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IHS Markit Taiwan Manufacturing PMI®

Strained supply chains continue to dampen production growth in October

Key findings

Firms record steeper increase in new work...

... but output expands only modestly amid ongoing supplier delays

Input costs and output charges both rise at sharper rates

Data were collected 12-21 October 2021.

Operating conditions faced by Taiwanese manufacturers continued to improve strongly at the start of the fourth quarter, according to latest PMI data. Firms registered a notably steeper increase in overall sales, but severe supplier delays and a lack of raw materials continued to limit growth in production. Consequently, backlogs of work rose rapidly, while shortages drove further increases in average purchasing prices. Notably, both input costs and output charges rose at sharper rates than in September.

The IHS Markit Taiwan Manufacturing *Purchasing Managers' Index*® (PMI®) rose from a 13-month low of 54.7 in September to 55.2 in October, to signal a sharp improvement in overall business conditions. That said, the rate of growth remained softer than those recorded earlier in 2021 and was the second-weakest seen over the past year.

Helping to lift the headline figure was a stronger upturn in total new work during October. The rate of growth picked up notably from September's modest pace and was sharp overall, with companies citing greater domestic and foreign demand. New export work rose solidly overall, albeit to a weaker extent than in September.

Despite the steep rise in total sales, production growth remained mild overall, with a number of companies commenting that supply shortages and delays had restricted growth. As a result, outstanding business rose rapidly, with the rate of accumulation picking up from that seen at the end of the third quarter.

Although supplier delays were the least severe for 11 months, the rate at which delivery times increased remained rapid and among the quickest in the survey history. Panel members

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 saw a notable pick up in client demand during October, according to latest PMI data, with total sales rising sharply overall. However, manufacturers struggled to meet the upturn in orders, as shortages and supplier delays constrained output growth. As a result, backlogs of work continued to rise rapidly as firms could not process and complete orders in a timely manner.

"At the same time, greater costs for raw materials, energy and transportation led average input costs to soar in October. This in turn led to a sharper rise in factory gate prices as companies looked to pass on part of these expenses to clients.

"The ongoing and severe disruption to supply chains is likely to remain a key challenge for Taiwanese manufacturers in the months ahead. Until vendor performance shows signs of improving, it's likely that output across the sector will remain subdued for some time yet, and that there will be further marked pressure on costs."

frequently attributed longer lead times to strong demand for inputs, low stock levels at vendors and delayed shipping schedules.

At the same time, employment across the sector rose for the twelfth month in a row. However, the rate of job creation slowed for the second month running and was modest overall.

In line with the trend for new work, firms recorded a sharper rise in purchasing activity during October. Some companies also noted efforts to stock-pile inputs due to ongoing supply chain disruption. Latest data showed that stocks of inputs rose at a softer, but solid, pace. Inventories of finished items meanwhile rose modestly, which was partly attributed to the delayed shipment of goods to clients.

Average input costs continued to rise at a historically sharp rate in October amid reports of greater prices for raw materials, transportation and energy. Moreover, the rate of inflation quickened for the first time in six months. Steep increases in costs led firms to raise their own prices again, and at the fastest rate since July.

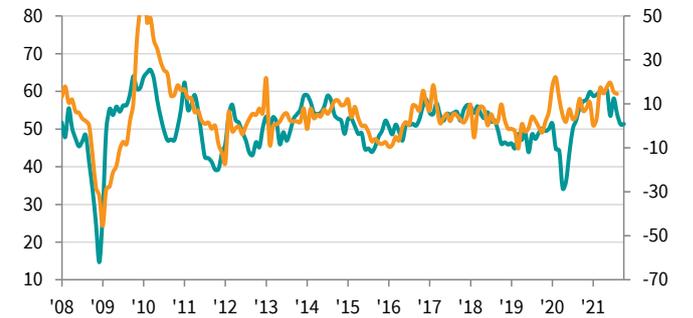
After dropping to a 15-month low in September, business confidence regarding future output picked up in October. Companies widely anticipate demand conditions to continue to strengthen over the next year, but expressed concerns over how long supply bottlenecks and rising costs will persist.

PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



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.

October 2021 data were collected 12-21 October 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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