News Release

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S&P Global Taiwan Manufacturing PMI®

Manufacturing output continues to contract sharply in January

Key findings

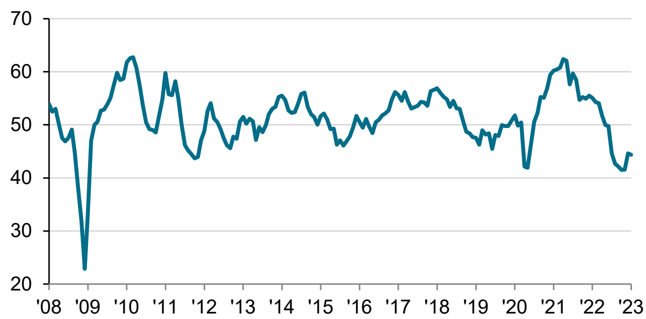
Further marked drop in output as demand deteriorates

Selling prices decline for second straight month

Supply chains move closer to stabilisation

S&P Global Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-23 January 2023.

Business conditions continued to deteriorate sharply across Taiwan's manufacturing sector during January. Firms signalled further substantial declines in both output and new business amid reports of weaker global demand conditions. This led companies to cut back on their purchasing activity and inventories again at the start of 2023. When assessing the 12-month business outlook, manufacturers generally anticipate output to decline further.

On a more positive note, reduced demand for inputs relieved some pressure on supply chains, with lead times increasing only slightly. Cost pressures also remained muted, with input prices rising marginally. However, companies cut their selling prices again as part of efforts to boost sales.

The S&P Global Taiwan Manufacturing *Purchasing Managers' Index™ (PMI®)* slipped from 44.6 in December to 44.3 in January, to signal a deterioration in business conditions for the eighth consecutive month. The pace of contraction quickened slightly on the month, and was among the steepest seen since the survey began nearly two decades ago.

A further marked drop in sales contributed to the sub-50.0 PMI reading. Total new business declined substantially overall, despite the rate of decline easing to the weakest since June 2022. Companies frequently cited weaker demand across both domestic and external client bases. Moreover, the downturn in new export work quickened at the start of the year, with firms noting that high inventory levels at some clients and weak global economic conditions had weighed on sales.

The sustained fall in new orders led manufacturers to cut output for the tenth month in a row. Notably, the rate of contraction quickened slightly on the month and was among the fastest since data collection began in April 2004.

Subdued demand conditions and a lack of new work to replace current orders enabled firms to reduce their levels of unfinished business in January. The rate of backlog depletion

Comment

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

"Business conditions across Taiwan's manufacturing sector remained challenging at the start of 2023, as weak global demand conditions led to a further sharp contraction of output.

"The business mood meanwhile remained sombre, with firms generally anticipating output to fall further over the next 12 months. This led companies to trim their buying activity and inventories, and constrained recruitment across the sector.

"On a more encouraging note, inflationary pressures remained muted, which was aided by a relative improvement in some areas of supply chains as demand for inputs weakened. Notably, suppliers' delivery times increased at the slowest rate since September 2019.

"Efforts to attract and secure new work meanwhile drove a further decline in factory gate prices, as pricing power remained on the side of customers."

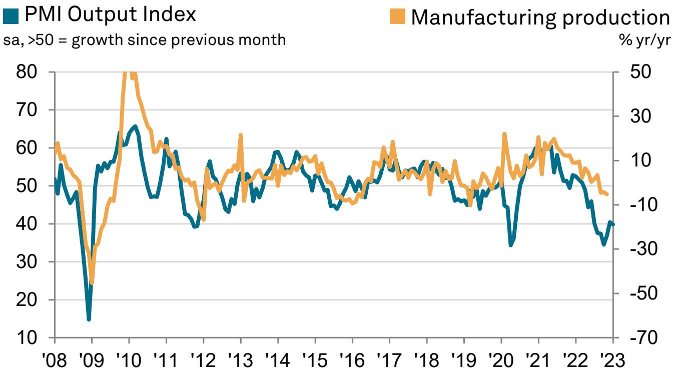
was considerable and quicker than that seen in December. Appetite for new staff subsequently remained depressed, with employment across the sector broadly unchanged for the second month in a row.

Reduced intakes of new work and lower production requirements prompted firms to cut back on their input buying again in January. The rate of decline was substantial, albeit the softest in six months. At the same time, companies trimmed their inventories of both finished and purchased items.

The average time taken for purchased inputs to be delivered to manufacturers increased at the slowest rate since September 2019 and only marginally in January. There were reports that a drop in demand for inputs had helped to ease pressure across supply chains.

Inflationary pressures were also relatively muted at the start of the year. Average input costs rose only slightly, linked to higher prices for some raw materials. Meanwhile, goods producers cut their selling prices for the second month in a row as a result of customer requests and efforts to pass on any cost savings to clients. Though modest, the rate of discounting was the quickest seen since June 2020.

Firms were generally downbeat regarding the 12-month outlook for production at the start of 2023. Companies often cited that weak global economic conditions, cost pressures at clients and lower sales could lead to a drop in output over the next 12 months.



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.

About S&P Global

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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.