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IHS Markit Taiwan Manufacturing PMI®

Manufacturing production falls for first time in 17 months

Key findings

Output declines slightly amid strained supply chains

New order growth softens, but remains strong

Near-record increase in input costs

Data were collected 12-22 November 2021.

Latest PMI data showed that the recovery of Taiwan's manufacturing sector was hindered by strained supply chains, while demand growth also cooled midway through the final quarter. Shortages of key components contributed to the first decline in output for 17 months and drove a further substantial rise in backlogs. As part of efforts to protect against shortages and delivery delays, firms ramped up their purchasing activity and expanded their staff numbers again. However, price pressures intensified, with input costs and output charges both rising at near-record rates.

At 54.9 in November, the IHS Markit Taiwan Manufacturing Purchasing Managers' Index® (PMI®) slipped from 55.2 in October, but remained comfortably above the neutral 50.0 mark to signal a further improvement in business conditions. That said, the reading was the second-lowest seen since August 2020.

The five PMI components showed that a renewed fall in output, softer growth in new orders and a slightly less severe deterioration in vendor performance offset stronger increases in employment and input stocks.

After rising in each of the prior 16 months, manufacturing production in Taiwan fell slightly in November. Panellists indicated that supplier delays and shortages of key components had weighed on production schedules, alongside relatively muted customer demand.

Though strong overall, the latest upturn in total new work was not as marked as that seen in October and notably softer than the average for 2021 so far. New business from abroad also rose solidly, albeit at the weakest pace for 14 months.

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:

"The latest PMI data showed that Taiwan's manufacturing sector recovery was held back by the ongoing global supply chain crisis and softer-than-expected demand conditions in November. Output declined for the first time in 17 months, while sales growth was much slower than that seen earlier in 2021. New export business meanwhile expanded at the softest rate for over a year. Some firms mentioned that delayed shipping schedules and rising prices had dampened sales.

"Difficulties obtaining key inputs and a further substantial deterioration in suppliers' delivery times prompted firms to stock build and increase their staffing levels again. However, it seems unlikely that production schedules can recover quickly unless there is an improvement in supply chains and faster delivery of key components.

"Firms are also facing mounting costs as demand for materials outstrips supply, which has translated into a further steep rise in selling prices."

continued...

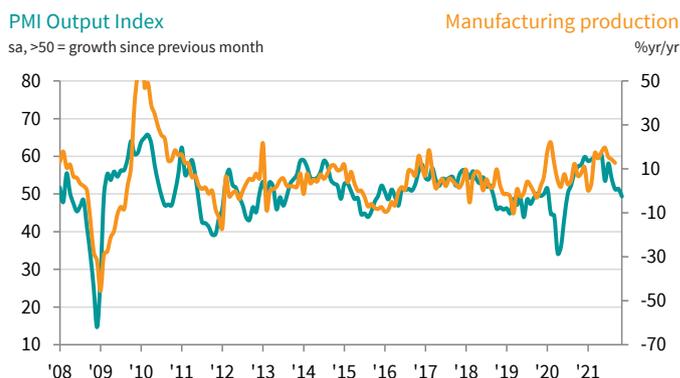
Constrained output and rising sales led to a further increase in backlogs of work, with the rate of accumulation remaining rapid, despite softening from October.

As part of efforts to expand capacity, firms increased their workforce numbers and buying activity again in November. The rate of job creation was solid overall and the quickest for three months. Purchasing activity meanwhile rose at a rapid and accelerated pace as firms sought to protect against future shortages and price hikes.

Inventories of purchased items expanded for the twelfth month in a row, and at the steepest rate since August. Stocks of finished goods also rose in November, and at a slightly faster rate, though there were reports this was partially due to difficulties shipping goods to customers.

Supplier performance meanwhile deteriorated for the twenty-eighth month in a row. Delivery times lengthened rapidly overall, albeit at the slowest rate for 12 months.

Higher costs for raw materials, transport and robust demand for inputs all pushed up input prices in November. The rate of cost inflation was the quickest since June and rapid. Consequently, firms raised their selling prices again, and at a substantial pace that was also the fastest for five months.



Sources: IHS Markit, National Statistics via Datastream.

Business confidence improved slightly in November, with overall sentiment reaching a three-month high. Many firms hope that a further recovery from the pandemic, new product releases and improved supplier performance can support growth over the next year.

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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.

November 2021 data were collected 12-22 November 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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