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# IHS Markit Taiwan Manufacturing PMI®

## Production growth remains muted amid ongoing supply shortages

### Key findings

Output expands for second month in a row, albeit modestly

Sharp rise in export orders supports steep increase in overall sales

Input delivery delays and price pressures remain historically marked

Data were collected 12-21 January 2022.

Business conditions across Taiwan's manufacturing sector continued to recover at the start of 2022. Robust client demand, particularly in overseas markets, supported a further solid increase in total new work, while firms continued to add to their payrolls. However, shortages of inputs remained a key concern, and supplier delays weighed on growth of output and drove a further steep increase in backlogs of work. At the same time, companies reported further rapid rises in both input costs and output charges.

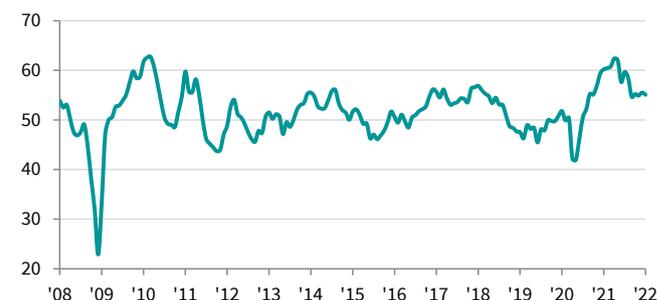
The IHS Markit Taiwan Manufacturing Purchasing Managers' Index® (PMI®) edged down from 55.5 in December to 55.1 in January. The figure remained well above the 50.0 neutral mark to signal a further steep improvement in overall business conditions. Though not as quick as those seen through most of 2021, the pace of improvement remained much quicker than that seen on average since the survey began in April 2004 (52.4).

Production at Taiwanese manufacturers rose for the second month running in January, though the pace of expansion softened slightly and was only modest. While many firms mentioned raising output due to higher sales, a number of companies noted that shortages of inputs had weighed on growth.

Although overall new business rose at a slightly softer pace than in December, the upturn remained solid overall. Underlying data suggested that greater foreign demand was a key driver of sales growth, with new export orders rising sharply. Companies often cited stronger demand across Europe, mainland China and the US.

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 indicated that Taiwan's manufacturing sector recovery continued at the start of 2022, though growth remained constrained by ongoing supplier delays and input shortages."*

*"A key driver of growth has been robust export sales, with firms citing greater demand across key markets such as Europe, mainland China and the US. It was particularly encouraging that foreign sales remained robust as the world grapples with the Omicron variant."*

*"However, with output growth continuing to lag that seen for sales, backlogs rose rapidly again. If supply chain disruption eases, this could support higher production and ease capacity pressures, allowing overall growth momentum to strengthen. This could also lead to an easing of inflationary pressures, as firms continue to face rapid rises in costs due to supply and demand imbalances."*

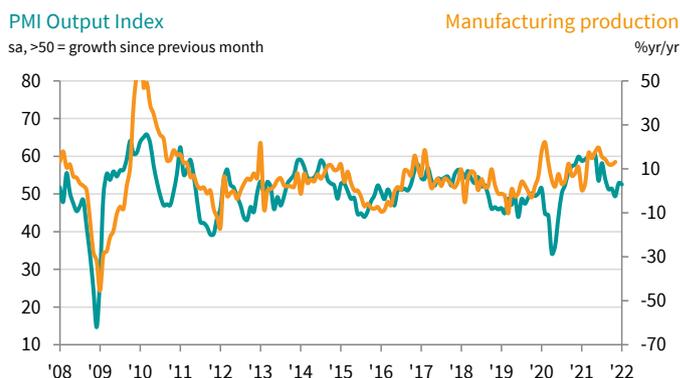
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Employment across Taiwan's manufacturing sector rose again in January. That said, the rate of job creation was mild and insufficient to prevent a further increase in backlogs. Outstanding business expanded at a rapid pace that was similar to those seen at the end of 2021.

Stretched international supply chains led to logistics delays and longer wait times for inputs in January. Although the incidence of delays was the least severe for 14 months, the rate at which lead times increased remained rapid overall.

Rising sales drove a further increase in buying activity at the start of 2022. Though sharp, the rate of expansion eased to a four-month low. At the same time, stocks of pre-production items rose at a softer, but still rapid, pace. Inventories of goods meanwhile expanded solidly, in part due to the delayed shipment of items to clients.

Cost pressures remained historically strong in January. Input prices rose substantially overall, despite the rate of inflation easing for the second month in a row, with firms citing greater costs for materials, transport and shipping. The rate of output price inflation also eased in January, but remained sharp.



Sources: IHS Markit, National Statistics via Datastream.

Taiwanese manufacturers expressed strong confidence towards the 12-month outlook for output. Notably, the degree of optimism improved to a five-month high. Firms anticipate that a further recovery from the pandemic will boost customer demand, but also expect that investment in and the release of new products will support growth.

## Contact

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

Joanna Vickers  
Corporate Communications  
IHS Markit  
Telephone +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto: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.

January 2022 data were collected 12-21 January 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### 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.  
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