

Nikkei Taiwan Manufacturing PMI[®]

PMI edges lower in April

Key points:

- Output and total new business both decline at quicker rates
- Firms trim staffing levels
- Selling prices fall further amid efforts to boost sales

Data collected April 10-18

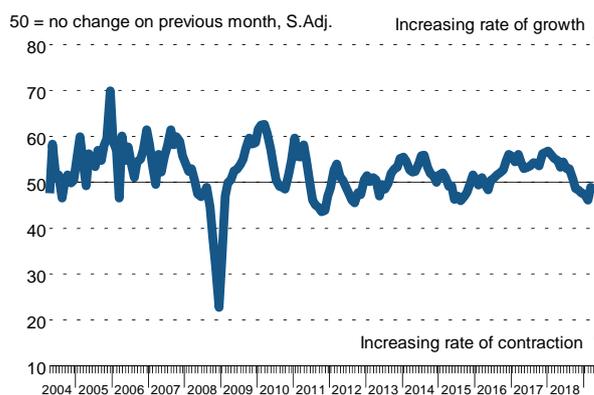
Latest PMI data signalled that operating conditions across Taiwan's manufacturing sector deteriorated at a slightly quicker pace in April. Companies indicated faster falls in output and new orders amid reports of relatively subdued overall demand conditions. This led to a renewed decline in employment, while businesses continued to pare back their buying activity. As part of efforts to remain competitive and boost sales, firms cut their selling prices again, which was partly supported by a reduction in input costs. More positively, business confidence regarding the one-year outlook for output improved to a four-month high in April, with a number of panellists anticipating demand conditions to pick up later this year.

The headline Nikkei Taiwan Manufacturing Purchasing Managers' Index[™] (PMI[®]) is a composite single-figure indicator of manufacturing performance. It is derived from sub-indices for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates an overall improvement in operating conditions.

The headline PMI fell from 49.0 in March to 48.2 in April, to signal a modest decline in the health of Taiwan's manufacturing sector. Although the reading remained comfortably above February's recent low, it nonetheless stretched the current sequence of deterioration to seven months.

Production fell for the eighth month running in April, with the rate of contraction accelerating since the end of the first quarter. According to panellists, weaker overall demand conditions led firms to cut output again. Highlighting this, overall new orders also fell at a quicker rate amid a further decline in export sales. That said, the latter fell at the softest rate for eight months.

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Sources: Nikkei, IHS Markit.

The sustained drop in sales contributed to a renewed fall in staffing levels, thereby offsetting a slight increase in the previous month. Capacity pressures meanwhile remained relatively subdued. Though backlogs of work rose for the first time since last October, the rate of accumulation was fractional overall.

Lower production requirements led firms to reduce their input buying again in April, though the rate of decline was only marginal. At the same time, companies continued to readjust their inventories. While stocks of purchased items fell at a quicker pace, inventories of finished goods declined at the weakest rate in five months.

Softer demand for inputs translated into reduced pressure on supply chains, as indicated by a slight improvement in vendor performance.

For the first time in three months, average input costs declined during April, with a number of firms citing lower raw material costs. However, savings were generally passed on to clients in the form of lower selling prices as part of attempts to stimulate demand.

On a positive note, firms were slightly more optimistic towards the one-year business outlook, though confidence remained notably weaker than the series trend.

Comment:

Commenting on the Taiwanese Manufacturing PMI survey data, **Annabel Fiddes**, Principal Economist at IHS Markit, which compiles the survey, said:

“After edging closer to stabilisation in March, the latest set of PMI data pointed to a quicker deterioration in business conditions faced by Taiwanese manufacturers in April. Firms signalled faster declines in output and new orders, which contributed to a renewed fall in employment.

“Relatively subdued demand conditions were also highlighted by a lack of pressure on supply chains – with vendor performance improving for the second month in a row – as well as a decline in purchasing costs.

“At the same time, companies continued to cut their selling prices as part of attempts to stimulate client demand, with firms citing subdued sales both at home and overseas. Overall, it seems unlikely that the manufacturing sector will return to growth unless we see a marked improvement in demand conditions.”

-Ends-

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Notes to Editors:

The Nikkei Taiwan Manufacturing Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 300 manufacturing companies. The panel is stratified by company size and by Standard Industrial Classification (SIC) group, based on industry contribution to Taiwanese Industrial Production. 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 applied: 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. IHS 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 IHS Markit. Please contact economics@ihsmarkit.com.

Data collected prior to May 2009 are based exclusively on survey responses from companies operating in the electronics sector.

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