News Release

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S&P Global Taiwan Manufacturing PMI®

Manufacturing conditions deteriorate at quickest pace since November 2022

Key findings

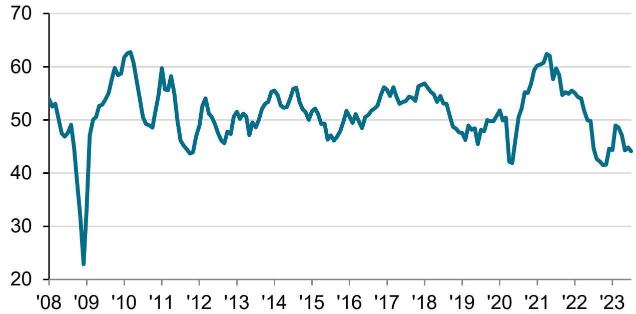
Output, new orders and export sales all fall at quicker rates

Output charges cut at fastest pace since May 2020

Employment drops again amid pessimism around the outlook

S&P Global Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-21 July 2023.

Manufacturing conditions in Taiwan continued to deteriorate sharply at the start of the third quarter, according to the latest PMI® data from S&P Global. Companies registered the quickest falls in output and overall new business since January, citing weak demand conditions both at home and overseas. The sustained drop in customer demand weighed on confidence around the outlook, and led companies to scale back their purchasing activity and reduce their staff numbers. Lower demand for inputs placed further downward pressure on purchasing costs. However, softer market conditions meant firms often passed on savings to clients by cutting their selling prices.

At 44.1 in July, the S&P Global Taiwan Manufacturing *Purchasing Managers' Index™ (PMI®)* slipped from 44.8 in June and signalled a deterioration in the health of the sector for the fourteenth consecutive month. The pace of decline was the sharpest recorded since November 2022 and among the steepest since the survey began in April 2004.

A key factor pushing the headline index lower in July was an accelerated fall in manufacturing production. Output has now been scaled back in each of the past 16 months, with the latest reduction the quickest seen since January.

Firms frequently mentioned lowering output in response to weak demand conditions and fewer new orders. Total new business likewise fell at the fastest rate since January and rapidly overall. Panel members noted lower sales across both domestic and external client bases. Notably, new export business contracted at the steepest rate for six months, with firms commenting on reduced demand across a variety of markets, including Europe, Japan, mainland China and the US.

Lower production requirements prompted firms to cut back on input buying again at the start of the third quarter. The pace of decline was substantial and little-changed from June. At the same time, manufacturers remained cautious

Comment

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

"The latest PMI data indicate that the manufacturing downturn in Taiwan worsened in July, with overall conditions deteriorating at the quickest rate for eight months.

"Declines in output, new orders and export sales all gathered pace, with firms blaming weaker global economic conditions and high inventory levels at clients.

"The data therefore suggest a weak performance entering the third quarter, with little sign that things will pick up in the near-term. Moreover, Taiwanese manufacturers anticipate further cuts to output in the months ahead, as softer global demand conditions are projected to remain a drag on the export-led economy."

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regarding their inventory holdings, with stocks of both finished items and inputs falling solidly in July.

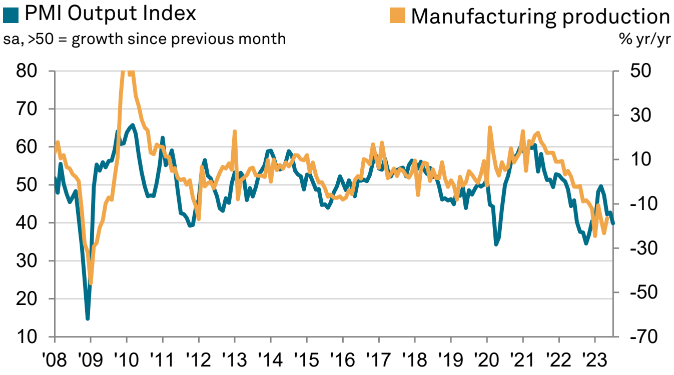
Manufacturing employment across Taiwan declined again in July, though the rate of job shedding eased from June's more than 14-year record. Firms frequently mentioned that a weaker demand environment had impacted staff hiring decisions, and that voluntary leavers were often not replaced, nor current vacancies filled.

At the same time, a further sharp decline in backlogs of work pointed to a lack of pressure on capacity. Companies often mentioned that they were able to work through unfinished business due to reduced sales.

Supply chain performance continued to improve in July, thereby stretching the current period of shortening lead times to five months. A drop in demand for inputs and subsequent improvement in supplier capacity supported quicker deliveries, according to panellists.

Weak demand and improved material availability led to a further drop in average input costs during July. Input prices fell at a solid pace that was the second-sharpest since May 2020. However, price negotiations with clients and efforts to boost sales meant that cost savings were often passed on to customers. Notably, selling prices were cut at the quickest pace in just over three years.

Taiwanese manufacturers generally anticipate global economic conditions and sales to remain weak in the months ahead and therefore expressed pessimism towards the 12-month outlook for output. Moreover, firms were the most downbeat since January.



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.

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