

News Release

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S&P Global Taiwan Manufacturing PMI[®]

Manufacturing downturn eases notably in February

Key findings

Softer falls in output, new orders and purchasing activity

Input price inflation picks up

Pessimism around the 12-month outlook eases

Latest PMI data pointed to a much weaker deterioration in business conditions across Taiwan's manufacturing sector during February. Firms signalled softer declines in output, new orders and input buying. Supply chain stress also eased, with firms reporting the slowest increase in delivery times for 43 months. Companies remained cautious with regards to inventories, however, which fell solidly overall. Cost pressures meanwhile intensified on the month, with input costs rising sharply, but efforts to secure sales led firms to cut their selling prices.

When assessing the year-ahead, firms still expect production to decline, but the overall level of pessimism was much less severe than that seen in January.

At 49.0 in February, the S&P Global Taiwan Manufacturing Purchasing Managers' Index[™] (PMI[®]) increased from 44.3 in January to signal only a marginal deterioration in the health of the sector. Notably, the rate of decline was the slowest seen since June 2022.

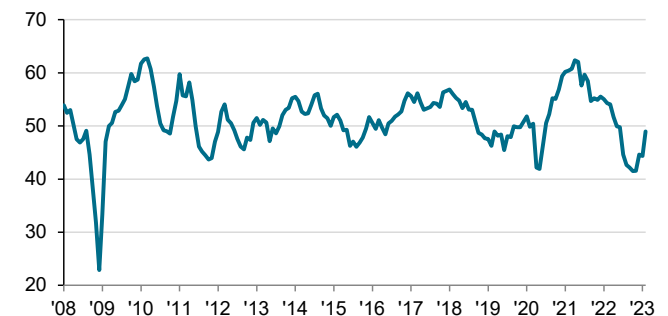
Helping to push the headline index higher was a softer reduction in output at Taiwanese manufacturers in February. Production fell at a modest pace that was the weakest in ten months.

The slower decline coincided with a much softer fall in total new business compared to the start of the year. The rate at which new orders fell was the weakest since May 2022 and only marginal. The downturn in new export business likewise eased notably on the month, with foreign sales falling only slightly. While firms frequently mentioned that overall client demand remained subdued, there were reports of relative improvements in sales at some firms, including from customers in mainland China.

Reflective of the trends seen for output and new orders, input buying at Taiwanese goods producers contracted at a softer pace midway through the first quarter. The mild drop in input buying was the weakest seen for eight months.

S&P Global Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-20 February 2023.

Comment

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

"Taiwan's manufacturing sector saw a much softer deterioration in operating conditions during February, with the latest PMI data signalling much weaker drops in output and new orders. Input buying also declined at a notably softer pace, while supply chain pressures were greatly reduced compared to this time last year, with delivery times close to stabilising.

"The upwards movement in the indices reflected relative improvements in demand at some firms, partly due to the easing of COVID-19 restrictions in mainland China, and adds to hopes that the worst of the current downturn is now behind us.

"That said, there will need to be a meaningful pick up in global demand conditions to support a recovery. Expectations regarding the year ahead were not as downbeat as seen in January, but remain negative overall, as the weak global economic climate and cost pressures at clients continued to weigh on output projections."

PMI[®]

by S&P Global

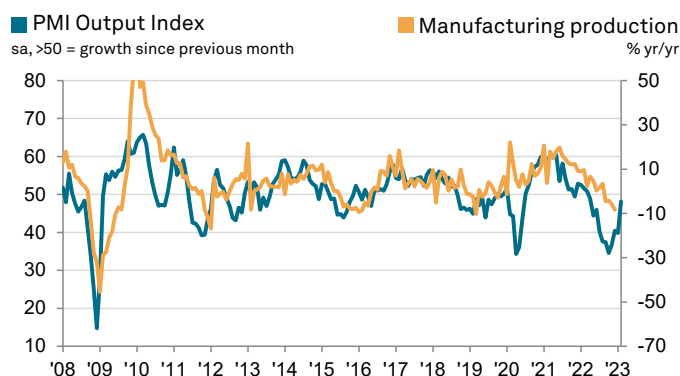
Firms remained relatively cautious regarding their inventory policies, however, with stocks of both pre- and post-production items falling solidly. A number of firms mentioned that they continued to run down their inventory levels to cut costs amid muted demand conditions.

Supply chains moved closer to stabilisation in February, with average lead times for inputs lengthening to the weakest extent in 43 months. Manufacturers often noted that reduced overall demand for inputs had alleviated some pressure on vendors.

Employment fell for the second month in a row, albeit only slightly. According to firms, reduced intakes of new work and decisions not to replace voluntary leavers had weighed on workforce numbers. At the same time, capacity pressures remained weak, as firms reported a further drop in backlogs of work. That said, the rate of depletion eased sharply on the month and was only marginal.

Prices data meanwhile pointed to a sharp rise in average input costs, with the rate of inflation the quickest seen since July 2022. Nevertheless, client requests for discounts and efforts to stimulate sales led to a slight drop in average selling prices.

Although firms were generally pessimistic regarding the year-ahead outlook for output, the degree of negative sentiment was the least severe since June 2022. Caution around the outlook often stemmed from worries over global economic conditions, rising costs and weak sales.



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.