

# Nikkei Taiwan Manufacturing PMI<sup>®</sup>

## Manufacturing downturn eases in March

### Key points:

- PMI signals only marginal decline in health of sector
- Softer falls in output and new orders
- Slight increase in employment

Data collected March 12-21

Operating conditions continued to deteriorate across Taiwan’s manufacturing sector at the end of the first quarter, but the rate of decline was much softer than that seen in February. Notably, production, total new orders and export sales all contracted at slower rates. As a result, purchasing activity fell at a weaker pace, while inventories declined only slightly. However, firms continued to cut their prices to attract new work, despite a quicker rise in average input costs. On a positive note, firms expressed cautious optimism towards the 12-month outlook for production, which contrasted with a downbeat assessment in February. Furthermore, staffing levels expanded for the first time in four months, albeit marginally.

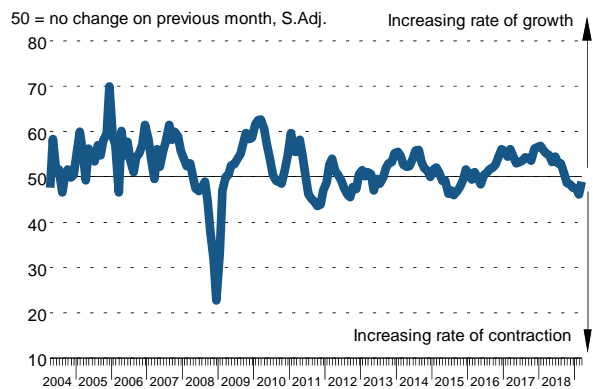
The headline Nikkei Taiwan Manufacturing *Purchasing Managers’ Index™ (PMI<sup>®</sup>)* is a composite single-figure indicator of manufacturing performance. It is derived from sub-indices for new orders, output, employment, suppliers’ delivery times and stocks of purchases. Any figure greater than 50.0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

At 49.0, the headline PMI indicated a further deterioration in overall operating conditions in March. That said, the reading was up from February’s three-and-a-half year low of 46.3, to signal only a marginal decline that was the weakest seen in the current six-month sequence of deterioration.

Manufacturers signalled a softer fall in output at the end of the first quarter. Notably, the rate of reduction was the least marked for six months, having eased notably from February’s recent record.

The less pronounced decline in production coincided with the softest fall in new orders since

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Sources: Nikkei, IHS Markit.

last September. Firms that reported lower sales widely commented on relatively subdued demand conditions, particularly across export markets. Furthermore, new export work fell for the seventh month running, albeit at a much weaker pace.

Fewer new orders enabled firms to reduce the amount of outstanding business at their units again in March. That said, the rate of backlog depletion was only fractional. At the same time, companies increased their headcounts for the first time in four months, though only slightly.

In tandem with the slower falls in new orders and output, buying activity declined at the least marked rate for six months. Companies also signalled only marginal drops in stocks of both inputs and finished goods.

A further reduction in buying activity helped to alleviate pressure on supply chains, as highlighted by the first improvement in delivery times since the start of 2016.

Input costs meanwhile rose further in March, and at the quickest rate since last November, amid reports of greater prices for raw materials. However, firms cut their factory gate prices for the fourth month in a row as part of efforts to stimulate client demand.

Looking ahead, business sentiment regarding the 12-month outlook for output turned positive for the first time this year, though confidence remained subdued overall.

## Comment:

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

*“PMI data showed that the downturn in Taiwan’s manufacturing sector eased in March, following a particularly steep deterioration in conditions during February. Production, new orders and export sales all fell at much softer rates, while companies tentatively raised their staffing levels for the first time in four months.*

*“However, concerns over the global outlook continued to weigh on business confidence, and there will need to be a marked improvement in demand conditions before the sector can lift itself back into expansionary territory.*

*“IHS Markit currently forecast real GDP in Taiwan to expand by 2.1% in 2019, down from 2.6% in 2018. However, lingering concerns over the US-China trade dispute, signs of a slowing global economy and sluggish demand for consumer electronics could further dampen growth prospects going forward.”*

-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](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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