

Nikkei Taiwan Manufacturing PMI[®]

Output expands at weakest pace for six months in April

Key points:

- Production and total new work both increase at softest rates since last October
- Employment growth picks up
- Inflationary pressures ease, but remain marked

Data collected April 12-20

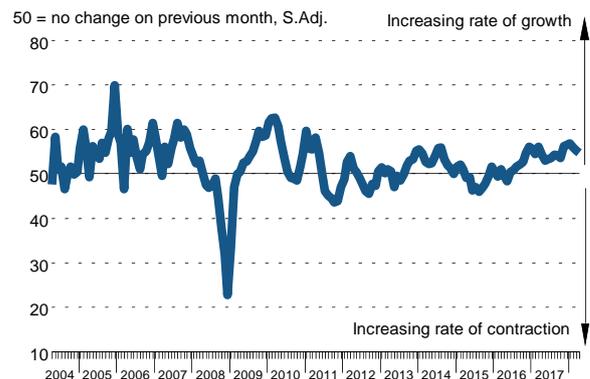
Taiwanese manufacturers signalled the weakest improvement in operating conditions for six months in April, as firms reported softer rises in both output and total new business. Notably, new export sales rose to the weakest extent for 19 months. As a result, growth in purchasing activity slowed, while inventories of both inputs and finished items expanded at weaker rates. Nonetheless, companies continued to add to their payrolls, and at a faster rate than in March. Price pressures eased but remained sharp overall, with both input costs and output charges rising at historically marked rates.

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 an overall improvement in operating conditions.

The seasonally adjusted headline PMI posted 54.8 in April, down from 55.3 in March, to signal an improvement in the health of Taiwan's manufacturing economy for the twenty-third month in a row. Though solid and above the series long-run trend, the rate of improvement was the slowest seen for six months.

April data signalled a weaker, but still strong, increase in production at Taiwanese manufacturers. Notably, the rate of growth was the least marked since last October. Slower growth in output coincided with a softer upturn in total new business at the start of the second quarter. Though solid, the rate of new order growth was likewise the weakest seen for six months, underpinned by the slowest increase in export sales for just over one-and-a-half years.

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Sources: Nikkei, IHS Markit.

Softer demand conditions contributed to a less marked rise in buying activity. Notably, the latest upturn in purchasing activity was the slowest recorded since last July. At the same time, inventories of finished goods rose only slightly, while stocks of inputs expanded at the weakest rate for seven months.

The average time taken for inputs to be delivered to firms continued to lengthen markedly in April. According to panellists, stock shortages among vendors continued to add pressure to supply chains.

Backlogs of work rose sharply at the start of the second quarter, despite the pace of expansion easing since March. According to panellists, sustained growth in new orders had imparted further pressure on operating capacities. Meanwhile, staff numbers continued to increase, and at the quickest pace in three months.

Inflationary pressures remained steep in April. This was despite the rates of input price and output charge inflation easing to eight-month lows. Higher cost burdens were generally linked to a broad-based increase in raw material prices.

Although business confidence towards the 12-month business outlook remained positive, the degree of optimism moderated to a six-month low in April.

Comment:

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

“After a solid performance over the opening quarter of the year, PMI data indicated that the upturn in Taiwan’s manufacturing sector lost a little more steam in April.

“Production and new orders both expanded at the weakest rates for six months, while companies were slightly less optimistic towards the year-ahead outlook. Perhaps most discouraging was a marked slowdown in new export sales, which grew at the slowest pace for over a year-and-a-half.

“Softer demand conditions, particularly in international markets, and a weaker increase in purchasing activity therefore hint that growth of the sector may slow further in the coming months.”

-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 applied: 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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