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# IHS Markit Taiwan Manufacturing PMI®

## Manufacturing output returns to growth in December

### Key findings

Output rises after slight decline in November

Steeper increase in total sales amid stronger foreign demand

Supply chain delays and rising costs lead to greater stockpiling

Data were collected 06-15 December 2021.

Taiwan's manufacturing sector recovery regained some momentum at the end of 2021, with firms reporting a renewed increase in output amid stronger demand conditions. There were tentative signs of supply chains moving closer to stabilising, though delays remained marked overall. As a result, strong inflationary pressures persisted, with average input costs and output charges both increasing rapidly. Companies also looked to stockpile inputs due to expectations of further price hikes and shipment delays; stocks of inputs rose at a record pace in December.

The IHS Markit Taiwan Manufacturing Purchasing Managers' Index® (PMI®) rose from 54.9 in November to 55.5 in December, to signal a further improvement in overall business conditions. Though remaining well below the readings seen at the start of the year, the index pointed to the strongest rate of improvement for four months.

A renewed and solid upturn in production supported the higher PMI figure. Notably, the rate of output growth was the quickest seen since August. Companies often mentioned that they had increased production due to higher new order intakes and improved demand conditions.

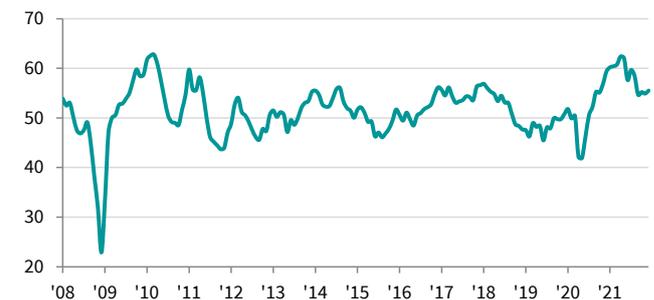
Total new work rose at a sharp and accelerated rate in December, in part due to the steepest increase in foreign demand for five months. There were widespread reports of greater spend across both domestic and external client bases, with improved demand noted across key export markets such as Europe, Japan, mainland China and the US.

Although companies continued to add to their staffing levels, the rate of job creation weakened to a 12-month low. Some

*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:

*"Taiwan's manufacturing sector had a strong end to 2021, with the headline PMI rising to a four-month high. Firms reported a renewed and strong upturn in output amid signs that the worst of supply chain delays were over, and a sharper rise in sales from both domestic and international clients."*

*"However, shortages of some key components continued to weigh on firms' abilities to process and finish orders, which drove a further steep increase in backlogs. This situation has been exacerbated by relatively mild job creation, with some firms highlighting difficulties recruiting staff, particularly from abroad."*

*"Expectations that supplier performance will remain uneven in the months ahead and challenges with shipping items meanwhile drove notably quicker increases in inventories."*

*"Cost pressures were again a key point of concern, as rates of input price and output charge inflation remained historically sharp at the end of the year."*

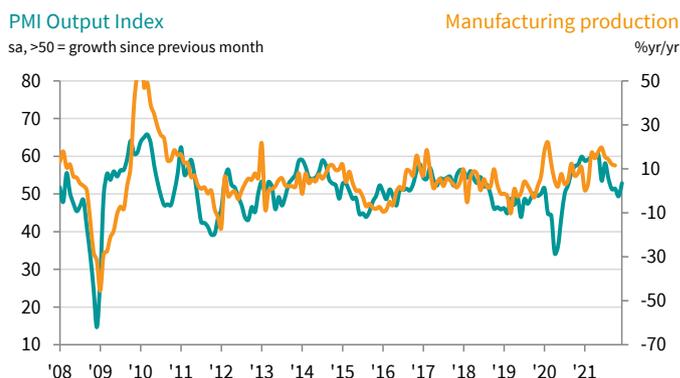
firms mentioned difficulties hiring new staff, particularly from overseas.

Capacity pressures persisted, as rising new orders and shortages meant that backlogs of work rose again in December and at a substantial pace.

Supplier performance continued to deteriorate, with the time taken for inputs to be delivered to manufacturers increasing sharply overall amid reports of material shortages and shipping delays. That said, the rate at which lead times lengthened was the slowest for 13 months.

Expectations that supply chain disruptions will persist in the new year and of further supplier price hikes contributed to increased stockpiling during December. Purchasing activity rose sharply overall, though the rate of increase was not quite as steep as that seen in November. At the same time, stocks of inputs rose at the quickest rate since the survey began in April 2004. Stocks of finished items also expanded at a sharper pace, though some firms also linked this to difficulties shipping items to clients.

Higher prices for a range of raw materials, increased shipping fees and greater energy costs all contributed to a rapid rise in input prices, despite the rate of inflation softening from November. Prices charged also increased at a slower, but still substantial, pace.



Optimism towards the 12-month outlook improved to its highest in four months in December, with firms anticipating further improvements in customer demand, new product releases and investment to support growth in 2022.

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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.

December 2021 data were collected 06-15 December 2021.

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