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IHS Markit Taiwan Manufacturing PMI®

PMI slips to 13-month low in September

Key findings

Slowest increases in output and new orders since July 2020

Supply chain delays remain severe, input costs continue to rise sharply

Business confidence dips to 15-month low

Data were collected 13-22 September 2021.

Latest PMI data signalled a further loss of growth momentum across Taiwan's manufacturing sector during September, with both production and sales expanding at the weakest rates for over a year. Companies highlighted that severe supply chain disruption had hampered performance, while the pandemic also weighed on new order intakes. Inflationary pressures meanwhile remained historically sharp, despite softening since August, and business confidence regarding the year-ahead slipped to its lowest since June 2020.

At 54.7 in September, the IHS Markit Taiwan Manufacturing Purchasing Managers' Index® (PMI®) signalled a steep improvement in overall operating conditions. That said, the reading was down from 58.5 in August and pointed to the slowest rate of expansion since August 2020, with growth having slipped for the second month in a row.

Taiwanese goods producers noted a much softer rise in overall new work at the end of the third quarter. Notably, the rate of increase was the weakest recorded for 14 months and only mild. The pandemic was reportedly a key factor weighing on sales. New export business also expanded at a slower pace, though the upturn was nonetheless sharp overall.

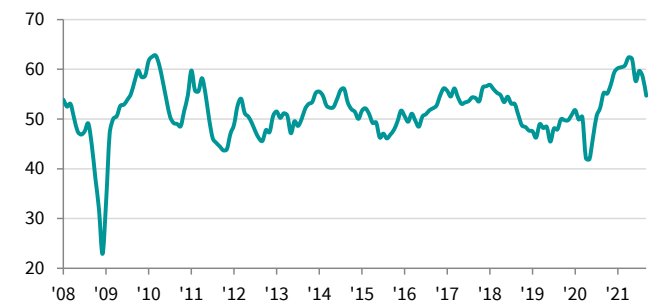
In line with the trend for total new work, production increased only modestly in September, with the rate of growth also slipping to a 14-month low. Companies commented that raw material shortages and supplier delays had also limited production.

Though not as widespread as in August, supply chain delays remained severe in September. Material shortages, insufficient vendor capacity and logistical delays all stretched lead times further.

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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:

"The latest PMI data for Taiwan highlighted a further notable slowdown in growth momentum at the end of the third quarter, as manufacturers registered the softest rises in production and new work for over a year.

"Companies indicated that relatively subdued demand conditions, often due to the pandemic, and severe supply chain delays had limited growth. As a result, confidence towards the year ahead dipped to its lowest since July 2020.

"It will be crucial for supply chains to improve in order for operations to fully normalise and for a sustained economic recovery to get underway. At the same time, the pandemic continues to cloud the outlook and adds a question mark over when this can happen.

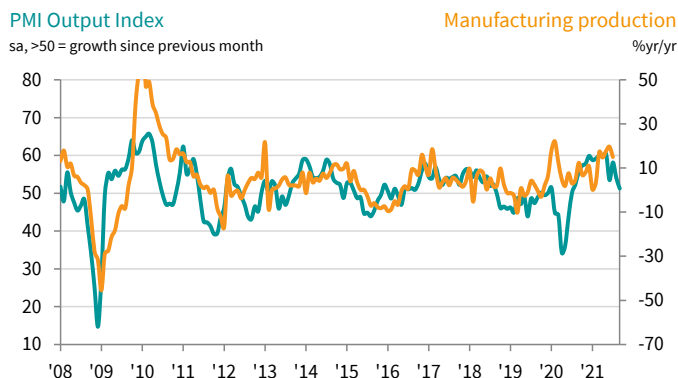
"While Taiwan has managed to contain the latest COVID-19 outbreak, cases are still high elsewhere. However, rising vaccination rates globally should help to limit the impact of the virus and restore confidence in the future."

A slower, but still strong, rise in purchasing activity was also evident in the latest survey period. The upturn was partly driven by efforts to build buffer stocks due to supply chain disruption. As a result, stocks of inputs continued to expand at a marked pace. Inventories of finished items meanwhile rose at the fastest pace for seven months, often linked to difficulties sending finished items to clients due to container shortages and shipping delays.

Employment at Taiwanese manufacturers rose for the eleventh month in a row. The rate of job creation was strong, albeit the second-slowest seen in the year-to-date. Staff hiring was often attributed to efforts to boost capacity as well as the filling of vacancies. Raw material shortages meanwhile contributed to a further sharp increase in outstanding business.

Input costs continued to rise sharply in September, despite the rate of inflation dipping to a 10-month low. Panel members frequently mentioned higher prices for raw materials due to scarcity and increased shipping fees. These were often passed on to clients, with output charges rising markedly.

Business confidence weakened to the lowest since June 2020 in September. Concerns around the outlook largely stemmed from COVID-19 related uncertainty, subdued demand conditions and input shortages.



Sources: IHS Markit, National Statistics via Datastream.

Contact

Annabel Fiddes
Economics Associate Director
IHS Markit
T: +44-1491-461-010
annabel.fiddes@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
Telephone +44 207 260 2234
joanna.vickers@ihsmarkit.com

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.

September 2021 data were collected 13-22 September 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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