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IHS Markit Taiwan Manufacturing PMI®

Manufacturing sector continues to expand rapidly in April

Key findings

Sharp increase in output as total sales growth hits 11-year high

Unprecedented supplier delays amid reports of material shortages

Rapid rise in costs drives record increase in selling prices

Data were collected 12-22 April 2021.

Growth momentum continued to gather pace in the Taiwanese manufacturing sector at the start of the second quarter. Overall new business expanded at the quickest rate for just over 11 years amid a stronger uptick in export sales, leading to a further substantial rise in output.

However, material shortages and transportation delays drove a fresh record increase in suppliers' delivery times. This contributed to a rapid increase in average input costs, which in turn drove an unprecedented rise in prices charged.

The Taiwan Manufacturing Purchasing Managers' Index® (PMI®) climbed further in April, rising from 60.8 in March to 62.4. This marked the highest reading since March 2010, and pointed to a substantial improvement in the health of the sector.

Supporting the improvement in the headline index was a sharper increase in overall new work. Total sales expanded at the steepest pace since March 2010, with panel members commenting on robust demand both at home and abroad as market conditions continued to recover from COVID-19. Moreover, export orders expanded at the sharpest rate for over a decade.

As a result, production volumes continued to expand at a substantial pace. There was evidence that shortages of inputs had weighed on output at some firms, however, which meant that growth softened slightly since March.

As part of attempts to increase capacity and meet rising order volumes, goods producers increased their staffing numbers in April. Though solid, the rate of expansion was notably softer than the recent increases in new orders. Consequently, capacity pressures persisted, and backlogs of work grew at the steepest rate for just over 11 years.

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Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Annabel Fiddes, Economics Associate Director at IHS Markit, said:

"Taiwan's manufacturing sector continued to boom at the start of the second quarter, with total sales rising at the quickest rate for over 11 years.

"The steep increases in new orders and output seen in 2021 suggest the economy continued to recover strongly from the pandemic, and added signs to a further revival of demand across key markets such as Europe and the US.

"However, supply chain disruption remains a key concern, as supplier delays hit a new record in April amid reports of shortages and reduced shipping capacity. This is starting to weigh on overall production growth, while firms also registered a rapid increase in backlogs. Therefore, supply bottlenecks could weigh on performance in the months ahead, despite manufacturers efforts to build buffer stocks.

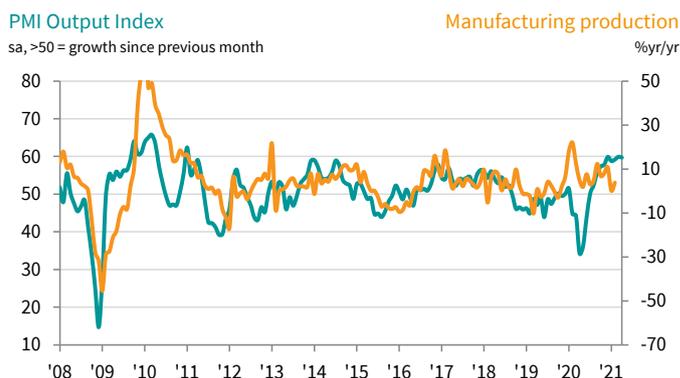
"Shortages also fed through to a rapid increase in costs, which firms are having to increasingly pass on to clients."

Higher production requirements also led manufacturers to increase their purchasing activity in April. Moreover, the rate of expansion was the quickest since March 2010.

On the inventories front, stocks of finished items rose only modestly. Firms indicated that efforts to build up inventories were partly offset by the greater utilisation of current stocks to meet customer demand. Meanwhile, inventories of inputs were accumulated at the fastest rate on record, as firms sought to meet rising order volumes, but also protect against any future shortages.

Supply chain delays persisted at the start of the second quarter. Notably, the rate at which vendor performance deteriorated was the sharpest on record, with firms citing raw material shortages, transport delays and reduced freight availability.

Supplier shortages and delays drove a sharp and accelerated rise in average input costs. Notably, the rate of inflation was the fastest recorded for over a decade. As part of efforts to alleviate pressure on margins, companies chose to partially pass on higher costs to customers through increased selling prices. Although not as sharp as that seen for input costs, the rate of charge inflation was the steepest seen in 17 years of data collection.



Sources: IHS Markit, National Statistics via Datastream.

Taiwanese manufacturers were highly confident that output would rise over the next year. The degree of optimism hit a seven-year high, and was largely driven by expectations of a sustained and strong post-pandemic recovery both at home and abroad.

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Methodology

The IHS Markit Taiwan Manufacturing PMI® is compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

April 2021 data were collected 12-22 April 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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.
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