HSBC Purchasing Managers' Index™ Press Release
Embargoed until: 10:00 (Taipei), 2 March 2015

compiled by markit

HSBC Taiwan Manufacturing PMI™

PMI picks up to five-month high in February

Summary

Taiwanese manufacturers saw an improvement in overall operating conditions for the second month running in February. Output and new orders both expanded at slightly faster rates, while staff numbers rose modestly. Firms adopted a cautious approach to their inventory holdings, however, and reduced their stocks of both post- and pre-production goods again in February, albeit at weaker rates. Meanwhile, lower purchasing costs, particularly for oil and oil-related products, led to another sharp reduction in average input prices.

The HSBC Taiwan *Purchasing Managers' Index*™ (*PMI*™) posted at 52.1 in February, up from 51.7 in January, and signalled a further improvement in operating conditions. However, the rate of improvement remained weaker than those seen throughout much of 2014.

Manufacturing output increased for the second month in a row during February. The rate of expansion ticked up fractionally since the start of the year, and was solid overall. Increased production was supported by stronger client demand, as highlighted by a solid increase in new business. According to panellists, greater demand, both at home and overseas, helped to boost total new orders. Growth of new export work was moderate, however, having eased since January.

Taiwanese goods producers continued to increase their staff numbers in February, though the rate of job creation was slower than in January. Greater new business volumes meanwhile contributed to a modest increase in the level of work-in-hand (but not yet completed).

Manufacturers in Taiwan increased their purchasing activity for the second month running in February, amid reports of higher production requirements. That said, the rate of growth eased since January and was modest. Meanwhile, manufacturing companies remained cautious towards their inventory policies, and cut their stocks of purchases and finished goods again in February. However, the rates of depletion were less marked than those seen in January.

February data signalled a further reduction in average input costs in Taiwan's manufacturing sector. Despite easing since January, the rate of deflation remained sharp overall. Anecdotal evidence generally attributed the fall to lower raw material costs, particularly for oil and related by-products.

Output charges set by Taiwanese manufacturers also fell in February. The rate of discounting was solid overall, though eased since January. Reports from panellists suggested that companies cut their tariffs as a result of price negotiations with clients.

Comment

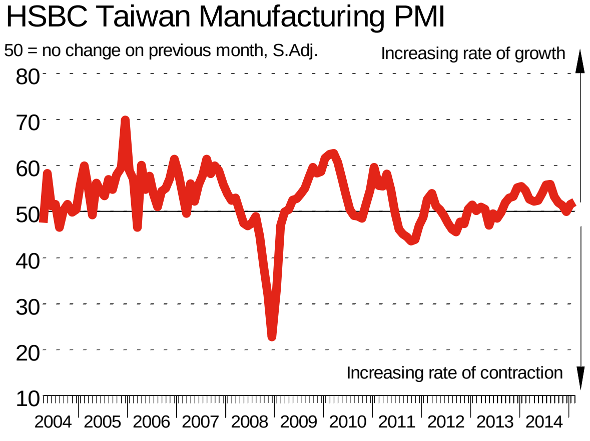
Commenting on the Taiwan Manufacturing PMI™ survey, Annabel Fiddes, Economist at Markit said:

"February data signalled that growth momentum in Taiwan's manufacturing sector continued to rebound from the slowdown seen during Q4 of last year, with both output and new orders rising solidly. The stronger improvement in overall business conditions also supported a further increase in employment during February, though capacity pressures persisted. Manufacturers in Taiwan also continued to benefit from the recent slump in global oil prices with average input costs declining sharply."

Key points

- Output and new orders both increase solidly
- Inventories of purchases and finished goods are cut at slower rates
- Input prices continue to fall sharply

Historical Overview



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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About PMI:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics