

# News Release

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## S&P Global Taiwan Manufacturing PMI®

### PMI plummets to lowest since January 2009

#### Key findings

Output and new orders fall at marked and accelerated rates

Sentiment drops to second lowest on record

Input costs and output charges fall

The start of the fourth quarter revealed another substantial deterioration in the health of Taiwan's manufacturing sector. Production and new orders fell at accelerated rates with firms commenting on subdued domestic and international demand conditions. Weak inflows of new work led to another steep drop in backlogs, while purchasing activity declined at the quickest rate since January 2009. Subsequently, firms grew increasingly pessimistic about future output; expectations fell to the second-lowest in the series history, surpassed only by that seen during the height of the pandemic in April 2020.

Prices data meanwhile indicated another decline in input costs amid falling material expenses. In turn, firms reduced their selling prices as they sought to boost sales.

The S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI®) fell from 42.2 in September to 41.5 at the start of the fourth quarter to signal a fifth monthly deterioration in overall business conditions. The October reading was the lowest recorded since January 2009 and indicated a rapid pace of deterioration.

The latest decline was centred on weak customer demand, with new orders placed at Taiwanese firms falling for the sixth month in succession. Moreover, the latest contraction was substantial, quickening from that seen in September to the steepest since May 2020. Exports also fell sharply with panel comments citing weak demand conditions across the globe, but particularly from Asia, the US and Europe.

In turn, manufacturers cut their production levels for the seventh month in a row. In line with the trend for total sales, the rate of contraction was robust, the quickest since April 2020, and among the steepest in the survey's 18-and-a-half-year history.

With sustained reductions in output and new orders recorded, manufacturing firms in Taiwan substantially cut back on their purchasing activity. In fact, the quantity of inputs

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



Source: S&P Global.  
Data were collected 12-21 October 2022.

#### Comment

Shreya Patel, Economist at S&P Global Market Intelligence, said:

*"The turn of the quarter continued to highlight the same troubles for the Taiwanese manufacturing sector with the PMI dropping to the lowest point since the financial crisis in 2009."*

*"Weak domestic and international demand conditions were the main drag on the headline figure with the rate of decline in new orders the sharpest since the initial phase of the COVID-19 pandemic in May 2020. Subsequently, production levels were cut for the seventh month in a row, while firms grew increasingly pessimistic over their outlook for output, which was the second-weakest in the series history. At the same time, firms reduced their buying activity and headcounts rose only slightly."*

*"There were some glimmers of hope, however, mainly in the form of lower prices with firms reporting a drop in material expenses. Taiwanese businesses sought to take advantage of lower costs by passing on savings to customers in hopes that demand would improve."*

*"That said, Taiwan's economy is expected to feel the repercussions of the weak economic outlook for some time. Our projections point to growth moderating to 1.2% in Q4 2022."*

PMI®

by S&P Global

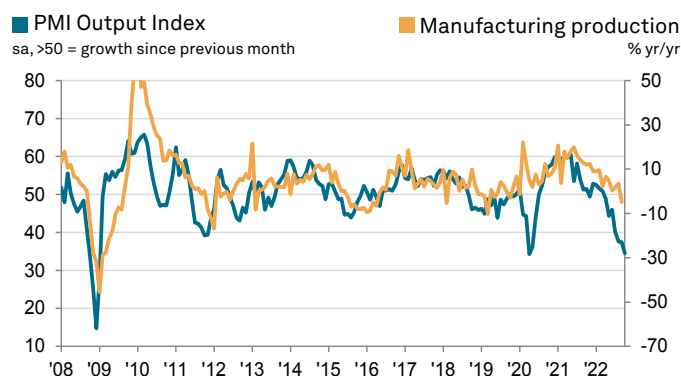
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purchased fell at the steepest rate since January 2009, with firms reporting that weak demand deterred businesses from placing orders. Pre-production inventory holdings were also reduced solidly, although the rate of decline eased from that seen in September.

Despite a sustained contraction in new orders, Taiwanese manufacturing firms recorded a sixth monthly increase in staffing levels, albeit one that was only slight and the joint-softest in the current sequence of growth. This allowed firms to continue working through their outstanding business which fell markedly in October. In fact, the rate of backlog depletion was the second-quickest since January 2009 with firms reportedly able to keep up with demand.

Taiwanese manufacturing firms recorded a third monthly reduction in input costs, which followed a 26-month period of inflation. According to panel comments, material costs were less pronounced in October. The rate of discounting eased from that seen in the previous survey period and was only modest, however. Companies generally passed on any cost savings to clients in the form of lower output charges, although the fall was only marginal overall.

Finally, Taiwanese businesses registered another drop in sentiment with firms growing increasingly pessimistic over their expectations for output. Notably, the degree of pessimism was the second-strongest on record, behind only that recorded at the height of the pandemic in April 2020. Firms blamed the weak demand environment, but also noted concern over the global economy.



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](mailto: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](https://ihsmarkit.com/products/pmi.html).