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IHS Markit Taiwan Manufacturing PMI®

PMI signals sharpest improvement in operating conditions since January 2011

Key findings

PMI at near-decade high of 59.4

Firms report sharper growth of output and new business

Input costs rise rapidly as supplier delays worsen

Data were collected 4-15 December 2020.

Latest PMI data signalled a substantial improvement in the health of Taiwan's manufacturing sector in December, as firms reported sharper increases in output and new work. However, supplier shortages and delays contributed to a substantial rise in input costs, which led to a marked increase in output charges. Although sales rose sharply, firms expanded their staff numbers only modestly, which drove a rapid increase in backlogs of work.

The Taiwan Manufacturing Purchasing Managers' Index® (PMI®) posted 59.4 in December, up from 56.9 in November, to signal the quickest improvement in operating conditions since January 2011. The health of the sector has now strengthened in each of the past six months, as it continues to recover from the coronavirus disease 2019 (COVID-19) outbreak at the start of the year.

Supporting the higher headline index reading was a sharp and accelerated rise in Taiwanese manufacturing production. The latest upturn in output was the fastest for nearly a decade, driven by a substantial rise in new work.

Overall new business also expanded at the sharpest rate since the start of 2011 in December, with firms citing a further rebound in sales as the impact of the pandemic continued to unwind. Growth in new export work also hit a near-decade high, as companies reported stronger demand across many major external markets.

Although firms registered steeper increases in production and sales, they adopted a cautious approach to staffing levels. Employment rose only modestly at the end of the year, with the rate of job creation easing slightly from that seen in November. As a result, backlogs of work increased at the sharpest rate since February 2018.

Rising inflows of new work prompted firms to expand their

continued...

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 had a strong end to 2020, with firms registering the steepest upturns in output and new orders for nearly a decade. Encouragingly, firms reported greater demand both at home and abroad, with growth of export sales also improving to its highest for nearly 10 years.

"However, firms were reluctant to increase their staffing levels at an equally rapid pace. This likely reflects the fact that companies registered a substantial rise in input costs as supplier shortages pushed up raw material prices and firms struggled to get hold of materials.

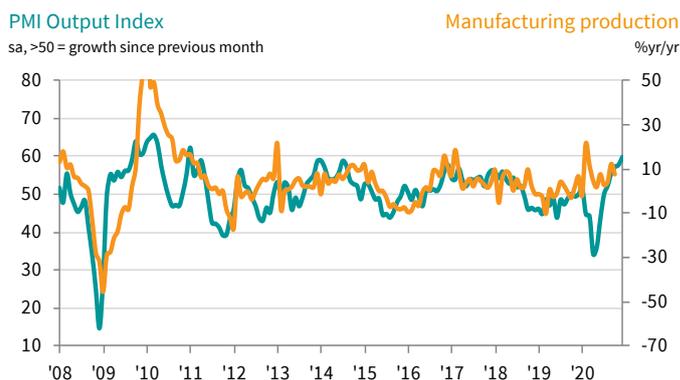
"While the data suggest that improved demand conditions will support a further expansion of the sector as we head into 2021, supply chain disruptions, rising costs and the resurgence of COVID-19 virus cases in a number of export markets could weigh on overall growth in the near-term."

purchasing activity and at a faster rate. However, stock shortages, limited capacity and port delays led to a substantial lengthening of suppliers' delivery times. Notably, the rate at which vendor performance deteriorated was the second-fastest in 15 years (after April 2020).

Latest data pointed to renewed increases in both pre- and post-production items in December, as firms sought to stockpile amid strained supply chains and greater customer demand.

The improved sales trend, and expectations that global demand conditions will continue to improve over the months ahead, boosted business confidence to a 33-month high.

Inflationary pressures meanwhile picked up notably in December. Average input prices rose at the steepest rate since December 2016, driven by increased raw material prices and stock shortages. In order to help maintain profit margins, firms passed on higher operating expenses to clients by raising their selling prices at the quickest pace since March 2011.



Sources: IHS Markit, National Statistics via Datastream.

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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.

December 2020 data were collected 4-15 December 2020.

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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