

Embargoed until 0830 CST (0030 UTC) 2 January 2020

IHS Markit Taiwan Manufacturing PMI®

Operating conditions improve for the first time since September 2018

Key findings

New work expands for the first time in 16 months

Production broadly stabilises

Companies increase their headcounts and buying activity

Taiwan's manufacturing sector had a positive end to 2019, with firms registering the first improvement in operating conditions since September 2018. The upturn was helped by a renewed increase in total new work, despite a further slide in export sales, while output volumes were broadly stable. Firms were also more positive regarding the one-year outlook, which supported renewed expansions of both purchasing activity and staffing levels.

Sales were partly supported by cuts to selling prices, as firms sought to remain competitive. However, input costs continued to increase at the end of the year, and at a quicker pace than in November.

At 50.8, the Taiwan Manufacturing Purchasing Managers' Index® (PMI®) rose from 49.8 in November to signal a renewed improvement in operating conditions at the end of 2019. Though only marginal, it was the first improvement in the health of the sector since September 2018.

Helping to push the headline figure above the neutral 50.0 mark was a renewed increase in total new work during December. The rate of new order growth was marginal, but nonetheless ended a 15-month sequence of contraction. Notably, numerous firms indicated that the increase in total new business was supported by firmer domestic demand, as sales remained relatively lacklustre across key export markets including China, Europe and the US, leading to a further drop in new export orders.

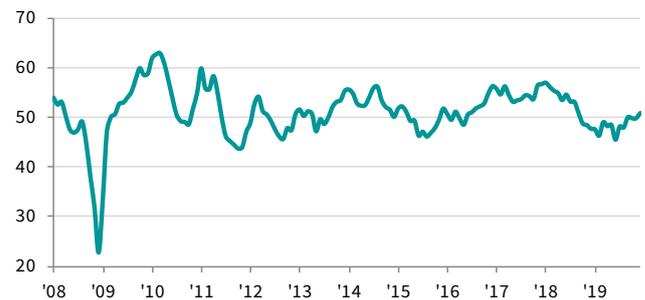
The improved sales trend coincided with a broad stabilisation of output in December, after a marginal drop in November.

At the same time, firms were more confident that output would increase over the next year, with the level of positive sentiment reaching a four-month high. Optimism was partly linked to new product releases, efforts to expand client bases and hopes that

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:

"Manufacturers in Taiwan ended 2019 on a better footing than when they started, with the headline PMI signalling the first improvement in overall conditions since September 2018.

"An improved sales trend, which was largely linked to firmer domestic demand, helped to drive job creation and buying activity, to hint that output may recover in the months ahead.

"However, the continued decline in export sales amid ongoing trade tensions remains a particular source of concern for the export-orientated economy.

"Unless we see a broad-based pick up in global demand alongside the uptick in domestic orders, the sector may struggle to maintain growth momentum at the start of 2020."

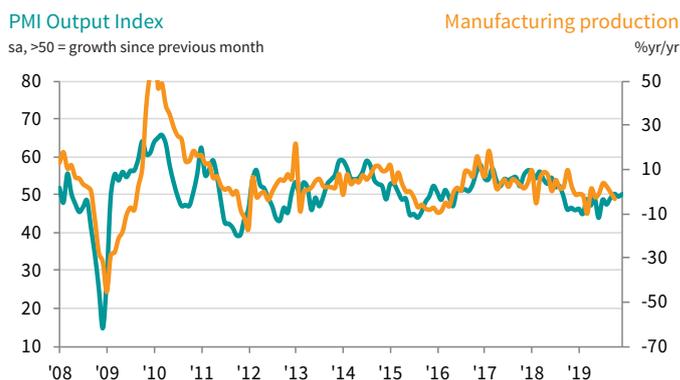
trade tensions will ease.

Capacity pressures were evident in December, as shown by a renewed rise in backlogs of work. Though modest, the rate of accumulation was the fastest seen since August 2018. Consequently, firms resumed staff hiring at the end of the year, after workforce numbers were unchanged in November.

Purchasing activity also increased, thereby ending a 14-month period of contraction. A number of firms bought greater amounts of inputs due to higher inflows of new work. However, cautious inventory policies contributed to further reductions in stocks of both purchased and finished items during December.

Latest data signalled stronger pressure on operating margins across Taiwan’s manufacturing sector. Average input costs rose at the quickest pace since March, with a number of panel members citing increased prices for raw materials.

Despite the stronger rise in cost burdens, companies continued to cut their factory gate prices at the end of the year. Panellists indicated that they had reduced their output charges in order to remain competitive.



Sources: IHS Markit, National Statistics via Datastream.

Contact

Annabel Fiddes
Principal Economist
IHS Markit
T: +44-1491-461-010
annabel.fiddes@ihsmarkit.com

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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.

December 2019 data were collected 5-13 December 2019.

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

Disclaimer

The intellectual property rights to the data 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. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: 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 © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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.