News Release

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IHS Markit Taiwan Manufacturing PMI®

Operating conditions unchanged in September

Key findings

Stable operating conditions ends 11-month sequence of decline

Output and new orders fall at softer rates

Fastest rate of job creation since May 2018

September data pointed to stable operating conditions at Taiwanese manufacturers. The result ended an 11-month sequence of deterioration and was supported by slower falls in both output and new orders, and a quicker rise in employment. Meanwhile, backlogs of work increased for the first time in four months.

On the cost front, input prices continued to decline, with the rate of inflation accelerating from August. As a result, firms opted to cut their output charges.

At 50.0 in September, the Taiwan Manufacturing Purchasing Managers' Index® (PMI®) rose from 47.9 in August, signalling a stabilisation in business conditions faced by manufacturers in Taiwan. The result ended a sequence of deterioration that began in October 2018.

Output at Taiwanese goods producers continued to fall in September, but the rate of contraction eased to softest since May and was only marginal overall. Some panellists blamed the latest decline on weakening demand in the domestic market, Europe and the US.

Similar to the trend for output, new orders placed with manufacturers in Taiwan fell further. That said, the latest reduction was the slowest for a year and only slight overall.

The softer decline in overall sales was in part driven by a slower decrease in international sales at the end of the third quarter. The pace of contraction decelerated to the weakest for four months.

Taiwanese manufacturers continued to increase their staff numbers in September, extending the current sequence of workforce expansion to three months. The rate of job creation accelerated to the fastest since May 2018, but was modest.

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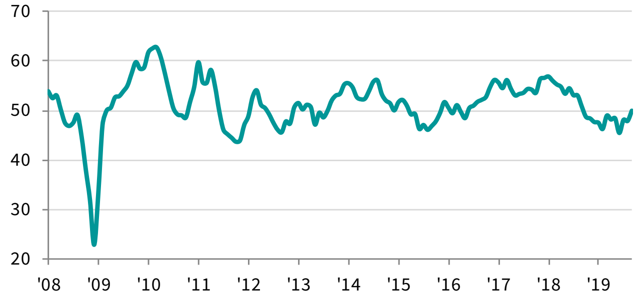
Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said:

"The latest PMI results pointed to the end of an 11-month sequence of deterioration in business conditions. The stabilisation was driven by faster employment growth, as well as slower declines in both output and new orders.

"Although the reading comes as positive news, downward pricing pressures remains evident in the manufacturing sector amid widespread reports of slowing domestic and international demand. This was exemplified by further discounts to output charges.

"Moreover, confidence levels were only fractionally positive, as hopes of a rise in new business conflicted with difficult sales conditions at the present time."

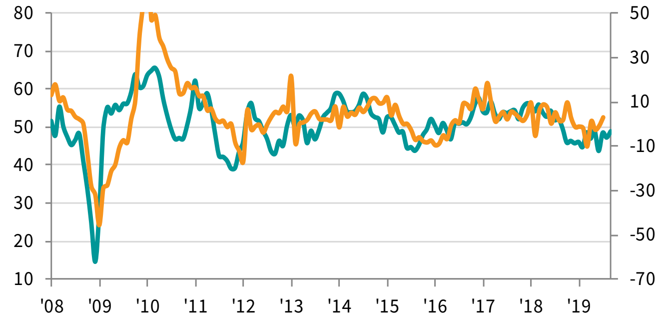
Despite the quicker rise in employment, capacity pressures were evident in September, as backlogs of work rose for the first time since May. Though only marginal overall, the rate of growth was the fastest for almost a year.

As has been the case in each month for the past year, purchasing activity at Taiwanese goods producers fell in September. However, the latest reduction was the slowest for four months. Panellists often associated the decrease in input buying with an ongoing decline in new orders.

On the cost front, input prices continued to fall, extending the current sequence of decline to six months. Moreover, the rate of reduction accelerated slightly from August and was solid overall. Anecdotal evidence suggested the latest fall was driven by lower raw material prices.

The decline in cost burdens allowed firms to cut their average output charges for the tenth month in succession during September. The rate of discounting ticked up fractionally from the previous survey period and was historically marked.

Finally, manufacturing firms in Taiwan were mildly optimistic towards the 12-month business outlook in September, supported by expectations for a rise in new business. That said, the degree of confidence weakened to a fractional level due to worries over export conditions.



Sources: IHS Markit, National Statistics via Datastream.

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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 around 400 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.

September 2019 data were collected 12-20 September 2019.

For further information on the PMI survey methodology, please contact 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.