News Release

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S&P Global Taiwan Manufacturing PMI®

Return to growth of Taiwan's manufacturing economy in April

Key findings

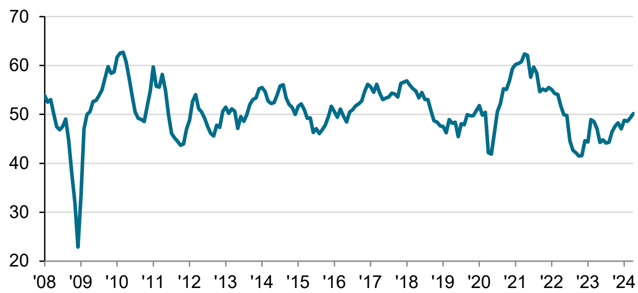
Modest growth in output underpinned by slight rise in new orders

Employment numbers raised, but purchasing activity cut again

Input costs rise at steeper pace in April

S&P Global Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 11-22 April 2024.

Taiwan's manufacturing economy registered marginal growth in April for the first time in two years. There were concurrent rises in output and new orders, plus a return to rising employment. Panellists nonetheless continued to report that market demand remained relatively subdued, and therefore retained a cautious approach to buying activity, instead signalling a preference to utilise inventories wherever possible.

Input price inflation meanwhile picked up on the back of a broad-based rise in raw material costs, though firms remained limited in their ability to pass these on to customers with output charges falling marginally again in April.

The S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI®) posted 50.2 during April. That was up from 49.3 in March and marked the first, albeit marginal, improvement in operating conditions recorded by the survey for two years.

Output and new orders both increased during April. The increase in production was modest, but nonetheless the first increase recorded by the survey for over two years. Panellists broadly attributed higher output to increased new orders, which rose slightly and for the first time since March 2022. Companies signalled that demand had improved, especially from domestic sources. However, underlying market conditions remained somewhat subdued, especially overseas. Although declining only slightly, new export orders fell again in April, extending the current downturn to 26 months.

With output rising at a faster rate than new orders, latest data showed that backlogs of work were reduced at a quicker pace than in March whilst inventories of finished goods increased marginally. It was the first growth in warehouse goods for over two years. Higher staffing levels also meant firms were able to keep on top of overall workloads: employment growth was signalled for the third time in the past four months during April.

Comment

Paul Smith, Economics Director at S&P Global Market Intelligence, said:

"April's survey showed some recovery of the Taiwanese manufacturing economy from a sustained period of contraction, with output and new orders registering growth for the first time in over two years. There were widespread reports of a pickup in market demand, although this was primarily generated from domestic sources as new export orders declined again.

"Latest order books data therefore highlights the embryonic nature of the recovery, with customer demand remaining overall subdued and limiting the ability of firms to pass on higher costs to clients. Firms were also understandably somewhat cautious in their buying activity, preferring instead to utilise inventories.

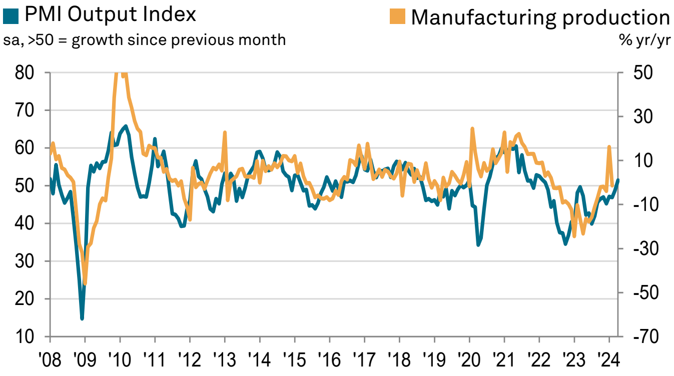
"That said, companies are confident that growth will pick up and were sufficiently optimistic to add to their staffing levels for the third time in the past four months."

Firms were more reticent when it came to buying activity, with a cut in purchasing signalled in April which extended the current period of contraction to two years. The rate of contraction was modest and reflected a preference amongst firms to utilise existing inventories wherever possible. Stocks of purchases were subsequently reduced for a twenty-second successive month (albeit only marginally).

There were some positive supply-side developments in April, with average lead times improving for a second month in a row. The degree to which times shortened was also the best recorded by the survey since May 2023. Panellists reported that sufficient stock at vendors, alongside subdued global manufacturing demand, had underpinned the improvement in times.

Input prices nonetheless continued to increase, with inflation registered for a ninth successive month. There were reports from panellists of a broad-based rise in raw material prices, which pushed up overall costs to the greatest extent in three months. Companies were often unable to pass these on to clients, with insufficient market demand limiting pricing power. Overall, output prices declined modestly and for the fourth successive month.

Finally, confidence in the outlook remained positive. Firms are hopeful that market demand will improve, leading to a pickup in sales and output. Equally, firms also expect to bolster productivity in the 12 months ahead.



Sources: S&P Global PMI, National Statistics via S&P Global Market Intelligence

Contact

Paul Smith
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-038
paul.smith2@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82 2 6001 3128
sungha.park@spglobal.com

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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.

About S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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