

Nikkei Taiwan Manufacturing PMI®

PMI slips to lowest level in just over three years

Key points:

- Production contracts further...
- ...amid steep declines in total new work and export sales
- Buying activity contracts at quickest rate since September 2015

Data collected November 12-22

Operating conditions across Taiwan's manufacturing sector deteriorated at the quickest pace for 37 months in November, with firms noting solid declines in output and new orders. Relatively weak demand conditions contributed to a sharper reduction in purchasing activity, while staffing levels rose only slightly. Inflationary pressures meanwhile softened towards the end of the year, with firms noting slower increases in both input costs and selling prices.

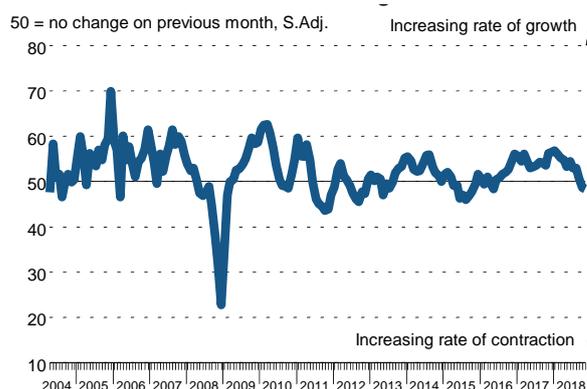
Despite the sustained fall in output, companies expressed renewed optimism towards the year-ahead outlook. That said, the level of positive sentiment was only modest overall.

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 seasonally adjusted headline PMI fell from 48.7 in October to 48.4 in November, to signal a deterioration in the health of Taiwan's manufacturing sector for the second month in a row. Though modest, the rate of decline was the steepest recorded since October 2015.

The amount of new business placed with Taiwanese manufacturers declined for the third consecutive month in November. Furthermore, the rate of contraction was the most marked since September 2015. Companies commonly cited weaker domestic and international client demand. New export sales declined at a similarly solid pace to that seen in October.

Nikkei Taiwan Manufacturing PMI



Sources: Nikkei, IHS Markit.

Fewer new orders led firms to reduce output again in November. The rate at which production fell was solid and only slightly softer than October's 37-month record.

Taiwanese manufacturers maintained a relatively cautious approach to staff hiring, with employment rising only slightly for the third month in a row. At the same time, fewer new orders enabled firms to reduce their backlogs of work for the first time in two-and-a-half years.

Reflective of the trend for output, purchasing activity declined further midway through the fourth quarter. The rate of reduction quickened from October and was the most marked in 38 months. Consequently, inventories of inputs fell for the first time since May 2017, albeit modestly. Stocks of finished goods were meanwhile broadly unchanged following a 13-month sequence of accumulation.

Although demand for inputs weakened, average supplier performance continued to deteriorate in November amid reports of insufficient stocks at vendors.

Average input costs rose solidly in November, despite the rate of inflation softening to the least marked since July 2017. At the same time, reports of greater competition for new work led firms to raise their selling prices at a marginal pace that was the weakest for 17 months.

Companies expressed renewed optimism towards the 12-month business outlook in November, though confidence was relatively modest overall.

Comment:

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

“Taiwan’s manufacturing sector contracted further in November, with the headline PMI edging down to its lowest level in just over three years.

“Companies widely commented on weaker demand conditions, including key export markets like Europe and the US, which led to marked falls in total new business and output.

“As firms cut their buying activity and inventories and maintained a cautious approach to staff hiring, the data suggests that the sector is unlikely to see an improvement unless we see an upturn in demand and new order inflows.”

-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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