

News Release

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S&P Global Taiwan Manufacturing PMI®

Mild deterioration in operating conditions in March

Key findings

Production, new orders and employment all fall slightly

Destocking activity sustained amid pessimistic outlook

Fastest improvement in supplier performance since May 2013

Operating conditions faced by Taiwanese manufacturers deteriorated mildly in March, according to latest PMI data compiled by S&P Global. The downturn in production continued to ease, while firms signalled only marginal drops in new orders and employment. However, companies continued to cut back on their buying activity and inventories fell sharply as business confidence around the year-ahead remained weak.

Lower demand for inputs drove a renewed improvement in supplier performance, however, which improved to the greatest extent in nearly a decade. At the same time, the rate of input cost inflation slowed, and firms cut their selling prices again due to efforts to stimulate sales.

The S&P Global Taiwan Manufacturing *Purchasing Managers' Index™* (PMI®) posted 48.6 in March, down slightly from 49.0 in February to signal a mild deterioration in business conditions. Notably, the rate of decline remained much softer than those recorded in the second half of 2022 through to January.

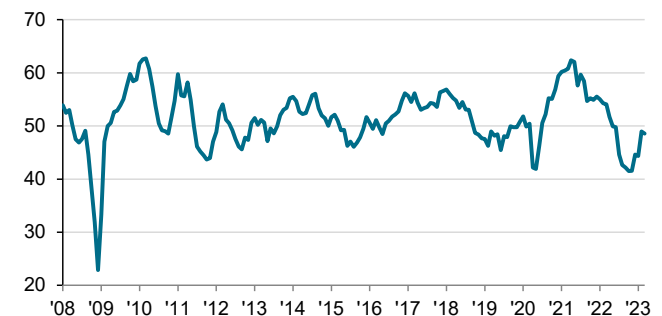
A key factor contributing to the sub-50.0 headline index reading was a further drop in production volumes during March. That said, the pace of reduction was the weakest seen over the current 12-month period of decline and only marginal. Companies indicated that weak demand conditions continued to weigh on production schedules at the end of the first quarter.

Total new business fell for the eleventh month running in March, though the rate of contraction was little-changed on the month and only slight. Firms frequently mentioned that softer global economic conditions and high inventory levels at clients had dampened sales. New export business fell at a faster rate than in February, albeit modestly overall.

Muted demand conditions led firms to maintain a cautious approach to staffing levels. Firms often commented on the non-replacement of voluntary leavers, which led to a further

S&P Global Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-23 March 2023.

Comment

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

"The latest PMI data indicated that Taiwan's manufacturing sector continued to contract at the end of the first quarter. However, the pace of decline was considerably softer than those seen through the second half of 2022 into January, with production volumes close to stabilising in March."

"Weakness continued to stem from subdued global economic conditions and a corresponding drop in client demand. Until there is a meaningful improvement in customer spending at home and overseas, the sector is likely to remain under pressure in the months ahead."

"On a more positive note, there was a notable improvement in supply chains in March, with delivery times shortening to the greatest extent in nearly a decade. While this was due to falling demand for inputs, it bodes well for when the sector moves back into recovery."

PMI®

by S&P Global

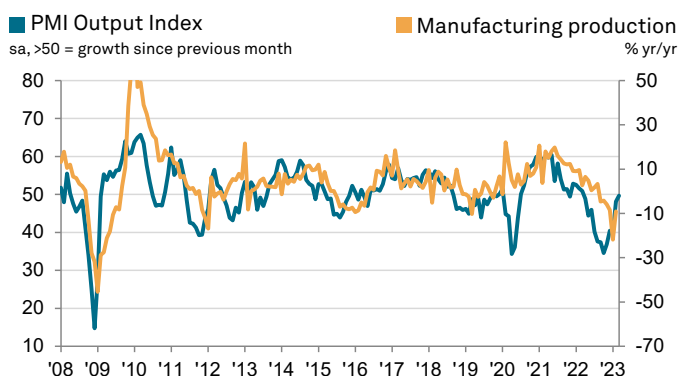
marginal drop in overall employment across the sector. Despite lower payroll numbers, companies were able to reduce outstanding workloads again in March. The mild fall in backlogs was commonly linked to a lack of incoming new business.

Taiwanese goods producers continued to cut back on their input buying amid lower production requirements and a further deterioration in demand. That said, the pace of decline was the softest recorded since June 2022 and modest. Sharp falls were meanwhile recorded for both inventories of inputs and finished items at the end of the first quarter. Companies indicated that they readjusted their current stock holdings to cut costs and to reflect weaker demand conditions.

The sustained drop in demand for inputs supported a renewed improvement in average vendor performance in March. Delivery times for inputs shortened for the first time since July 2019, and to the greatest extent in nearly ten years.

The rate of input cost inflation meanwhile eased from February and, though solid, remained below the series' long-run average. Higher expenses were often attributed to greater prices for raw materials and oil. Despite the further uptick in costs, Taiwanese manufacturers cut their selling prices for the fourth straight month in March. The mild reduction in output charges was widely linked to efforts to boost sales and client requests for discounts.

Expectations regarding output over the next 12-months remained downbeat in March. Companies indicated that a weak global economic environment and muted sales were expected to weigh on production in the year ahead.



Sources: S&P Global, National Statistics via DataInsight.

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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.