News Release

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S&P Global Taiwan Manufacturing PMI®

PMI signals strongest growth for over two years in June

Key findings

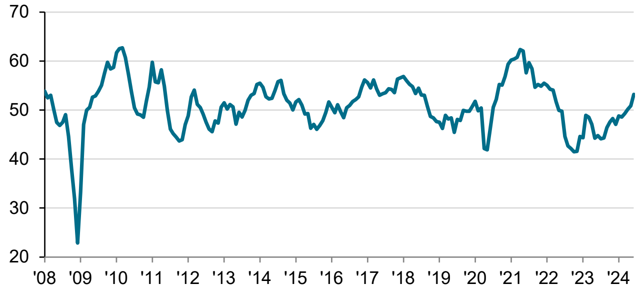
Firmer gains in both output and new orders

Focus on productivity means little change in employment

Input price inflation reaches two-year high

S&P Global Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 12-20 June 2024.

Taiwan's manufacturing economy continued to expand during June, and at an accelerated rate. Faster growth reflected greater gains in both output and new orders, as well as a firmer rise in purchasing activity. A focus on productivity enhancements meant however that employment was little changed. Firms remained confident about the future, though there were some concerns about inflation. On that front, input prices rose at the sharpest rate for two years amid evidence of a mismatch between product supply and demand.

The S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI®), which is adjusted for seasonal influences, improved in June to 53.2. That was up from 50.9 in May and marked a third successive monthly strengthening of operating conditions. June's reading was also the highest recorded since March 2022.

Underpinning the improvement in the PMI during June were concurrent rises in both output and new orders. Rates of growth also strengthened. Production rose to the greatest degree since July 2021, underpinned by the best increase in new orders for nearly three years. Panellists indicated a widespread improvement in demand for their goods, with sales reportedly higher from both domestic and international sources. New exports indeed rose solidly and for the first time since February 2022, amid evidence of increased demand from Europe, Southeast Asia, and the United States.

Manufacturers reported that higher output was achieved in part via an improvement in productivity. Such reports were supported by employment data which showed a negligible drop in staffing levels since May. There were reports of the non-replacement of voluntary leavers. Nonetheless, there were further signs of pressure on capacity as backlogs of work increased for a second successive month and to the highest degree since March 2022.

Panellists supported greater production by buying more

Comment

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

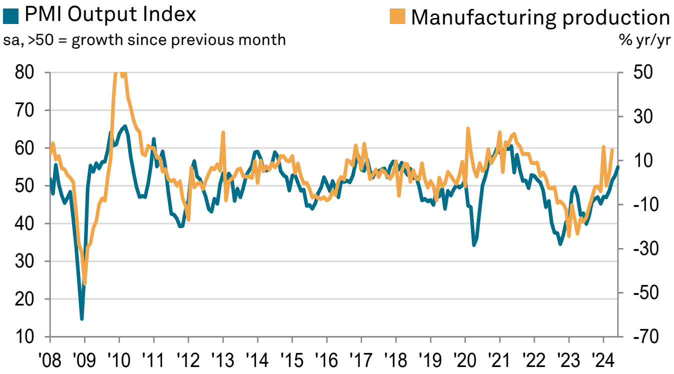
"Taiwan's manufacturing sector benefited from an upswing in domestic and international demand during June. Amid higher sales, firms ramped up their production volumes accordingly. Moreover, this was achieved in part via a distinct improvement in productivity as employment numbers were held broadly steady. If orders continue to strengthen, it remains to be seen whether firms can continue to eke such impressive efficiency gains without raising employment. Indeed, backlogs of work are already rising quite markedly and highlighting a growing pressure on productive capacity.

"Notably, June's survey revealed intensifying inflationary pressures, with input expenses rising markedly and to the greatest degree in two years. A resurgence of rising prices is something to closely watch in the months ahead and is already causing some concern amongst manufacturers, as highlighted by a drop in confidence to its lowest level since February."

inputs. Latest data showed that purchasing activity rose markedly and to the greatest degree since February 2022. This helped to bolster input inventories, though growth was only marginal. Moreover, higher demand for goods placed further pressure on vendors. Average lead times lengthened again in June, and to the greatest degree for 20 months. Panellists commented that vendors had insufficient stock. There were also reports of delays in international shipping schedules.

With evidence of a mismatch between supply and demand for products, prices in general rose sharply. June's survey indicated that input cost inflation was the highest for two years and well above the average for the series. Firms sought to pass these higher costs on to clients wherever possible, resulting in a second successive monthly rise in overall output charges. Although a 23-month high, the rate of charge inflation was noticeably slower than seen for input prices.

Finally, firms are confident that production volumes will increase in the coming 12 months. Panellists expect to observe an increase in demand, both from domestic and international clients. Further improvements in productivity should also bolster output. However, market competition and high inflation were seen as constraints on growth. Sentiment overall declined to a four-month low.



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@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