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IHS Markit Taiwan Manufacturing PMI®

Manufacturing sector remains stuck in soft patch in November

Key findings

Output and new orders both fall slightly

Export sales continue to decline at solid pace

Output prices cut again despite higher input costs

November PMI data pointed to another fractional deterioration in the health of Taiwan's manufacturing sector. A further drop in new work underpinned a renewed fall in production, albeit only marginal. Notably, new export sales contracted solidly in November. Employment levels meanwhile stagnated, while firms continued to cut back on their purchasing activity and stock holdings.

Efforts to stimulate sales led firms to cut their selling prices again in November, despite a slight increase in operating expenses.

The Taiwan Manufacturing *Purchasing Managers' Index*® (PMI®) was unchanged from October at 49.8 in November, to signal a further fractional deterioration in operating conditions. Notably, the health of Taiwan's manufacturing sector has failed to improve in any month since October 2018.

The amount of new work received by manufacturers in Taiwan declined for the fifteenth month running in November, albeit marginally. According to firms, relatively weak customer demand across both domestic and international markets had weighed on sales. Furthermore, the amount of new export business continued to contract solidly during November.

The sustained drop in new orders led firms to cut production after a fractional rise in October. As was the case for new orders, however, the pace of decline was only slight.

Workforce numbers were unchanged in November, following a four-month sequence of expansion, as firms became more cautious towards staff hiring. At the same time, signs of spare capacity persisted, as highlighted by a further decline in outstanding workloads.

Softer demand conditions also led companies to reduce their purchasing activity again midway through the final quarter of 2019. Firms also cut their inventories of both purchased and
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:

"Taiwan's manufacturing sector had a difficult November, according to IHS Markit PMI data, with softer demand conditions leading firms to cut output.

"Businesses remain particularly vulnerable to a slowdown across the global economy. Data highlighted a solid decline in export sales amid reports of weaker demand across key markets like China, Japan, Europe and the US.

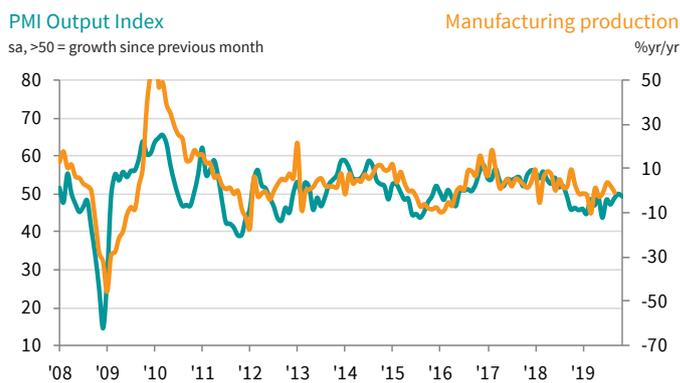
"The latest survey also suggests that this soft patch may extend into 2020 unless there is a meaningful pick-up in client demand. Notably, firms failed to increase their headcounts for the first time in five months, and continued to cut back on purchasing and inventories."

finished items, albeit at weaker rates than those seen in October.

Although demand for inputs remained muted, average lead times for purchased items increased for the fourth month running, which some businesses blamed on low stock levels at vendors.

As part of efforts to boost their competitiveness and attract sales, manufacturers cut their selling prices again in November. The reduction in output charges came despite a slight increase in overall input costs, suggesting a further squeeze on margins.

Manufacturing firms in Taiwan expressed a moderate degree of optimism towards the 12-month outlook for output in November. This contrasted with a generally downbeat assessment of the year ahead in October. However, confidence remained relatively fragile overall amid worries over the global economic outlook and ongoing trade disputes.



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.

November 2019 data were collected 12-21 November 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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.