

# HSBC Taiwan Manufacturing PMI™

## Operating conditions deteriorate for first time since July 2013

### Summary

April data signalled a renewed deterioration in operating conditions faced by Taiwanese manufacturers, with output and new orders both declining for the first time in four months. Reduced client demand led firms to cut back their purchasing activity for the first time since August 2013, while inventories of inputs and finished goods fell modestly. Meanwhile, input prices continued to fall solidly amid reports of lower raw material costs, which helped to boost the bargaining power of clients and led to a further reduction in prices charged.

The headline HSBC Taiwan *Purchasing Managers' Index™ (PMI™)* posted below the neutral 50.0 value at 49.2 in April, down from 51.0 in March, and signalled the first deterioration in operating conditions since July 2013, albeit at a marginal rate.

The fall in the headline index was partially driven by renewed contractions of both output and new business in April. Though the rates of reduction were slight, it was only the second time that production and new orders have fallen since August 2013. According to panellists, softer client demand, both at home and abroad, contributed to fewer new orders and reduced output requirements. Softer foreign demand was meanwhile highlighted by the first decline in new export business since last December, albeit marginal. Survey respondents mentioned fewer new orders from China, Europe and the US in particular.

Fewer total new orders enabled companies to work through their backlogs of work in April. Though the rate of depletion was marginal, it was the first time that outstanding business has fallen in 20 months. Meanwhile, staffing levels rose for the twenty-third month in a row. However, the rate of job creation was the slowest recorded since June 2013 and only slight.

Taiwanese manufacturers reduced their purchasing activity in April, thereby ending a three-month period of growth. That said, the rate of reduction was marginal. Anecdotal evidence suggested that companies scaled back their purchasing activity due to fewer new orders and muted client demand. Companies were also cautious towards their inventory holdings in April, with both stocks of finished goods and purchases declining modestly over the month.

April data signalled a further decline in overall input costs faced by Taiwanese goods producers. Despite easing for the third month in a row, the rate of deflation was solid. Weaker demand conditions led to increased bargaining power among clients, and led firms to lower their selling prices for the fifteenth successive month.

### Comment

Commenting on the Taiwan Manufacturing PMI™ survey, Annabel Fiddes, Economist at Markit said:

*"Taiwanese manufacturers had a disappointing start to the second quarter, with both output and new orders declining for the first time since the end of last year. Furthermore, the data suggested that both domestic and international demand had softened, with new export business also declining slightly."*

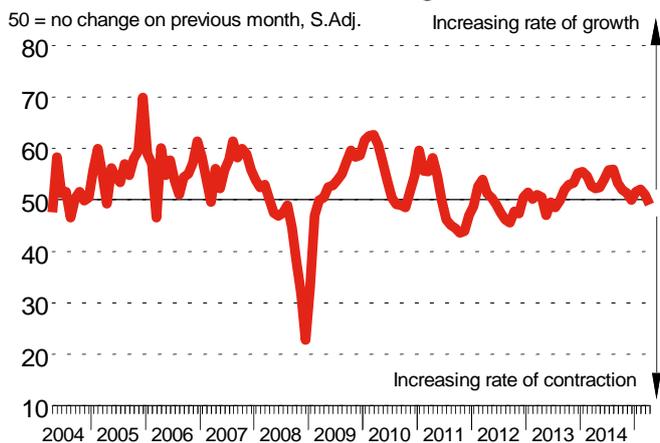
*"Looking forward, April's survey data suggests that the sector may struggle to return to growth territory in the near future, as companies reduced their purchasing activity amid reports of lower production requirements and continued to eat into their stock holdings."*

### Key points

- Renewed declines in both output and new business
- Purchasing activity contracts for first time in 20 months
- Input price deflation eases but remains solid

### 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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