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IHS Markit Taiwan Manufacturing PMI®

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

Data were collected 11-22 June 2021.

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...

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:

"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."

with lead times for inputs deteriorating at one of the fastest rates on record in June. Panel members frequently mentioned that firmer demand for inputs, low stock levels at vendors and COVID-19 restrictions had impeded supplier performance.

Difficulties in obtaining inputs led companies to add to their inventories again in June. That said, stocks of purchases expanded at the slowest rate for three months, while inventories of finished goods rose only fractionally.

Taiwanese goods producers added to their payroll numbers again in June and at a solid pace that was little-changed from May. The increase was linked to efforts to meet rising customer demand, but capacity pressures persisted, as highlighted by a further marked rise in backlogs of work.

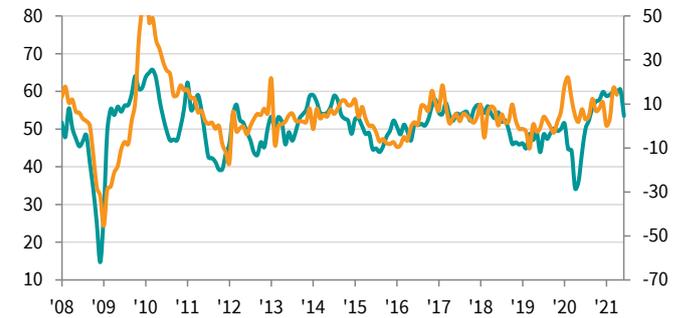
Although easing slightly since May, the rate of input cost inflation remained rapid in June amid reports of higher prices for raw materials and transportation. Companies generally passed their higher expenses on to clients in the form of increased output prices, though the rate of inflation also softened since May.

PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



Sources: IHS Markit, National Statistics via Datastream.

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.

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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.

June 2021 data were collected 11-22 June 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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