

Nikkei Taiwan Manufacturing PMI[®]

Manufacturing output expands at quickest pace for five months

Key points:

- Steeper increase in total new orders supported by robust intake of new export work
- Backlogs continue to rise sharply despite stronger employment growth
- Stock shortages continue to weigh heavily on vendor performance

Data collected August 11-22

August survey data signalled a further improvement in growth momentum across Taiwan's manufacturing sector, with production and total new work both rising at steeper rates. Robust growth in new export business remained a key driver of higher new order intakes. Greater amounts of new work led firms to increase both their purchasing activity and staffing levels, and at quicker rates than in the previous month. However, stock shortages at suppliers contributed to a further sharp increase in the amount of time taken for inputs to be delivered.

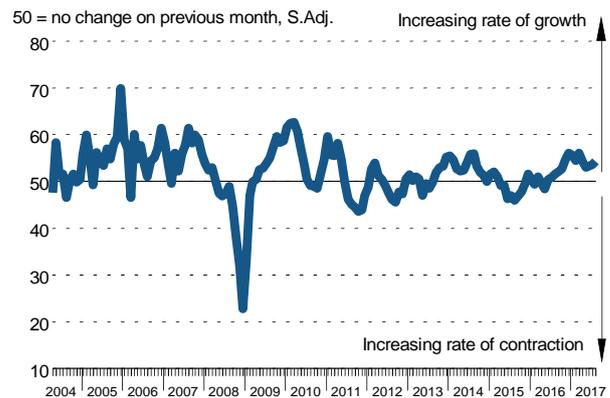
The headline Nikkei Taiwan Manufacturing Purchasing Managers' Index[™] (PMI)[®] is a composite single-figure indicator of manufacturing performance. It is derived from sub-indices for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates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

The headline PMI posted comfortably above the neutral 50.0 value at 54.3 in August, to signal a further improvement in the overall health of the sector. This was up from 53.6 in July to indicate a solid rate of improvement that was the most marked for four months.

Production continued to rise at Taiwanese manufacturers in August, with the rate of expansion picking up to its strongest since March.

Higher output was widely linked by respondents to increased amounts of new work. Furthermore, total new orders increased at a quicker pace than in the previous month, helped by a further sharp rise in new export business. According to panellists, stronger demand in regions such as China, Europe and the US underpinned the latest rise in export sales.

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Sources: Nikkei, IHS Markit.

Greater production requirements and strong client demand prompted manufacturers to raise their staffing levels again in August. Furthermore, the rate of job creation quickened to a solid pace that was the strongest seen for four months. Despite taking on additional workers, outstanding business increased again. Notably, the rate of accumulation was the quickest seen in the year to date.

Manufacturers raised their purchasing activity to the greatest extent for five months in August. However, stock and staff shortages at suppliers meant that the average time taken for inputs to be delivered continued to increase sharply.

Inventories of inputs rose modestly during August, with some firms mentioning efforts to try and build their stock levels due to rising client demand. In contrast, inventories of finished goods declined slightly.

Average input costs increased at a sharp and accelerated rate in August, which was widely linked to greater raw material costs amid stock shortages. As a result, firms raised their factory gate charges and at a quicker rate than in the previous month.

Looking ahead, Taiwanese manufacturers expressed the greatest degree of optimism towards the 12-month business outlook for four months in August.

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 picked up further growth momentum in August, with the latest PMI data showing stronger increases in output, new orders and employment.

“However, the sector continues to be held back by shortages at suppliers, which have led to another sharp increase in delivery times. Furthermore, a combination of supply shortages and rising demand for inputs drove the rate of cost inflation higher, with August showing the quickest increase in average input costs for four months. A lack of resources is also driving a sharp increase in backlogs of work, and suggests that shortages are weighing on overall growth of production.

“Nonetheless, the sector continues to show a marked comeback since late last year, with IHS Markit forecasting real GDP to expand by around 2.2% in 2017, up from 1.5% in 2016.”

-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. 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.

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