

## Nikkei Taiwan Manufacturing PMI<sup>®</sup>

### PMI slips to 22-month low in August

#### Key points:

- Slightly stronger increases in output and new orders...
- ... but employment stagnates
- Business confidence weakens to two-year low

Data collected August 13-22

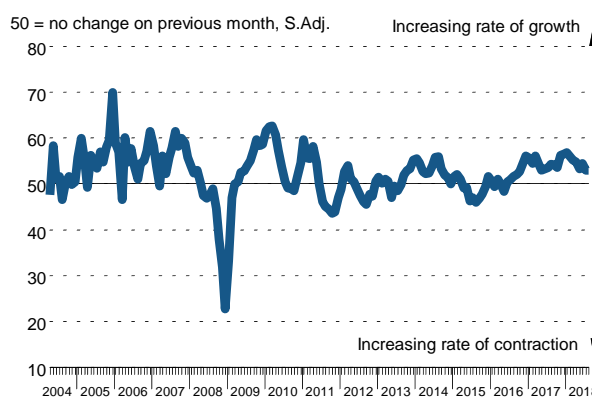
Operating conditions continued to improve across Taiwan's manufacturing sector during August. Production and new orders both rose at slightly faster rates, with the latter supported by a solid increase in export sales. However, companies failed to increase their staffing levels for the first time in over five years as workforce numbers stagnated in August. Furthermore, confidence towards the 12-month business outlook slipped to a two-year low. Meanwhile, inflationary pressures remained sharp, despite both input costs and output charges rising at the slowest rates for one year.

The headline Nikkei Taiwan Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) 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 registered 53.0 in August, down fractionally from 53.1 in July, and signalled a further improvement in the health of the sector. Though solid and above the series long-run average, the rate of growth was the weakest seen in 22 months.

Manufacturing firms based in Taiwan continued to increase production during August. Although the rate of expansion quickened from July's recent low, the pace of growth remained modest overall and softer than those seen at the start of the year. New work followed a similar trend, with companies reporting a slightly stronger upturn in new orders. A number of panellists indicated that client demand remained strong both at home and abroad, with new export sales rising solidly in August.

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Sources: Nikkei, IHS Markit.

In contrast, workforce numbers stagnated in August, which marked the first time in over five years that employment had not risen at Taiwanese manufacturers. Anecdotal evidence suggested that some companies had trouble filling vacancies. This in turn contributed to a further strong rise in backlogs of work.

Higher production requirements led companies to increase their buying activity again in August. Notably, the rate of expansion was faster than that seen in July. Consequently, stocks of purchases rose for the fifteenth month in a row.

A combination of greater buying activity and stock shortages at vendors led to a further sharp lengthening of average lead times for inputs.

Purchasing costs continued to rise amid widespread reports of price hikes by suppliers. The rate of input cost inflation remained historically sharp, despite softening to a one-year low. As a result, prices charged for Taiwanese manufactured goods rose further in August. Notably, the rate of increase was solid, despite easing to the least marked for one year.

Looking ahead, companies expressed the weakest level of optimism towards the 12-month outlook for two years in August. Panellists widely cited concerns over the ongoing China-US trade war and worries that domestic economic conditions may soften.

## 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 continued to expand midway through the third quarter of the year. Growth rates for output and new orders both picked up from July’s recent lows. Encouragingly, export sales rose for the twenty-seventh month in a row, and at a solid pace, suggesting that external demand remained relatively robust.*

*“However, other sub-index data hinted at the possibility of a growth slowdown in the months ahead. Firstly, confidence towards the 12-month outlook for production fell to a two-year low amid worries over the ongoing China-US trade war. Secondly, employment stagnated in August, which marked the first time in over five years that staffing levels hadn’t increased, with some firms mentioning they were unable to source staff to fill vacancies.”*

-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](mailto: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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