

News Release

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S&P Global Taiwan Manufacturing PMI[®]

Business conditions deteriorate sharply in September

Key findings

Output and sales fall at quickest rates since May 2020

Input costs decline as purchasing activity cut further

Inventories drop at quickest rate for over a decade

Manufacturing firms operating in Taiwan signalled a further rapid deterioration in business conditions in September. Production, new orders and export sales all declined at the sharpest rates since May 2020 amid reports of weaker global demand conditions. Subsequently, firms cut back on their purchasing activity and lowered inventory holdings, with both pre- and post-production stocks falling at the sharpest rates in over a decade. There were also signs that weaker demand conditions had added further downward pressure on prices, as both input costs and output charges fell again in September.

When assessing the 12-month outlook for output, firms were increasingly downbeat, with overall business confidence the second-lowest on record.

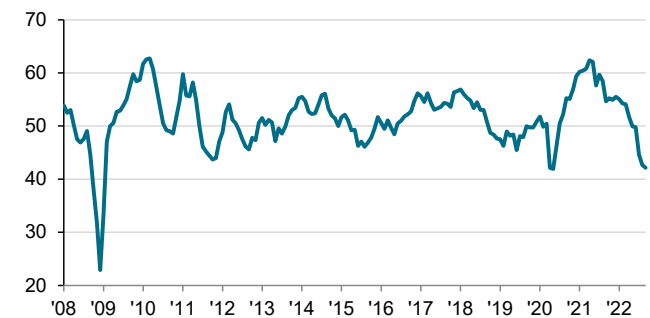
The S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI[®]) slipped from 42.7 in August to 42.2 at the end of the third quarter, to signal a deterioration in overall business conditions for the fourth month running. The September reading was the lowest recorded since May 2020 and indicated a rapid pace of deterioration overall.

A key drag on the performance of the manufacturing sector was a further substantial drop in overall new orders during September. The rate at which new orders declined was the sharpest since the initial phase of the pandemic in May 2020, with firms commenting on weaker customer demand across both domestic and foreign client bases. New export work likewise fell at the quickest rate in 28 months during September.

Lower amounts of new business led firms to cut production levels again at the end of the third quarter. The rate of contraction was likewise the quickest since May 2020 and among the fastest in the series history.

The deterioration in demand conditions also drove a rapid decline in purchasing activity, with firms also expressing increased caution around inventory levels. Stocks of

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



Source: S&P Global.
Data were collected 12-22 September 2022.

Comment

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

"Manufacturing conditions in Taiwan continued to deteriorate sharply at the end of the third quarter. Notably, the average PMI reading over Q3 (43.2) marked the worst quarterly performance since the final quarter of 2008 during the global financial crisis.

"An accelerated decline in new orders, which was often linked to a deterioration in demand globally, drove a further substantial decline in production. As a result, firms cut back notably on purchasing activity, while de-stocking activities intensified, with firms reducing their holdings of pre- and post-production goods at the quickest rates in over a decade.

"Companies do not anticipate the situation to improve anytime soon, with business confidence regarding the year-ahead hitting its second-lowest level on record. This was driven by fears that global economic conditions will weaken further, and demand across key markets across Asia, Europe and the US will continue to decline in the months ahead."

PMI[®]

by S&P Global

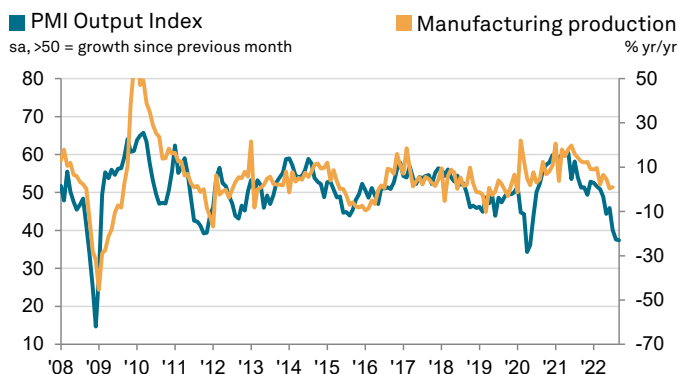
purchased items fell at the sharpest rate since November 2011, while inventories of finished goods declined at the quickest pace since June 2009.

At the same time, supply chain pressures remained relatively weak, with average lead times deteriorating only modestly. There were reports that reduced demand for inputs had helped to ease overall strain on suppliers.

Employment remained a bright spot, with manufacturers raising their staffing levels again in September. The rate of job creation was the strongest seen since February, albeit modest overall. A number of firms added to their payrolls to replace voluntary leavers and rebuild capacity. Concurrently, backlogs of work fell further, as a lack of incoming new work to replace completed projects enabled firms to reduce unfinished workloads. Notably, the rate of backlog depletion was the fastest seen since the start of 2009.

Average cost burdens fell for the second month in a row, with some firms noting that waning demand for inputs had led to declines in prices for some raw materials. The rate of deflation quickened from August and was solid overall. At the same time, factory gate prices fell for the second time in as many months, which several firms attributed to efforts to stimulate sales.

September data pointed to a further marked fall in business confidence regarding future output. Moreover, the level of sentiment hit the second-lowest on record. Expectations that output will fall over the next year were driven by forecasts of weaker global economic conditions and further falls in client demand.



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.