

# News Release

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

### Output declines sharply amid supplier shortages and softer demand conditions

#### Key findings

Steepest reduction in output for nearly two years

New orders contract for first time since June 2020

Renewed pessimism towards 12-month business outlook

Taiwan's manufacturing sector performance weakened in May, as firms signalled an accelerated drop in output. Production fell at the sharpest rate since June 2020, and was linked to material shortages amid the recent COVID-19 lockdowns in mainland China, as well as a general softening of global demand conditions. Total new business declined for the first time in nearly two years.

On a more positive note, employment data showed a renewed increase in staffing levels, while inflationary pressures moderated. Nonetheless, concerns over rising costs and greater global economic uncertainty weighed on business confidence, which slipped into negative territory for the first time in two years in May.

The S&P Global Taiwan Manufacturing *Purchasing Managers' Index*<sup>™</sup> (PMI<sup>®</sup>) fell from 51.7 in April to 50.0 in May, to signal that business conditions stagnated in the latest survey period. Furthermore, it marked the lowest index reading since June 2020.

Weighing on the headline figure were deteriorations in trends for both output and new orders. Production fell for the second month in a row, with the rate of contraction the sharpest seen since June 2020. Panel members indicated that strained supply and material shortages amid tighter COVID-19 restrictions in mainland China had weighed on output, while others cut production schedules due to a deterioration in overall demand conditions.

After stagnating in April, total new business fell during May. Though only slight, it marked the first decline for nearly two years, with manufacturers attributing the fall to weaker demand conditions both at home and abroad, which were in turn often linked to the recent rise in COVID-19 cases across the region and the Russia-Ukraine war. New export orders also fell marginally in May.

The filling of vacancies and higher numbers of foreign workers helped to lift employment in May. The rate of job

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



Source: S&P Global.  
Data were collected 12-23 May 2022.

#### Comment

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

*"The latest PMI data continues to highlight a challenging second quarter for Taiwanese manufacturers, who are facing further supply chain disruption due to lockdowns in mainland China as well as a general weakening of client demand amid strong global inflationary pressures."*

*"Production fell sharply overall, and at the quickest rate since the initial phase of the pandemic in June 2020, while new orders fell slightly for the first time in nearly two years."*

*"While some positive signs were seen in the employment index, which highlighted a slight increase in staff numbers, and price indices, which climbed down from recent highs, the overall picture remains downbeat."*

*"Notably, expectations of continued supply chain difficulties, rising costs, the Russia-Ukraine war and tighter pandemic-related restrictions in mainland China meant that firms are now anticipating a fall in output over the next 12 months. This was the first downbeat assessment of the business outlook recorded for two years."*

PMI<sup>®</sup>

by S&P Global

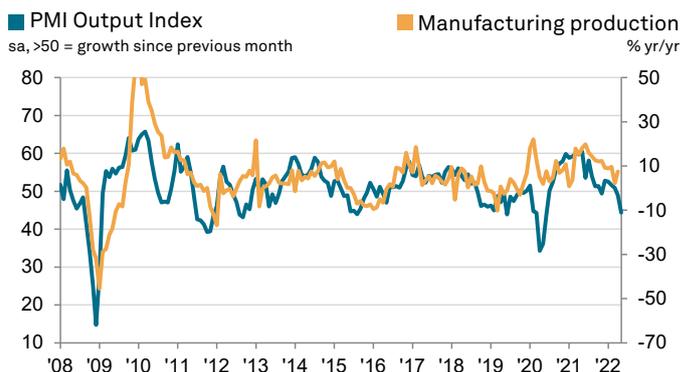
creation was only marginal, but contrasted with a mild fall in workforce numbers in April. Greater staff numbers and weaker inflows of new work meanwhile led to the first drop in backlogs of work for nearly two years.

May survey data pointed to a fresh fall in purchasing activity, as firms readjusted their input buying to reflect lower output requirements. Stocks of finished goods also fell, albeit modestly. Inventories of pre-production items rose, however, as some firms looked to protect themselves against future delivery delays and price hikes. There were also mentions of some materials building up due to the delayed arrival of other components.

Average suppliers' delivery times continued to lengthen sharply in May. That said, the extent of delays was the least severe since October 2020, as more companies noted a stabilisation of supplier performance.

Average input costs continued to rise at an historically sharp pace in May. This was despite the rate of inflation softening to its joint-lowest in 18 months. Firms frequently mentioned higher costs for raw materials amid shortages, as well as increased shipping fees. Prices charged also rose at a substantial pace as firms sought to pass on additional costs to clients. That said, the rate of charge inflation edged down to a three-month low.

Concerns over rising costs, strained supply, the pandemic and Ukraine war led to renewed pessimism regarding the 12-month outlook for output in May. Though mild, it was the first time that sentiment had fallen into negative territory since the initial phase of the pandemic in May 2020.



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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).