

News Release

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S&P Global Taiwan Manufacturing PMI[®]

Manufacturing downturn deepens in May

Key findings

Output and new orders fall at steepest rates since January

Quickest improvement in vendor performance since start of 2009

Input costs and output charges fall

Business conditions across Taiwan's manufacturing sector deteriorated at a faster rate in May, according to the latest S&P Global PMI[®] data. Companies signalled the steepest reductions in output and total new business since the start of 2023 amid reports of weaker customer demand. Consequently, firms cut back on their buying activity and inventories, and trimmed their staffing levels at the quickest rate in over three years.

At the same time, muted demand for inputs facilitated the quickest improvement in suppliers' delivery times since January 2009. Price pressures also weakened, with companies registering falls in both input costs and selling prices.

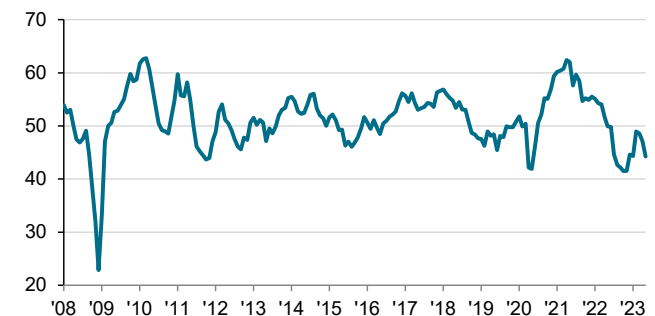
The S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI[®]) declined from 47.1 in April to 44.3 in May, to signal a sharp deterioration in business conditions midway through the second quarter. The health of the sector has worsened in each of the past 12 months, with the latest decline the steepest recorded since January.

Manufacturers based in Taiwan registered a rapid and accelerated fall in production in May that was the quickest for four months. According to panel members, subdued demand condition and lower intakes of new had weighed on production schedules.

Total new business likewise fell at the sharpest rate since the start of 2023, with firms citing lower intakes of new work across both domestic and international client bases. Concurrently, the downturn in new export business gathered pace, with companies often citing reduced sales across key export markets such as mainland China, Europe and the US.

Lower amounts of new work and a subsequent drop in production requirements led firms to cut back on their input buying at the quickest rate since January. At the same time, companies downwardly adjusted their inventories of inputs and finished goods, which fell solidly overall.

S&P Global Taiwan Manufacturing PMI
sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-22 May 2023.

Comment

Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

"The latest PMI data indicate that Taiwan's manufacturing sector slipped further into decline in May, as downturns in production and new orders intensified.

"Lower customer demand across key export markets such as mainland China, Europe and the US continued to act as a drag on the sector's performance, according to surveyed companies. As a result, firms cut back on buying activity, inventories and employment as they looked to readjust capacity in line with current demand conditions.

"With official data now confirming Taiwan's economy fell into recession in Q1, the latest manufacturing PMI data indicate a disappointing Q2.

"A sustained drop in output and notable easing of price pressures could dampen the appetite for any further interest rate hikes at Taiwan's central bank until economic conditions strengthen."

PMI[®]

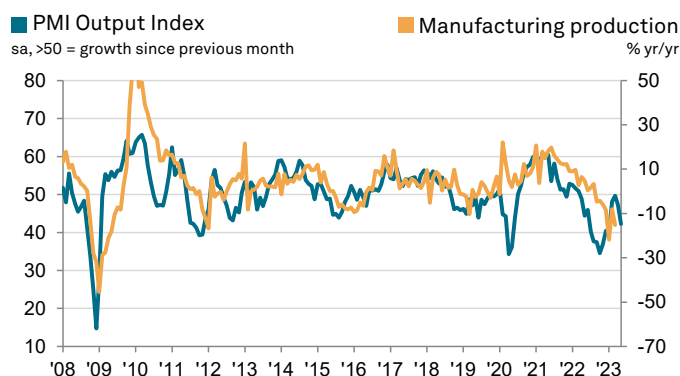
by S&P Global

Supply chain pressures continued to unwind in May, as lower demand for inputs supported a further improvement in vendor performance. Notably, average delivery times shortened at the quickest rate since January 2009.

The improved availability of inputs and muted demand environment added downward pressure on purchasing costs. Notably, average input prices fell for the first time in six months in May. Cost savings were often passed on to clients, as firms cut their selling prices at a solid pace as part of efforts to stimulate sales.

The sustained drop in new business also impacted employment levels, with manufacturers cutting their staff numbers for the fifth month in a row, and at the quickest rate for just over three years. Nevertheless, signs of spare capacity persisted, with backlogs of work falling at a sharp and accelerated pace. There were frequent reports that firms had cleared outstanding workloads due to a lack of incoming new orders.

When assessing the 12-month outlook for production, firms expressed optimism for the second straight month in May. That said, the degree of positive sentiment remained mild overall as companies often expressed concerns over how long the current downturn in customer demand will persist amid a weaker global economic climate.



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Survey methodology

The S&P Global Taiwan Manufacturing PMI® is compiled by S&P Global from responses to 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. Data collection began in April 2004.

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.

For further information on the PMI survey methodology, please contact 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. ihsmarkit.com/products/pmi.html.