Manufacturing production expands at slowest rate for ten months

Key findings

- Softer increases in both output and total new work
- Supply chain delays remain severe, pushing up input costs further
- Business confidence dips to eight-month low

June PMI data signalled a softer expansion of Taiwan's manufacturing sector, with firms registering the slowest increases in output and new orders for ten months. Difficulties in obtaining inputs and the recent resurgence of COVID-19 cases had impacted production and sales, according to panellists. Notably, suppliers’ delivery times extended at a near-record pace, and contributed to a further rapid increase in input costs.

Optimism towards the one-year outlook for output meanwhile slipped to an eight-month low in June, dampened by concerns over the recent rise in COVID-19 infections.

After accounting for seasonal factors, the IHS Markit Taiwan Manufacturing Purchasing Managers’ Index® (PMI®) dipped from 62.0 in May to 57.6 in June. Though still indicative of a historically strong improvement in operating conditions, it marked the softest expansion since November 2020.

Weighing on the headline index was a notably slower expansion in production in June. Though solid, the latest increase was the softest recorded since last August. Panel members indicated that production schedules were impacted by raw material shortages as well as the recent rise in domestic COVID-19 cases.

At the same time, growth in total new work also softened to a ten-month low in June, with firms often mentioning that the virus had dampened domestic demand. New export sales also rose to a weaker extent, albeit still rapidly overall.

In line with the trends seen for output and new orders, buying activity expanded at a slower rate at the end of the second quarter. Though sharp, the upturn was the least marked for nine months. Supply chain delays remained severe, however, continued...

Comment

Commenting on the latest survey results, Annabel Fiddes, Economics Associate Director at IHS Markit, said:

“PMI data indicated that growth momentum softened across Taiwan’s manufacturing sector at the end of the second quarter, with output and new orders both rising at the softest rates since last August. Companies stated that the recent rise in COVID-19 cases in the region and severe supply chain disruption weighed on production and sales, with the survey showing delivery times for inputs increasing at one of the quickest rates on record.

“To help control the virus the current Level 3 COVID-19 alert, which includes school closures, restrictions around gatherings, and a shift to remote working or staggered work schedules, has now been extended to mid-July. These guidelines, along with ongoing difficulties obtaining inputs, means that growth of the sector could cool further until conditions normalise.”
Taiwanese manufacturers were generally optimistic that output would be higher than current levels in one year’s time, but the degree of confidence slipped to an eight-month low. While many firms expected global conditions to continue to recover from the pandemic, there were concerns that the recent rise in cases domestically might hamper growth.