

News Release

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S&P Global Taiwan Manufacturing PMI®

Manufacturing downturn eases and business confidence rebounds at start of 2024

Key findings

Firms signal softer falls in output and new business

Employment increases slightly as business mood revives

Supply chain delays worsen amid disruptions in the Red Sea

The latest PMI® survey data, compiled by S&P Global, indicated that Taiwan's manufacturing sector moved closer to stabilisation at the start of the year. Business conditions softened only modestly, with firms signalling the slowest falls in output and new orders since early-2023. At the same time, companies were much more upbeat about the year-ahead, with overall business confidence improving to a 23-month high, which in turn supported a renewed increase in staff numbers. However, recent shipping disruptions in the Red Sea exacerbated supply chain pressures, with delivery times increasing to the greatest extent since December 2022.

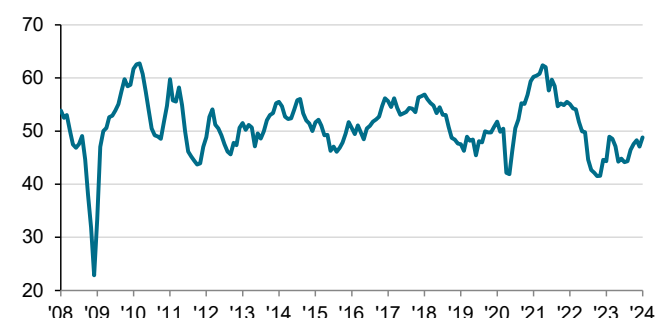
At 48.8 in January, the S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI) increased from 47.1 in December and signalled a deterioration in the overall health of Taiwan's manufacturing sector for the twentieth consecutive month. However, the pace of decline was the among the weakest recorded over this period and pointed to only a modest rate of deterioration.

A key factor helping to lift the headline index was a softer reduction in total new work during January. Total new orders declined at the weakest pace since last March and only modestly. While firms often commented that the overall demand environment remained challenging, others noted a relative improvement in customer sales compared to December. New export business likewise fell at a slower pace at the start of the year.

As a result, Taiwanese manufacturers cut their production volumes at a softer pace at the start of 2024. Notably, the rate of contraction was the slowest since last April and only modest.

January survey data also indicated that goods producers trimmed their purchasing activity to a lesser extent. Input buying declined at the slowest rate for ten months, with readjustments often made in response to current production needs. Companies also remained cautious with regards to

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



Source: S&P Global PMI.

Data were collected 11-23 January 2024.

Comment

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

"The latest PMI survey data added to evidence that the worst of Taiwan's manufacturing downturn is now behind us, with the headline index moving closer to the crucial neutral 50.0 level. Companies reported the slowest drops in output and new work for nearly a year, while business confidence surged amid hopes that 2024 will bring a strong recovery in customer demand.

"It was particularly encouraging to see this confidence translate into a fresh rise in employment, albeit marginal, as firms looked to work on new product development and expand capacity.

"However, it will be important to monitor how demand trends unfold over this first quarter in order for a strong and sustained recovery.

"At the same time, manufacturers will be keeping an eye on developments across shipping routes in the Red Sea to see how this may impact supply chains going forward. The latest survey showed that shipping disruptions have already had an impact on delivery times, but this also has the potential to fuel price pressures in the months ahead."

PMI®

by S&P Global

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inventory levels, with both pre- and post-production stocks falling again during January. That said, rates of depletion softened from December in both cases.

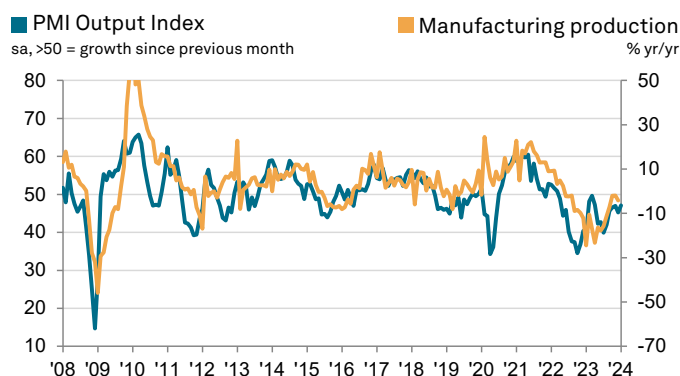
The average time taken for purchased inputs to be delivered to Taiwanese goods producers lengthened again in January. Though modest, the rate at which vendor performance deteriorated was the quickest since December 2022. Companies often linked this to disruption to shipping routes in the Red Sea and insufficient stock at suppliers.

With inflows of new business remaining subdued, firms were once again able to work through backlogs in January. That said, the rate of depletion was the softest since last March and mild overall.

On the employment front, firms registered an increase in staffing levels as they prepared for planned company expansions and new product development. Though only slight, it marked the first upturn in payroll numbers since December 2022.

Hiring plans were also supported by stronger optimism around the 12-month outlook for output. Notably, the degree of positive sentiment surged to a 23-month high amid hopes of firmer demand conditions in 2024.

Prices data meanwhile signalled divergent trends, with input costs rising again in January but selling prices falling. The rate of cost inflation edged down to a five-month low, however, and was only modest. Concurrently, average prices charged for manufactured goods were cut for the first time since last August as firms looked to boost their competitiveness. That said, the rate of discounting was only marginal.



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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@spglobal.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. www.spglobal.com/marketintelligence/en/mi/products/pmi