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# IHS Markit Taiwan Manufacturing PMI®

## Manufacturing sector recovery gathers pace in September

### Key findings

Headline PMI improves to highest since March 2018

Output rises at sharper pace amid substantial increase in new work

Employment expands at quickest rate for nearly two-and-a-half years

Data were collected 11-22 September 2020.

Taiwanese manufacturers registered the strongest improvement in operating conditions for two-and-a-half years in September, as the sector continued to recover from the coronavirus disease 2019 (COVID-19) pandemic. Production and total new work both rose at sharper rates, which led to a renewed increase in staffing levels. At the same time, firms expanded their buying activity at a steeper rate and made efforts to build up their inventories. Prices data showed that margins remained under pressure, however, as firms raised their selling prices only modestly despite a substantial increase in input costs.

At 55.2 in September, the Taiwan Manufacturing *Purchasing Managers' Index*® (PMI®) was up from 52.2 in August, and signalled a marked improvement in the health of the sector. The index has now registered above the 50.0 no-change level for three successive months, with the latest reading the highest since March 2018.

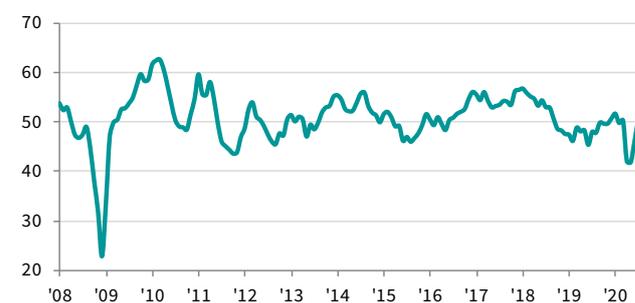
Helping to lift the PMI was a steeper increase in manufacturing production at the end of the third quarter. Notably, the rate of expansion was the quickest since March 2018. Panel members frequently linked the upturn to firmer underlying market conditions and greater inflows of new work as the economy continued to recover from the pandemic.

Total new work rose at a sharp and accelerated pace in September, with the rate of growth hitting a 32-month high. Companies often commented on stronger demand both at home and overseas. Notably, new export orders rose at the fastest pace since June 2018.

The steeper increase in new business added further pressure to operating capacities, as highlighted by a sustained upturn in backlogs of work. Moreover, the rate of accumulation was the sharpest for over two years. As a result, firms added to their

*continued...*

Taiwan Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

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

"The recovery of Taiwan's manufacturing sector gathered pace in September, as firms reported firmer market conditions and the resumption of works at clients.

"The latest PMI data showed the sharpest increase in total new work since the start of 2018, helped in part by a solid rise in export orders. Improved sales and higher production led to a renewed upturn in employment, and buying activity rose sharply. Business confidence likewise improved, reaching an eight-month high.

"The stronger index readings can partly be attributed to a release of pent-up customer demand following an easing of COVID-19 restrictions worldwide.

"However, concerns around the globe over a second wave of infections could hamper any recovery if this leads to a re-tightening of public health measures and further disruption to business operations."

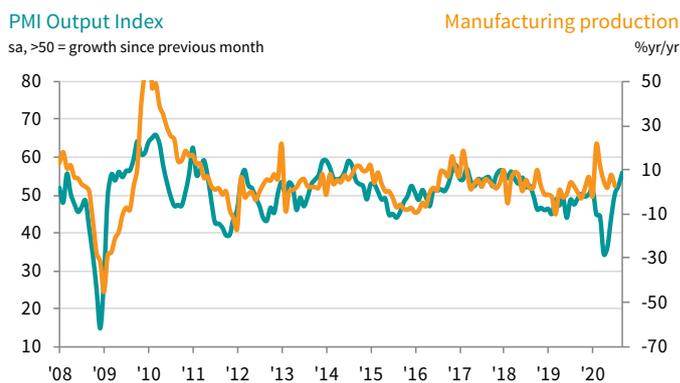
payrolls for the first time since March, and at the quickest pace since April 2018.

Greater production requirements also led to a substantial increase in purchasing activity during September. At the same time, companies commented on efforts to build up their stock levels due to firmer demand conditions, which contributed to renewed upturns in inventories of both pre- and post-production items.

The time taken for purchased items to be delivered to Taiwanese manufacturers continued to lengthen, and at a sharper rate than in August. According to panellists, the pandemic continued to disrupt supply chains and delivery times.

Average input costs faced by goods producers in Taiwan rose at the steepest rate for just under two years in September. Survey respondents widely commented on increased raw material prices, particularly for metals and oil. However, tough market competition meant that firms raised their selling prices only modestly.

The 12-month outlook for output continued to brighten in September, with business confidence improving to an eight-month high. Firms that anticipate production to increase over the next year linked this to forecasts of stronger global economic conditions. However, there were still some concerns that any resurgence of COVID-19 infections around the world could limit growth potential in the coming months.



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.

September 2020 data were collected 11-22 September 2020.

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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