

Nikkei Taiwan Manufacturing PMI[®]

Operating conditions deteriorate again in May

Key points:

- Production declines amid further drop in overall new work
- Companies cut their output prices at a faster pace
- Businesses express renewed pessimism towards the year ahead

Data collected May 13-22

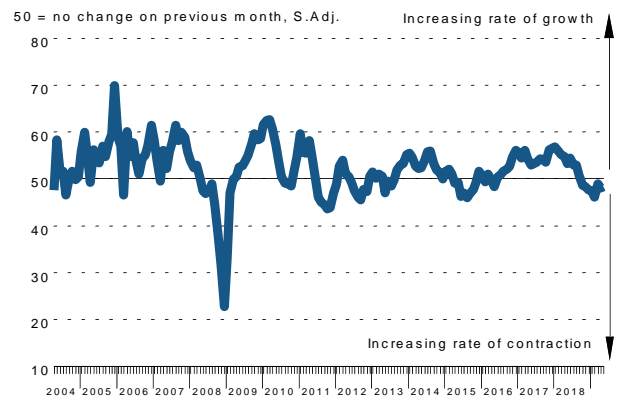
Taiwanese manufacturers signalled a further modest deterioration in overall operating conditions in May. Production continued to decline, albeit marginally, as overall new orders and exports sales contracted further amid reports of weak demand both at home and overseas. Companies responded by cutting their output charges at a faster pace, which was partly offset by a decline in average input costs. At the same time, firms cut back on their buying activity, while cautious inventory policies contributed to faster falls in stocks of both purchased and finished goods. As a result, firms were generally pessimistic regarding the year ahead outlook for production.

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.

At 48.4 in May, the headline PMI was little-changed from April's reading of 48.2 to signal a further modest deterioration in overall operating conditions. The health of Taiwan's manufacturing sector has now weakened in each month since October 2018.

A key driver of the latest deterioration in operating conditions was a further reduction in the amount of new work received by Taiwanese manufacturers. Though modest and weaker than those seen earlier in 2019, the fall stretched the current sequence of decline to nine months. Panellists widely commented on softer demand both at home and across international markets, with new export sales also declining again in May.

Nikkei Taiwan Manufacturing PMI



Sources: Nikkei, IHS Markit.

Subdued client demand led firms to cut their output for the ninth month in a row. That said, the pace of reduction eased to a marginal pace that was notably softer than those seen earlier in the year.

In line with the trend seen for new orders, companies scaled back their buying activity in May. At the same time, firms expressed greater caution regarding inventories, with stocks of purchased items and finished goods both falling at steeper rates than in April.

Staffing levels declined for the second month running amid reports that firms were choosing not to replace voluntary leavers. That said, the rate of reduction was only slight. At the same time, companies registered a marginal rise in the amount of outstanding business.

Average input costs fell for the second successive month amid reports of lower prices for raw materials. Though only modest, the reduction was the second-quickest seen in 39 months. Output charges meanwhile fell solidly in May as part of efforts to stimulate demand.

Confidence towards the year ahead slipped in to negative territory in May, as many manufacturing firms forecast that a slowing global economy and the ongoing China-US trade dispute will weigh on production levels over the next year.

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 contract in May, with companies widely commenting that weaker demand both at home and overseas had weighed on sales and output.

“Although the reductions in production and new orders were less marked than those seen earlier in 2019, this still adds to concerns that Taiwan’s economy could weaken further if trade wars intensify and global economic conditions continue to cool. Furthermore, business sentiment regarding the year ahead turned negative in May, while companies cut back on their purchasing activity and inventories.

“Another worrying trend was seen for output prices, which fell solidly in May, as companies struggled to remain competitive and attract new orders. Overall, this suggests that the sector is unlikely to bounce back unless there are marked improvements in the global business climate and client demand.”

-Ends-

Nikkei Taiwan Manufacturing PMI® is sponsored by **NIKKEI**

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

NIKKEI ASIAN REVIEW <http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more



MARKETS:

Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)

Annabel Fiddes, Principal Economist
Telephone +44-1491-461-010
Email annabel.fiddes@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 (0) 207-260-2234
E-mail joanna.vickers@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65-6922-4226
E-mail bernard.aw@ihsmarkit.com

Nikkei inc.

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81-3-6256-7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The early June releases of May data from the Asia PMI series will be the final releases to carry Nikkei branding.

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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

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 <https://ihsmarkit.com/products/pmi.html>.

The intellectual property rights to the Nikkei Taiwan Manufacturing PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei uses the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).