

# Nikkei Taiwan Manufacturing PMI™

## Manufacturing sector upturn regains momentum in March

### Key points:

- Sharper increases in output and new business
- New export sales rise at quickest pace in over two-and-a-half years
- Solid employment growth

Data collected March 12-23

Taiwan's manufacturing sector saw a pick up in growth momentum at the end of the first quarter, with output, new orders and employment all rising at faster rates than in the previous month. Growth in new business was underpinned by the fastest increase in new export work since August 2014.

Improving overall conditions and stronger client demand helped to lift confidence towards the business outlook to its highest for over two years. However, companies continued to report a sharp rise in input costs, which led to a further increase in prices charged.

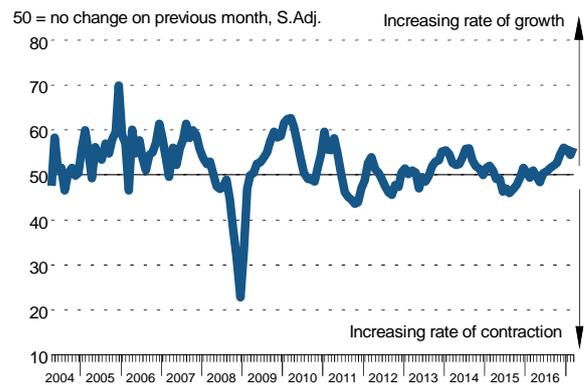
The headline Nikkei Taiwan Manufacturing Purchasing Managers' Index™ (PMI)™ is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of sector operating conditions.

At 56.2 in March, the PMI rose from 54.5 in February to signal a sharp improvement in overall operating conditions. Moreover, the latest reading was the joint-highest since April 2011 (on par with December 2016).

Total new business expanded at the joint-second fastest rate since August 2014 at the end of the first quarter, with firms highlighting stronger demand across domestic and foreign markets. Moreover, growth in new export work reached a 31-month peak in March. A number of panellists attributed higher export sales to stronger demand from clients based in China, Europe and the US.

Sustained growth in new orders led companies to increase production again in March. Moreover, the rate of expansion was the second-steepest since August 2014 (after last December).

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Sources: Nikkei, IHS Markit.

Companies continued to hire additional staff in March, with the rate of job creation the second-strongest since April 2011. Employment growth was widely linked to efforts to raise productive capacity, as well as recent changes in labour laws that prompted some firms to raise staff numbers. Despite the solid rise in employment, backlogs of work rose at the steepest rate in 2017 so far.

Higher production requirements led firms to increase their input buying at a marked pace. Subsequently, stocks of inputs continued to rise at the end of the first quarter. Inventories of finished items also increased, albeit at a marginal pace. Meanwhile, stock shortages at vendors were reportedly behind a further sharp lengthening of average supplier delivery times.

Greater costs for raw materials contributed to a further sharp increase in input prices. Firms generally passed on higher cost burdens to clients by raising their prices charged again in March. That said, rates of increase for both input costs and output prices were the slowest in four months.

After slipping in February, optimism towards the one-year business outlook improved to a 26-month high in March, with new product releases and improving economic conditions cited by a number of panellists.

## Comment:

Commenting on the Taiwanese Manufacturing PMI survey data, **Annabel Fiddes**, Economist at IHS Markit, which compiles the survey, said:

*“Taiwan’s manufacturing sector finished the first quarter of 2017 on a high, with output and new orders both rising at rates close to the peaks seen in December.*

*“Higher new business was linked to stronger demand both at home and abroad, with the latest survey highlighting the fastest increase in new export sales for just over two-and-a-half years. Companies commented on improved demand not only in China, a key source of growth, but other major markets such as Europe and the US, to indicate further improvement in global demand conditions.*

*“It was also encouraging to see that optimism towards the 12-month business outlook reached its highest for over two years, suggesting that firms generally expect the current upturn to extend into the coming months. Sustained cost pressures and squeezed margins remain key areas of concern, however, as input prices continue to rise at a much sharper pace than output charges.”*

-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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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. 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 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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