Taiwan Manufacturing PMI

Taiwanese manufacturing companies signalled a renewed improvement in operating conditions during July as the sector recovered from the impact of the coronavirus disease 2019 (COVID-19) pandemic. Notably, production levels stabilised and total new orders returned to growth. At the same time, buying activity and stocks of inputs fell at much softer rates. However, companies maintained a cautious approach to employment, with staff numbers falling further in July. Prices data meanwhile showed a much steeper increase in costs, but firms’ efforts to remain competitive led to only a slight rise in output charges.

The Taiwan Manufacturing Purchasing Managers’ Index® (PMI®) rose above the neutral 50.0 level to 50.6 in July to signal the first improvement in operating conditions for four months. Though only marginal, the improvement contrasted with a solid deterioration in the health of the sector in the previous month (index at 46.2).

The upturn was supported by a renewed increase in overall sales during July. Though only slight, it was the first time new orders had increased since January. Companies that registered higher new business often mentioned a return to more normal market conditions as the pandemic situation improved. At the same time, new business from abroad fell at a much slower rate, declining modestly overall.

The relative improvement in market conditions also helped to stabilise production levels in July. Notably, this ended a five-month period of declining output.

Although new work expanded slightly, manufacturers cut their staffing levels again in July. The rate of job shedding quickened since June and was modest overall. A number of firms commented on relatively subdued sales and efforts to raise efficiency. As a result, there was some pressure on capacity, as...
highlighted by a renewed increase in backlogs of work. Although purchasing activity continued to decline in July, the rate of reduction was the slowest seen since the current downward trend began in February. Stocks of purchased items and finished goods both fell further at the start of the third quarter partly due to efforts to contain costs. Average vendor performance deteriorated further amid reports that the COVID-19 pandemic continued to strain supply chains. That said, the rate at which delivery times lengthened was the slowest in 2020 to date.

Taiwanese manufacturers recorded a solid and accelerated rise in average input costs during July. Notably, the increase was the quickest recorded since October 2018, with a number of monitored firms blaming the upturn on higher raw material costs. The steeper uptick in costs led to the first rise in prices charged since November 2018. That said, the rate of increase was only slight as efforts to attract sales dampened overall pricing power.

Manufacturers were generally upbeat regarding the 12-month outlook for output in July. The degree of optimism strengthened slightly since June but remained below the long-run trend. Growth forecasts were generally linked to expectations of rising customer demand once the pandemic situation improves.