

HSBC Taiwan Manufacturing PMI™

PMI signals further modest improvement in business conditions during May

Summary

Taiwanese manufacturers signalled a further improvement in overall business conditions during May, though the pace of improvement was modest and little-changed from April. Output growth edged up slightly from the previous month and was solid overall, supported by a further rise in total new work. However, new orders expanded at the weakest rate in eight months, with panellists suggesting that growth was dampened by domestic demand as growth in new export work accelerated slightly and remained above-trend. Meanwhile, firms raised their purchasing activity and job creation in the sector hit a six-month high.

The HSBC Taiwan Purchasing Managers' Index™ (PMI™) posted at 52.4 in May, up fractionally from 52.3 in April, and indicated a further moderate upturn in overall business conditions. That said, the rate of improvement remained weaker than the 33-month high recorded at the start of the year.

Production levels in Taiwan's manufacturing sector expanded at a solid rate in May, with the pace of growth picking up slightly from April's six-month low. Increased output was supported by a further expansion of total new work. That said, the pace of new order growth eased to the weakest since last September. Data suggested that the latest expansion of new order books was dampened by relatively subdued domestic demand, as new export order growth remained robust. According to anecdotal evidence, stronger demand in a number of key export markets, including Europe and the US, helped to boost new export work.

Higher intakes of new work led to an increased amount of outstanding business during May. However, the rate of accumulation eased since April and was moderate. The slower increase in unfinished work may have in part reflected a further expansion of payroll numbers, with employment in the sector rising at the strongest rate in six months during May.

Purchasing activity rose for the ninth successive month in May, with a number of panellists citing higher production requirements. The rate of activity growth eased from the sharp pace recorded in April but was nonetheless solid. Consequently, stocks of inputs also rose over the month following no change in April.

Average input prices rose during May, extending the current sequence of inflation to nine months. Although the rate of increase quickened to a three-month high it remained weaker than the historical average. Higher raw material costs were mentioned by a number of surveyed firms.

In contrast, average selling prices declined for the fourth month running in May. A number of firms discounted their charges in response to competitive market pressures.

Comment

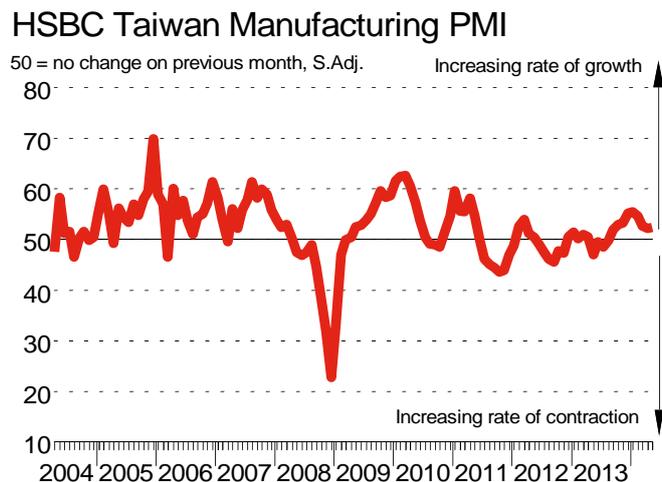
Commenting on the Taiwan Manufacturing PMI™ survey, John Zhu, Economist at HSBC in Asia said:

"Taiwan's manufacturing sector stabilised in May, but still lacks momentum. May saw some encouraging acceleration in output and employment growth, but domestic demand remains relatively weak compared with robust external demand, pulling overall new order growth to an eight-month low."

Key points

- Output continues to rise solidly
- New order growth eases to eight-month low
- Strongest expansion of payroll numbers since last November

Historical Overview



Sources: Markit, HSBC.

For further information, please contact:

HSBC

Hongbin Qu, Chief Economist, China & Co-Head
of Asian Economic Research
Telephone +852-2822-2025
Email hongbinqu@hsbc.com.hk

John Zhu, Greater China Economist
Telephone +852-2996-6621
Email john.zhu@hsbc.com.hk

Corporate Communications:

Jamie Chen, Communications Taiwan
Telephone +886-2-6631-7913
Email jamietychen@hsbc.com.tw

Amber Chung, Communications Taiwan
Telephone +886-2-6631-7915
Email ambertchung@hsbc.com.tw

Markit

Annabel Fiddes, Economist
Telephone +44-149-146-1010
Email annabel.fiddes@markit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@markit.com

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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