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# IHS Markit Taiwan Manufacturing PMI®

## Production growth slows amid severe supply chain disruption

### Key findings

Manufacturing output expands at notably softer rate in August

Suppliers' delivery times lengthen at near-record pace

Input buying rises substantially amid efforts to build up inventories

Data were collected 12-20 August 2021.

Manufacturing companies in Taiwan recorded a notably softer expansion in output during August. The slowdown was frequently linked to material shortages and supplier delays, though sales growth also eased since July. As a result, backlogs of work continued to rise rapidly, despite a solid gain in employment. Price pressures also remained marked, with input costs and output charges rising at historically sharp rates. As part of efforts to protect against any future supply chain disruption and price hikes, firms raised their purchasing activity at a substantial pace.

The IHS Markit Taiwan Manufacturing Purchasing Managers' Index® (PMI®) dipped from 59.7 in July to 58.5 in August, to indicate a further robust improvement in the health of the manufacturing sector. That said, the reading was the second-lowest recorded since last November (after June).

A key factor weighing on the headline figure was a slower rise in output during August. The latest upturn in production was the second-weakest seen over the past year, albeit solid overall. Companies frequently mentioned that supply chain delays and material shortages had limited output during August.

At the same time, total new orders rose at a softer, but still robust pace in August. Growth in new export work meanwhile edged down to a 10-month low amid reports of pandemic-related disruption across a number of key markets.

Supplier delays remained severe in August, with vendor performance deteriorating at the second-quickest rate since data collection began in April 2004. Panel members stated that low stock levels at vendors, shipping delays and limited availability of containers had all contributed to longer delivery times.

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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:

*"Manufacturing firms in Taiwan signalled softer rises in output and new work during August, as the sector came under strain due to severe supply chain disruption and the re-emergence of the COVID-19 virus across a number of regions.*

*"Shortages fed through to another rapid increase in input costs and output charges, despite the rates of inflation easing since July, while backlogs of work rose at a near-record pace. At the same time, firms scrambled to build up their inventories, with purchasing activity rising sharply, to help protect against future delays and any further price hikes.*

*"While virus cases have been brought under control in Taiwan, it will be crucial for infection rates, largely driven by the Delta variant, to decline elsewhere in order for supply chains to normalise and capacity pressures to ease. Until then, it's likely that firms will remain under intense pressure to keep up with demand and costs could rise further as a result."*

Greater amounts of new work and efforts to expand capacity led to a solid increase in employment in August. Notably, the rate of job creation was the joint-fastest since December 2017. However, backlogs of work continued to rise at one of the fastest rates on record, as an insufficient supply of materials limited firms' ability to process and complete orders.

Higher sales and attempts to build buffer stocks in the face of ongoing supply chain disruption drove a further marked rise in purchasing activity. Consequently, stocks of inputs continued to rise at a historically marked pace. Inventories of finished goods meanwhile rose only modestly.

Manufacturing firms registered a further sharp increase in average input costs in August, as demand continued to outstrip supply. That said, the rate of inflation slipped to a nine-month low. Companies often passed on higher input costs to clients, with factory gate prices also rising in August. Though sharp, the rate of increase was the least marked since February.

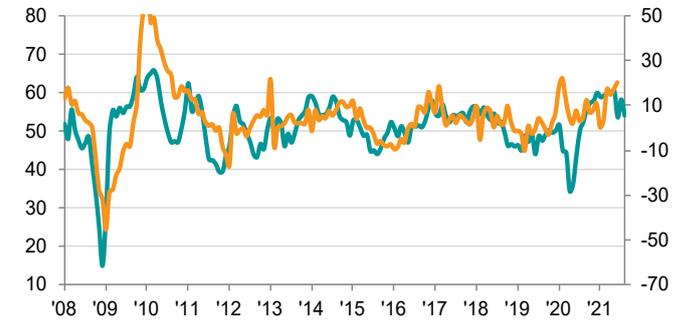
Although the overall level of optimism weakened slightly since July, Taiwanese manufacturers remained highly confident that output would rise over the next year. Firms often linked their upbeat assessments to expectations that global economic conditions will improve once the pandemic is under control, and investment in new products and factories.

## 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.

August 2021 data were collected 12-20 August 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### About PMI

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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