

News Release

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S&P Global Taiwan Manufacturing PMI[®]

Output falls again in June amid pandemic-related disruption

Key findings

Solid drop in output as new work declines at quicker pace

Inflationary pressures ease

Firms remain downbeat towards the business outlook

The recent uptick in COVID-19 cases across Taiwan and mainland China continued to disrupt operations at Taiwanese manufacturers, according to latest PMI data. Production fell solidly in June, while overall new work fell at a quicker pace than in May. At the same time, companies registered slower rises in both input costs and output charges, to suggest a further easing of overall inflationary pressures. Companies remained downbeat towards the 12-month outlook for output, but continued to add to their staffing levels to help offset staff absences due to COVID-19 illness.

The S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI[®]) declined from 50.0 in May to 49.8, to signal a renewed deterioration in the overall health of Taiwan's manufacturing sector. Though only slight, it was the first time that the headline index posted below the neutral 50.0 mark for two years.

Manufacturing production in Taiwan fell for the third month running in June. The rate of contraction eased from May, but was nonetheless solid overall, with firms often blaming the fall on disruption from the pandemic, notably restrictions in mainland China and staff absences, alongside weaker customer demand.

Manufacturers signalled a back-to-back monthly fall in overall new work in June. Though modest, the rate of decline was the quickest seen since the initial onset of the pandemic in June 2020. Panellists often commented on reduced demand across both domestic and external client bases, which was in part driven by the pandemic, rising costs and difficulties shipping items. Furthermore, new export business fell at the steepest pace for two years.

Staff absences due to COVID-19 as well as efforts to expand capacity led firms to take on additional workers in June. Though modest, the rate of job creation was the quickest seen for four months. Combined with relatively subdued inflows of new work, firms were able to reduce their level of

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



Source: S&P Global.
Data were collected 13-22 June 2022.

Comment

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

"Taiwanese manufacturers had a disappointing end to the second quarter, with firms noting a further decline in output and a quicker drop in sales. The recent rise in COVID-19 cases in Taiwan, combined with pandemic-related disruption elsewhere, weighed heavily on operations as well as intakes of new work.

"The fact that firms currently project a fall in output over the coming year emphasises the challenges that lie ahead. Not only are firms facing the unpredictable nature of COVID-19 waves, but strong inflationary pressures globally, stretched supply chains and uncertainty over the Russia-Ukraine war.

"Although the latest survey hints that inflationary pressures have at least cooled slightly, costs continued to rise sharply overall. Notably, Taiwan's central bank hiked its key discount rate to 1.5% in June, the highest level since 2016, as part of efforts to curb inflation. We anticipate that the central bank will raise its key interest rate to 1.8% by the end of 2022."

PMI[®]

by S&P Global

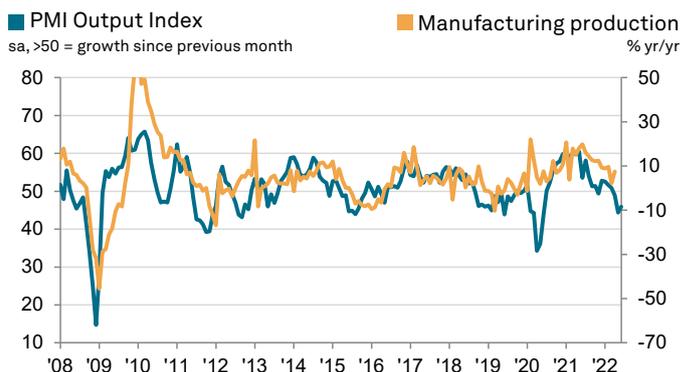
outstanding business again in June.

Softer demand conditions meanwhile led firms to trim their purchasing activity again at the end of the second quarter. There were also signs of supply chain disruption easing slightly, as companies registered the weakest deterioration in vendor performance for nearly two years. Nonetheless, lead times for inputs lengthened solidly overall amid reports of shipping delays and material and staff shortages.

The delayed delivery of inputs purchased in prior months and efforts to stockpile in the face of rising costs underpinned a further increase in inventories of pre-production items in June. However, stocks of finished goods fell again as some firms readjusted their inventories to reflect weaker customer demand.

Inflationary pressures eased slightly in June, but remained historically sharp overall. The rate of input price inflation softened to the lowest in just over a year-and-a-half, while prices charged inflation was the weakest since December 2020.

Taiwanese manufacturers generally anticipate a fall in production over the next year amid concerns over how long pandemic-related disruption will persist, the Russia-Ukraine war, rising costs and waning customer demand. That said, the degree of negative sentiment was not as severe as that seen in May and only marginal.



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

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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.