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# IHS Markit Taiwan Manufacturing PMI®

## Manufacturing sector contracts again in August

### Key findings

Output declines for twelfth month running...

...amid further solid drop in overall sales

Subdued demand leads firms to cut inventories again

PMI data signalled a further deterioration in operating conditions across Taiwan's manufacturing sector during August. Output and total new orders both declined for the twelfth month running, and at solid rates. In response to weak overall demand conditions, firms cut back on their buying activity and their holdings of both purchased and finished goods. At the same time, companies lowered their selling prices again as part of efforts to stimulate sales.

On a more positive note, businesses expressed renewed optimism towards the year ahead, which supported a slight increase in staff numbers.

The Taiwan Manufacturing Purchasing Managers' Index® (PMI®) posted below the neutral 50.0 level at 47.9 in August, to signal a further deterioration in the health of the sector. However, the rate of decline remained modest, with the index falling only slightly from July's reading of 48.1.

A key factor weighing on the headline index was a further solid reduction in total new work placed with Taiwanese goods producers. Panel members frequently cited that softer demand conditions, both at home and abroad, had underpinned the fall in new work. Exports continued to fall sharply overall, with the rate of reduction among the quickest seen over the past four years.

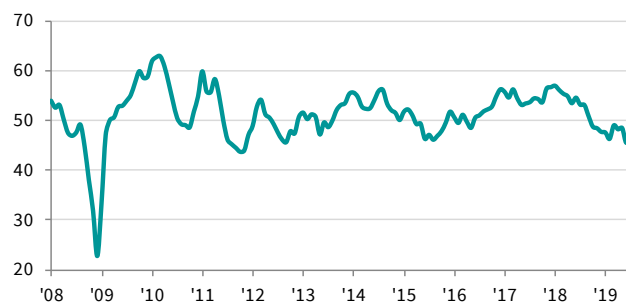
A further decline in new orders led firms to reduce output again in August. The rate of contraction picked up since July and was solid overall.

Despite challenging conditions in August, manufacturers expressed renewed optimism towards the 12-month business outlook. Companies generally anticipate that greater investment, new products and stronger market conditions will support output growth over the next year.

*continued...*

Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Annabel Fiddes, Principal Economist at IHS Markit, said:

*"PMI data for August showed that Taiwan's manufacturing sector continued to struggle in the face of a slowing global economy and weakening demand across key markets.*

*"Firms cut production for the twelfth month in a row amid a further steep drop in overall sales. Exports remained a key source of weakness, which fell sharply during August.*

*"On a brighter note, companies expressed renewed optimism towards the year-ahead, which firms often linked to higher investment and forecasts of improving demand conditions. However, risks remain skewed to the downside due to the ongoing China-US trade dispute and increasing political and economic uncertainty across the globe."*

As a result, firms increased their employment levels slightly for the second month in a row. This, combined with fewer new orders, allowed companies to work through unfinished business, though the rate of backlog depletion was not as strong as that seen in July.

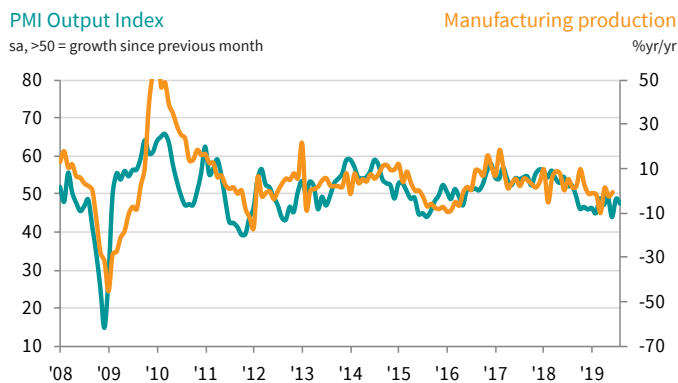
Softer demand conditions contributed to a further decline in buying activity among Taiwanese manufacturers. The rate of reduction was the weakest in three months, however, and only modest.

Companies maintained relatively cautious inventory policies during August. This was highlighted by sustained falls in stocks of both pre-production and finished goods. That said, inventories of post-production items fell at the softest pace for four months.

Although demand for inputs continued to weaken, manufacturers in Taiwan signalled a renewed deterioration in vendor performance in August. However, the rate at which lead times lengthened was only marginal.

Average input costs faced by goods producers in Taiwan fell further in August amid widespread reports of lower raw material prices. The rate of reduction was softer than that seen in July and modest overall.

Lower cost burdens and intense competition for new business led firms to cut their selling prices again, and at a faster rate than in the previous month.



Sources: IHS Markit, National Statistics via Datastream.

## Contact

Annabel Fiddes  
Principal Economist  
IHS Markit  
T: +44-1491-461-010  
[annabel.fiddes@ihsmarkit.com](mailto:annabel.fiddes@ihsmarkit.com)

Bernard Aw  
Principal Economist  
IHS Markit  
T: +65 6922 4226  
[bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44-207-260-2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Methodology

The IHS Markit Taiwan Manufacturing PMI® is compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in a panel of over 300 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Data collected prior to May 2009 are based exclusively on survey responses from companies operating in the electronics sector.

August 2019 data were collected 12-21 August 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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 [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).