

Nikkei Taiwan Manufacturing PMI™

Taiwan's manufacturing sector contracts in February

Key points:

- Output and new orders both contract for the first time in three months
- Outstanding work declines at quickest rate since last August
- Deflationary pressures ease but remain marked

Summary:

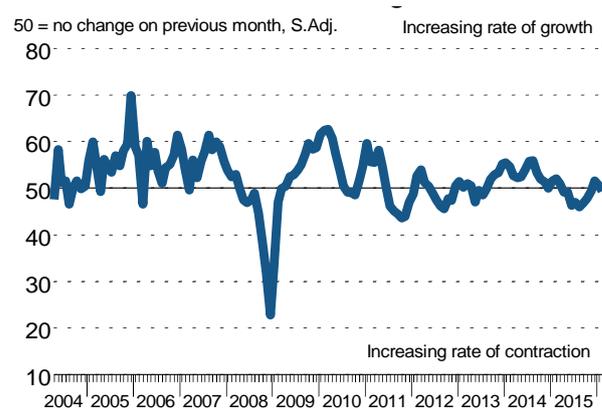
After a slight improvement at the start of the year, operating conditions faced by Taiwanese manufacturers deteriorated in February. Output and new orders both contracted amid reports of weaker economic conditions and softer client demand. Fewer new orders enabled companies to complete outstanding work at the sharpest rate in six months, while employment rose only slightly. As part of efforts to stimulate client demand, companies cut their selling prices sharply in February, a move that was supported by a further marked fall in average input costs.

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.

Adjusted for seasonal factors, the headline PMI registered at 49.4, down from 50.6 in January, and signalled a renewed deterioration in the health of Taiwan's manufacturing sector. Though the rate of deterioration was only slight, it was the first time that the headline PMI had posted below the neutral 50.0 value in three months.

Taiwanese manufacturers signalled reduced production in February, thereby ending a two-month sequence of expansion. The rate of contraction was modest overall with a number of panellists cutting output as a result of weak economic conditions and a subsequent decline in new orders.

Nikkei Taiwan Manufacturing PMI



Sources: Nikkei, Markit.

This was highlighted by a renewed fall in total new business placed at manufacturers. Furthermore, data indicated that both domestic and international demand had softened, with new export work declining at the quickest rate since last November.

Lower production contributed to softer employment growth across Taiwan's manufacturing sector in February. Furthermore, the latest rise in staff numbers was the weakest in four months. Meanwhile, backlogs of work fell at the sharpest rate in six months, with a number of monitored firms mentioning that fewer new orders had enabled the completion of outstanding business.

In line with the trend for output, purchasing activity declined in February, albeit only slightly. At the same time, destocking activities persisted, with both stocks of purchases and finished goods falling for the seventeenth month in a row.

Weaker demand conditions contributed to reduced selling prices in February. Despite easing to a three-month low, the rate of discounting remained sharp. Lower charges were supported by reduced input costs, though the rate of deflation also slowed since the previous month.

Comment:

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

“After a fairly positive start to the year, the latest batch of PMI data indicated a renewed contraction of Taiwan’s manufacturing sector in February. Output and total new work both fell for the first time in three months, while new export work fell markedly. According to respondents, poor economic conditions and weak foreign demand had weighed on the sector’s performance in the latest survey period.

“Overall, the data suggest that growth projections for the export-orientated sector remain on the downside, as companies face headwinds of a slowdown in the global economy and relatively weak domestic demand.

“On a positive note, the lack of inflationary pressures across the sector indicates there is plenty of scope for the implementation of new stimulus measures to help boost the economy.”

-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@markit.com.

Data collected prior to May 2009 are based exclusively on survey responses from companies operating in the electronics sector.

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 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 www.markit.com/economics.

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