News Release

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IHS Markit Taiwan Manufacturing PMI®

Operating conditions improve at quickest pace for two years in August

Key findings

Output and new orders expand at steepest rates since June 2018

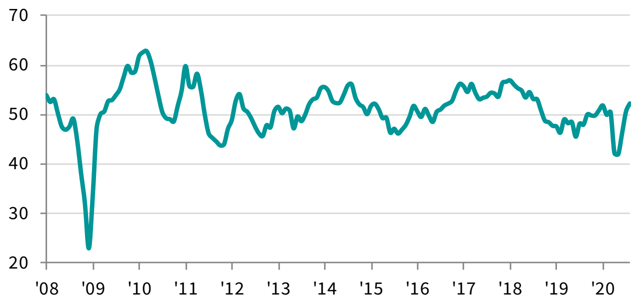
Employment falls again as firms seek to contain costs

Sharper rise in input costs, but output charges increase only slightly

Data were collected 12-20 August 2020.

Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

August survey data signalled a stronger improvement in operating conditions faced by Taiwanese manufacturers. The upturn coincided with an easing of restrictions globally relating to the coronavirus disease 2019 (COVID-19) pandemic. The resumption of operations at home and overseas led to the quickest increase in sales for over two years, which drove a stronger rise in output. Furthermore, optimism towards the 12-month outlook rose to its highest since January. However, efforts to contain costs and raise productivity led to a further decline in employment, despite an increase in backlogs of work. Input costs rose at the sharpest rate for 22 months, but firms raised their selling prices only marginally.

The Taiwan Manufacturing Purchasing Managers' Index® (PMI®) rose from 50.6 in July to 52.2 in August, to signal a back-to-back monthly improvement in the health of the sector. Though modest, the rate of improvement was the strongest recorded since August 2018.

Driving the headline PMI higher was a solid and accelerated increase in new business received by Taiwanese goods producers in August. According to panellists, the reopening of clients and resumption of business operations had boosted sales over the month. The latest upturn in total new work was the quickest since June 2018 and supported by a renewed rise in export orders.

Higher amounts of new work led to an increase in production in August. Though modest, the rate of expansion was also the steepest seen for 26 months.

Stronger demand conditions and greater new order inflows led to a second successive rise in backlogs of work, albeit only slight. However, firms continued to trim their staff numbers due to efforts to cut costs and improve efficiency.

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Comment

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

"Taiwan's manufacturing sector had its best month for two years in August, with firms signalling stronger rises in both output and new orders.

"Companies frequently mentioned that the reopening of clients and resumption of operations, both at home and overseas, had helped to lift sales. Furthermore, firms recorded the first increase in export orders since January, adding to hopes that the global economic recovery is gaining momentum.

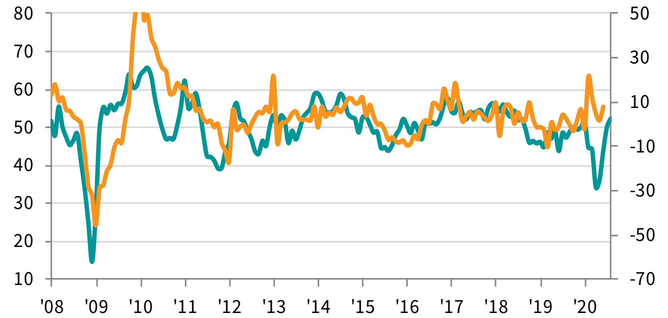
"However, costs remain a key concern, with operating expenses rising at the quickest rate for close to two years, while companies raised their selling prices only slightly in order to remain competitive. Increased pressure on margins and efforts to raise efficiency led to a further drop in employment, despite a further increase in backlogs of work."

Reflective of the improved sales trend, companies raised their buying activity for the first time since January (albeit only slightly). However, the time taken for inputs to be delivered increased further amid reports that supply chains continued to be adversely impacted by the pandemic.

The uptick in input buying contributed to a slower fall in inventories of pre-production items in August. Some firms continued to note efforts to streamline stocks, however. At the same time, the delivery of goods to clients led to a further reduction in inventories of finished items.

Input costs rose at the sharpest pace since October 2018 in August, with many firms citing higher raw material prices, which often stemmed from supplier shortages. Despite the marked increase in cost burdens, companies raised their selling prices only slightly in August amid reports of strong market competition.

Optimism towards the 12-month outlook for production improved in August, with the level of positive sentiment reaching the highest since January. Companies widely anticipate global economic conditions and client demand to improve further in the months ahead, as economies continue to recover from the COVID-19 pandemic.



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 2020 data were collected 12-20 August 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

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.
ihsmarkit.com/products/pmi.html.

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