

News Release

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S&P Global Taiwan Manufacturing PMI[®]

Operating conditions deteriorate solidly in June

Key findings

Production and new orders decline at substantial rates

Employment cut at fastest pace since March 2009

Firms cut selling prices again, supported by lower input costs

The latest PMI[®] data from S&P Global signalled a further marked deterioration in the health of Taiwan's manufacturing sector at the end of the second quarter. Production fell sharply amid a further substantial decline in inflows of new business. Firms responded to weaker demand conditions by cutting back on their purchasing activity and inventories, while employment across the sector fell at a quicker pace. Expectations around the year-ahead meanwhile slipped into negative territory, with firms anticipating weaker global demand conditions to weigh on future production.

Subdued customer demand led firms to cut their selling prices at a solid rate, a move that was supported by a further reduction in average input costs.

The S&P Global Taiwan Manufacturing *Purchasing Managers' Index*[™] (PMI[®]) registered at 44.8 in June, up slightly from May's four-month low of 44.3. Nevertheless, the reading remained consistent with a solid deterioration in business conditions. The headline index has now posted in negative territory for just over a year.

Production at Taiwanese manufacturing firms fell for the fifteenth month in a row in June, and at a rapid pace that eased only slightly from May. Companies frequently mentioned cutting output volumes due to a drop in sales.

Total new business fell at a sharp rate that was also only slightly softer than that seen in the previous month. Manufacturers frequently mentioned that weaker global demand conditions had impacted new orders. New export orders fell at a substantial pace, and one that was the quickest for five months, with firms noting softer client demand across a variety of external markets (notably Europe and the US).

The sustained drop in demand and lower production requirements led companies to reduce their purchasing activity again in June. Furthermore, the rate of contraction was the steepest seen since January.

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



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

Comment

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

"Taiwan's manufacturing sector had another tough month in June, according to latest PMI data, with companies signalling further rapid declines in output and new orders.

"The sustained drop in demand drove a further marked reduction in purchasing activity, while firms continued to downwardly adjust their inventories. Notably, business confidence fell into negative territory for the first time in three months, highlighting that firms now anticipate output to fall over the next year. This downbeat assessment over the outlook was also reflected in a further reduction in staffing levels, and one that was the quickest for over 14 years.

"It seems unlikely the sector will move back into recovery until we see improvements in global economic conditions and stronger demand across key markets such as Europe and the US."

PMI[®]

by S&P Global

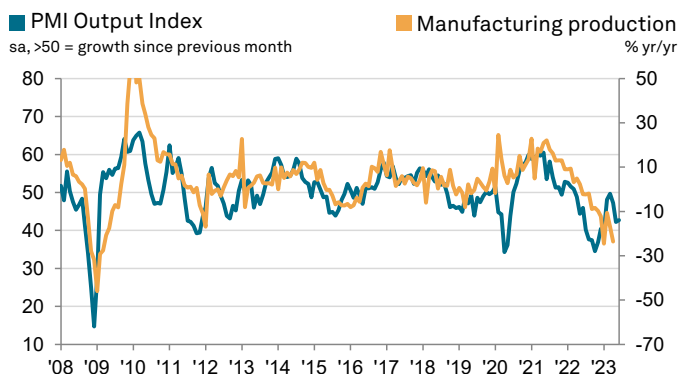
Downward adjustments were also seen for inventories, with firms reducing their holdings of both finished and purchased items in June. Moreover, stocks of post-production goods fell at the sharpest pace since last November.

Weaker demand for inputs placed less pressure on supply chains. Notably, the average time taken for purchased items to be delivered shortened at one of the quickest rates seen since 2009.

A combination of muted demand for inputs and improved supply exerted further downward pressure on purchasing costs. Average input prices fell for the second month in a row and at a solid rate, with firms widely commenting on lower raw material costs. Companies generally passed on cost savings to customers, with average selling prices falling again in June. The solid drop in output charges was widely attributed to efforts to boost new business and price negotiations with customers.

Lower inflows of new orders also enabled firms to work through any outstanding business in June. Furthermore, the rate of backlog depletion was the steepest seen since January. However, signs of spare capacity led firms to cut their staffing levels for the sixth straight month. Though moderate, the pace of job shedding was the fastest recorded since March 2009.

Taiwanese manufacturers expressed renewed pessimism towards the 12-month outlook for output in June. Firms often commented that they expect weak global economic conditions and a sustained drop in sales to weigh on output over the next year.



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

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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.