

News Release

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S&P Global Taiwan Manufacturing PMI®

Manufacturing conditions continue to deteriorate sharply in November

Key findings

Further substantial drops in output and new work

Inventories cut at quickest rate since February 2009

Input costs decline again

Taiwan's manufacturing sector saw another sharp deterioration in overall operating conditions during November, according to latest PMI data from S&P Global. Companies registered further substantial falls in both output and new business, with firms frequently linking this to weaker demand conditions at home and abroad. As a result, firms cut back on their purchasing activity sharply, and reduced their inventories at the quickest pace since early-2009. Expectations for the year-ahead remained downbeat, and firms registered a renewed drop in staff numbers.

Average input costs meanwhile fell again in November amid reports of lower raw material prices. Prices charged by manufacturers rose for the first time in four months, albeit fractionally.

At 41.6 in November, the S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI®) rose fractionally from 41.5 in October and signalled a sixth successive monthly deterioration in the health of the sector. As a result, the rate of decline was the second-sharpest seen since the start of 2009.

The biggest negative influence on the headline index stemmed from the new orders index, which signalled a further rapid reduction in overall sales at Taiwanese goods producers. This was despite the rate of contraction easing to a three-month low. Companies frequently cited weak customer demand amid a deterioration in global economic conditions. New export business likewise fell sharply during the month.

Reflective of the trend for new orders, companies cut production levels further in November. Although easing slightly from October's 30-month record, the pace of decline remained among the quickest in nearly two decades of data collection.

Lower intakes of new work also impacted purchasing activity and inventory levels in November. Input buying fell at a pace

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



Source: S&P Global.
Data were collected 11-22 November 2022.

Comment

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

"The latest PMI data showed that Taiwan's manufacturing sector continued to struggle in the face of weak global demand conditions in November. Firms registered another rapid fall in production amid a substantial decline in new business from both domestic and international clients. The current downturn in output underscores the weakest performance of the sector since the global financial crisis in 2009.

"The incredibly downbeat assessment of the 12-month outlook also suggests that firms are not anticipating things to improve anytime soon. An increasingly challenging global economic environment - where many regions face strong inflationary pressure and tightening financial conditions - is expected to constrain performance in the months ahead. This led firms to cut their purchasing activity sharply and reduce their inventories at the quickest rate in nearly 14 years. Staffing levels also fell for the first time since April, albeit marginally, as firms geared up for further demand weakness."

PMI®

by S&P Global

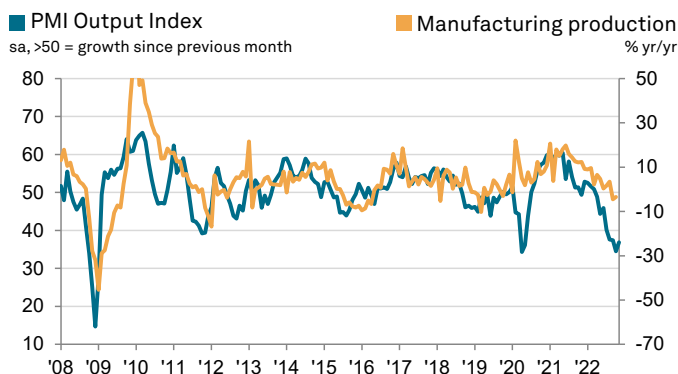
rarely exceeded in the survey history, while firms registered the steepest falls in inventories of inputs and finished items since February 2009.

The volume of outstanding business at Taiwanese manufacturers fell again in November. Although not as quick as that seen in October, the rate of depletion remained rapid overall, with firms often mentioning that a lack of new work had enabled them to clear backlogs. Firms meanwhile took a more cautious approach to hiring, with staffing levels falling for the first time in seven months, albeit marginally.

Waning demand for inputs helped to ease pressure on supply chains, with average lead times for purchased items increasing only modestly in November. Nevertheless, there were still reports of stock shortages at vendors and delayed shipping schedules.

On the costs front, average input prices fell for the fourth month in a row, with firms often mentioning lower prices for raw materials. That said, the rate of deflation softened since October and was only mild. At the same time, factory gate charges rose fractionally, thereby ending a three-month sequence of discounting.

Although not as downbeat as that seen in October, goods producers in Taiwan maintained a pessimistic view regarding the 12-month outlook for output in November. Around 38% of the panel anticipate lower production, compared to 12% that forecast an increase, with a number of firms expecting a further deterioration in global demand as many regions face strong cost pressures and tighter financial conditions.



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.