

# News Release

Embargoed until 0830 CST (0030 UTC) 3rd January 2023

## S&P Global Taiwan Manufacturing PMI<sup>®</sup>

### Manufacturing downturn eases but remains marked in December

#### Key findings

Softer, but still severe falls in output and new work

Businesses maintain downbeat assessment for year ahead

Firms cut selling prices, despite uptick in costs

The downturn across Taiwan's manufacturing sector eased in December, according to latest PMI data, with firms signalling the softest falls in production and new work for six months. That said, rates of decline remained rapid overall amid reports of weaker global demand conditions. Lower production requirements led to a further marked drop in purchasing activity and firms continued to trim their inventories.

Business confidence remained deep in negative territory, as firms generally anticipate output to fall over the next year. As part of efforts to attract new business, firms cut their selling prices, and at the quickest rate for two-and-a-half years.

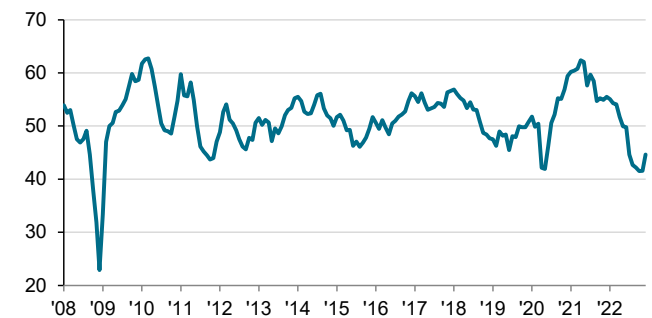
The S&P Global Taiwan Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) rose from 41.6 in November to 44.6 in December, and pointed to a deterioration in the health of the sector for the seventh month running. The rate of decline was sharp overall, despite easing to the weakest since July.

Manufacturing companies registered a slower fall in new business at the end of 2022. The latest reduction was the softest seen for six months, but nevertheless among the sharpest in the survey history. There were frequent reports of weak client demand across both domestic and external client bases. New export business likewise fell at a historically sharp pace, despite the rate of decline easing on the month. Firms mentioned lower demand across Europe, mainland China and the US in particular.

In line with the trend for overall new work, production declined at the slowest pace since June. That said, the reduction remained sharp overall and was rarely exceeded in nearly 19 years of data collection.

Manufacturers registered a further marked drop in purchasing activity at the end of the fourth quarter. The rate of decline was little-changed from that seen in November and rapid overall. Inventories of both pre- and post-production goods also fell further in December, though

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



Source: S&P Global.  
Data were collected 06-15 December 2022.

#### Comment

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

*"Taiwanese manufacturers saw another marked deterioration in business conditions in December, as firms registered further steep falls in output and new work. This was despite the rates of decline easing to the least severe in six months. There were widespread reports of weaker demand both at home and overseas, with firms commenting on reduced demand across Europe, mainland China and the US in particular."*

*"Firms reacted to the further drop in sales by cutting back purchasing activity sharply again in December, while inventories also remained on a downward trend."*

*"Business confidence stayed firmly in negative territory, as manufacturers anticipate further cuts to output in the months ahead. This seems increasingly likely if signs of spare capacity persist and global demand conditions fail to recover."*

PMI<sup>®</sup>

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rates of depletion eased notably on the month. While a number of firms readjusted their stock levels to reflect lower customer demand, there were also reports that inventories had risen at some companies due to order cancellations or postponements.

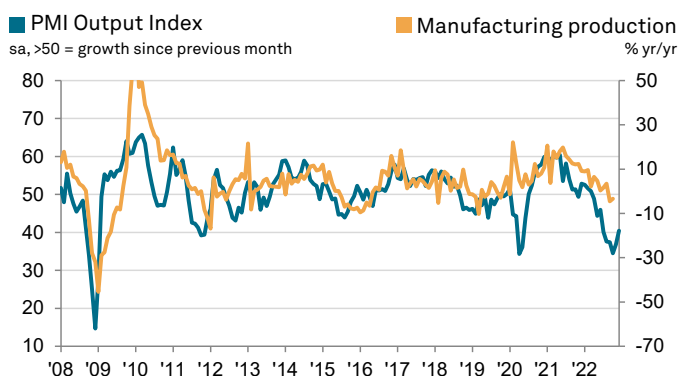
The time taken for inputs to be delivered continued to lengthen in December, though the extent of delays was relatively mild. There were some indications that weaker demand conditions had helped to ease pressure on supply chains.

Reduced intakes of new business enabled firms to work through their outstanding orders, as evidenced by a further drop in backlogs. The rate of depletion was sharp, despite easing for the third month in a row.

A lack of pressure on operating capacities meant that companies remained cautious with regards to employment. Staffing levels were broadly unchanged in December, following a marginal fall in the previous month.

Prices data pointed to a renewed increase in average input costs, though the rate of inflation was only modest. Despite the uptick in expenses, firms cut their selling prices as part of efforts to secure sales. Though mild, the rate of discounting was the quickest seen for two-and-a-half years.

Businesses continued to express pessimism regarding the 12-month outlook for output in December. Companies that projected lower production often cited concerns over the global economy, inflation and weak customer 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](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).