

# News Release

Embargoed until 0830 CST (0030 UTC) 1st August 2022

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

### Business conditions deteriorate at quickest rate since May 2020

#### Key findings

Steepest falls in output and new orders for over two years

Purchasing activity declines sharply as confidence drops

Input price inflation weakens to 23-month low

Manufacturing conditions across Taiwan deteriorated at the quickest rate for over two years in July, as firms registered steeper falls in output and new work. Weaker global demand conditions and rising costs weighed on performance, according to panellists, which led to sharp drops in purchasing activity and inventories. Moreover, when assessing the 12-month outlook for output, firms were the most downbeat for over two years.

On a more positive note, inflationary pressures appeared to ease again in July, with rates of input cost and output charge inflation softening notably on the month.

The S&P Global Taiwan Manufacturing *Purchasing Managers' Index*<sup>™</sup> (PMI<sup>®</sup>) fell from 49.8 in June to 44.6 in July, to signal a second consecutive monthly deterioration in operating conditions. Notably, the rate of decline accelerated to the sharpest since May 2020.

The headline index fell notably in July, partly due to a faster decline in production volumes. Taiwanese manufacturers signalled the quickest reduction in output since the early months of the pandemic in May 2020. This was often attributed to weaker global demand conditions and lower sales, though material shortages were cited by some firms as also having constrained output.

Total new orders likewise fell at the steepest rate since May 2020 and sharply overall. Companies often commented on softer demand both at home and overseas, with high costs, the war in Ukraine and greater caution among clients to stock build all weighing on sales. New export business also fell at the quickest rate for over two years and rapidly.

The deterioration in demand and expectations that global economic conditions will remain challenging in the months ahead weighed on confidence towards the 12-month outlook for output in July. Not only do firms generally anticipate a reduction in output over the next year, but the degree of pessimism was the worst seen since April 2020.

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



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

#### Comment

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

*"Manufacturing companies in Taiwan painted an increasingly gloomy picture of conditions at the start of the third quarter. Output and new business both fell at the sharpest rates since the early stage of the pandemic in May 2020, with firms often linking this to weaker global economic conditions.*

*"Lower intakes of new work and increased caution towards the 12-month outlook drove marked falls in purchasing activity and inventories, while the sharpest fall in backlogs of work since late-2011 also adds to indications that current capacity exceeds demand. Therefore, it seems likely that output could be cut further in the months ahead unless we see a marked improvement in client demand.*

*"A brighter bit of news came from the price indices, which pointed to slower increases in both input costs and selling prices, while supply chains moved closer to stabilising. All this suggests inflationary pressures may have peaked, which will be welcome news for the central bank."*

PMI<sup>®</sup>

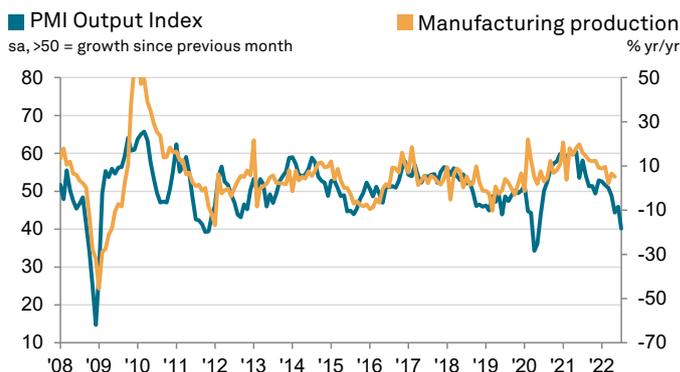
by S&P Global

Lower sales also drove an accelerated decline in purchasing activity across Taiwan's manufacturing sector in July. Input buying fell at the fastest rate since May 2020, which fed through to a renewed and solid drop in inventories of purchases. Stocks of finished goods also fell at a faster rate as firms readjusted their holdings in line with softer demand conditions.

July survey data pointed to a further easing of capacity pressures, with backlogs of work falling for the third month in a row. Moreover, the rate of depletion was the sharpest seen since November 2011. According to panellists, a lack of new work to replace completed orders drove the latest reduction in unfinished business. At the same time, employment rose at a marginal pace that was the slowest seen for three months.

Although suppliers' delivery times lengthened solidly overall in July, the degree to which lead times increased was in fact the slowest in two years. Firms still widely commented that stock shortages at vendors and transportation delays continued to stretch supply chains.

The latest survey indicated that inflationary pressures continued to moderate in July. The rate of input cost inflation slipped to a 23-month low, while average selling prices increased at the slowest rate since October 2020. Some monitored firms mentioned that weaker demand conditions had restricted overall pricing power amid efforts to attract sales.



Sources: S&P Global, National Statistics via Datastream.

## Contact

Annabel Fiddes  
Economics Associate Director  
S&P Global Market Intelligence  
T: +44-1491-461-010  
[annabel.fiddes@spglobal.com](mailto:annabel.fiddes@spglobal.com)

SungHa Park  
Corporate Communications  
S&P Global Market Intelligence  
T: +82 2 6001 3128  
[sungha.park@spglobal.com](mailto:sungha.park@spglobal.com)

If you prefer not to receive news releases from S&P Global, please email [katherine.smith@spglobal.com](mailto:katherine.smith@spglobal.com). To read our privacy policy, click [here](#).

### 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).

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

### About S&P Global

S&P Global (NYSE:SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

### 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).