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# IHS Markit Taiwan Manufacturing PMI®

## Output falls sharply as coronavirus curbs manufacturing sector recovery

### Key findings

Production and new orders both fall into decline

Suppliers' delivery times increase at quickest pace for over 14 years

Companies register marked drop in inventories

Taiwan's manufacturing sector performance was dampened by the outbreak of the coronavirus in China during February, according to latest PMI data. Output and total new orders both fell for the first time in three months, while confidence around the outlook sank to its most pessimistic since August 2015. The prolonged factory shutdown in China meanwhile contributed to the quickest deterioration in supplier performance since 2005, which led to a marked fall in inventories.

Price pressures eased, however, with average input costs rising only modestly, while companies discounted their selling prices at a weaker pace.

The Taiwan Manufacturing *Purchasing Managers' Index*® (PMI®) fell from 51.8 at the start of 2020 to 49.9 in February, to mark the first sub-50.0 reading for three months. The figure signalled a slight decline in the health of the sector following the quickest improvement in conditions for nearly a year and a half in January.

Taiwanese manufacturing production fell for the first time since last November during February. Moreover, the rate of reduction was the sharpest seen for eight months, with panel members widely linking the decline to the coronavirus outbreak.

The latest survey also showed a renewed drop in total orders during February, albeit only modest. Underlying data indicated that this was partly driven by a solid fall in new work from overseas.

The prolonged factory shutdown in China meanwhile drove a sharper deterioration in average vendor performance. Furthermore, the rate at which delivery times lengthened was the quickest since December 2005.

In line with the trend for new business, firms cut their purchasing activity during February, albeit only slightly. At the same time,  
*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:

"After there were signs of Taiwan's manufacturing sector making a recovery at the start of 2020, PMI data for February indicated a notable setback due to the widespread impact of the coronavirus outbreak in China.

"Companies noted lower production and new orders for the first time for three months, with many firms citing difficulties in sourcing materials as well as weaker demand.

"Supply chains were heavily hit, leading to the quickest deterioration in delivery times for inputs for over 14 years, which led to a marked drop in inventories.

"In the short-term, it seems likely that Taiwan's economic performance will be disappointing for the first quarter as a result of the prolonged factory shutdown across its biggest trading partner, China. It will be important to monitor whether the government's recently announced \$2 billion spending package to help cushion the impact of the coronavirus will help the economy get back on its feet soon."

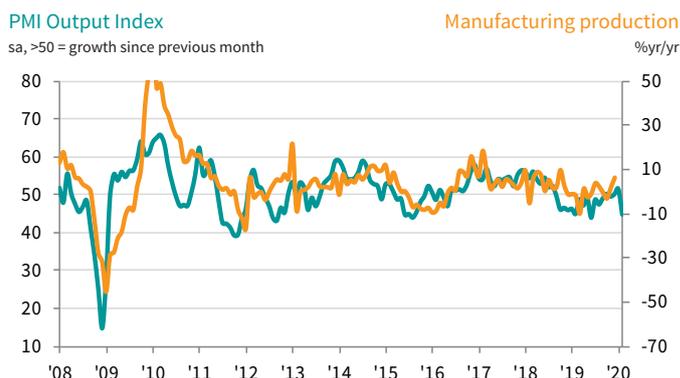
difficulties in sourcing inputs contributed to renewed falls in inventories of both pre- and post-production items. Stocks of inputs fell at the quickest rate since June 2015, while the decline in finished goods was the steepest for four months.

Although Taiwanese goods producers continued to add to their payroll numbers in February, the rate of job creation eased to a marginal pace. Concurrently, there was mild pressure on operating capacities, as highlighted by only a slight rise in backlogs of work.

Prices data indicated that the rate of input cost inflation eased from January's solid pace. Notably, the latest increase in input prices was the slowest since last November and moderate.

Factory gate prices continued on a downward trend in February, however, with firms often citing greater market competition. The rate at which output charges fell was modest overall, with the pace of discounting having eased since January.

Looking ahead, Taiwanese manufacturers anticipate production to be lower in one year's time. Notably, the degree of negative sentiment was the most marked since August 2015. Concerns over the outlook largely stemmed from uncertainties surrounding the coronavirus outbreak and its impact on supply chains and global demand.



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.

February 2020 data were collected 12-20 February 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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.  
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