at the fastest rate in three years.

Taiwanese manufacturers increased their purchasing activity for the fifth successive month in January. The rate of growth was sharp, despite having eased slightly from December, with a number of panellists citing higher production requirements. As a result, stocks of inputs rose for the second month in a row, and at a solid pace.

Greater demand for inputs led to a further increase in average suppliers' delivery times. That said, the rate at which times lengthened was similar to that recorded in December and marginal.

On the price front, January data signalled the sharpest increase in average input costs since May 2011. Furthermore, nearly 25% of surveyed firms reported greater cost burdens in the latest survey period.

Meanwhile, average output charges set by Taiwanese manufacturers rose for the first time since March 2012. That said, the rate of increase was only marginal overall.

Comment

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

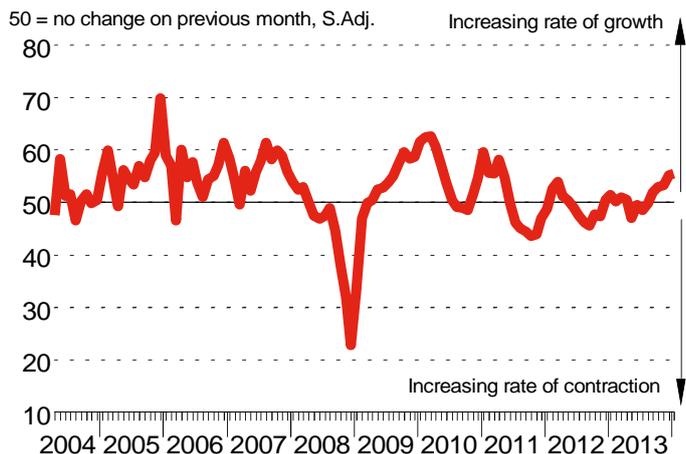
"This is a strong start to 2014, with the growth momentum in output and new orders maintained at recent elevated levels. Higher demand means companies rebuilt inventories in anticipation of a sustained recovery, while firms also increased employment for the eighth consecutive month. Backlogs of work are also growing at the fastest pace in three years, which could drive further increases in hiring."

Key points

- Quickest expansion of output since April 2011
- Backlogs of work increase at the fastest pace in three years
- Input price inflation accelerates to 32-month high

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*[™] (*PMI*[™]) 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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