News Release

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

S&P Global Taiwan Manufacturing PMI®

Manufacturing sector downturn deepens in August

Key findings

Firms signal rapid falls in output and new orders

Business confidence drops to lowest since April 2020

Input costs and output charges fall

Latest PMI survey data pointed to a sharper deterioration in the health of Taiwan's manufacturing sector during August. Production and new orders both fell at the quickest rates since May 2020, as firms commented on weaker demand conditions both at home and abroad. Reduced intakes of new work led to the steepest drop in backlogs since January 2009 and weighed on hiring activity. Confidence regarding the 12-month outlook also turned increasingly negative, which drove firms to cut further back on purchasing activity and inventories.

Prices data meanwhile revealed the first decline in input costs in over two years, which in turn led to a renewed fall in selling prices as firms sought to attract sales.

At 42.7 in August, the S&P Global Taiwan Manufacturing *Purchasing Managers' Index™ (PMI®)* declined from 44.6 in July to signal a third consecutive monthly deterioration in business conditions. Furthermore, the latest reading pointed to the sharpest rate of decline since May 2020 during the initial COVID-19 outbreak.

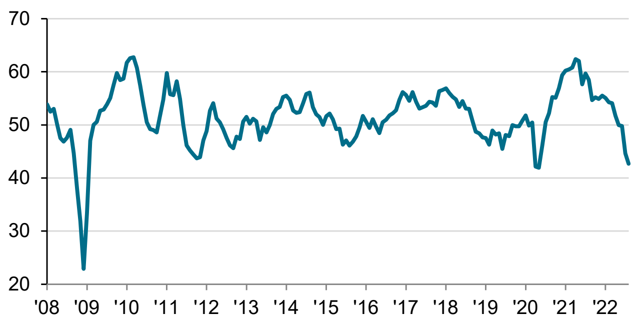
Weaker customer demand and high prices led to a further drop in overall new business during August. Moreover, the rate of decline was the steepest recorded for more than two years and substantial. Panel members commented that both domestic and international demand had waned, with new export orders also dropping at an accelerated and rapid pace in August.

Manufacturers cut their production levels again midway through the third quarter. In line with the trend for total sales, the rate of contraction was the sharpest seen since May 2020 and among the quickest in the survey history.

Employment across the manufacturing sector expanded only slightly in August, with the rate of job creation little-changed from July. Some firms mentioned raising their headcounts to enhance capacity. However, subdued inflows of new work meant that firms were able to clear backlogs at

S&P Global Taiwan Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-22 August 2022.

Comment

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

"The manufacturing downturn in Taiwan deepened in August, according to PMI data, with firms signalling the steepest reductions in output and new work since the initial wave of the pandemic in May 2020. The marked deterioration in demand also meant that firms cut back on buying activity and inventories, as more firms anticipate production levels to decline further over the coming year.

"On a more positive note, the weaker demand picture has reduced pressure on supply chains and prices. Suppliers' delivery times deteriorated to the weakest extent since late-2019, while firms signalled the first drops in input costs and output charges for over two years.

"While this will be welcome news in terms of inflationary pressures easing after a period of rapid increases in costs, the data overall suggest a sector that is facing severe headwinds for it to be able to expand again. Notably, the lack of new work drove the steepest fall in backlogs for over 13-and-a-half years, and if new order intakes fail to pick up firms will likely have to cut back further on output and reduce staff numbers in the month ahead."

PMI by S&P Global

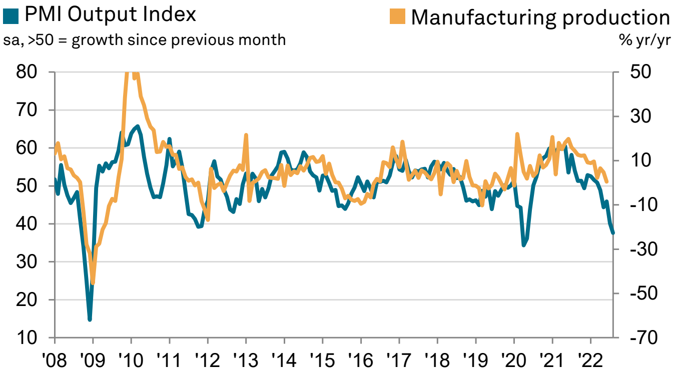
an increased rate. Moreover, the pace of backlog depletion was the sharpest seen since the start of 2009.

Lower amounts of new business also impacted purchasing activity, which fell at the fastest pace for 27 months in August. Concurrently, firms were more cautious around stock holdings, with inventories of both finished and pre-production items decreasing further.

Although the time taken for purchased items to be delivered to manufacturers continued to increase in August, the extent of delays was the least severe since November 2019. Some firms mentioned that softer demand conditions had enabled some suppliers to quicken their lead times.

Having faced steep increases in input costs for much of the past two years, goods producers in Taiwan signalled a renewed fall in expenses during August. Though only slight, it marked the first reduction since May 2020, and was often attributed to lower raw material costs. Companies generally passed on any cost savings to clients in the form of lower output charges. Although the rate of discounting was marginal, it was also the first time that selling prices had declined for over two years, with a number of manufacturers cutting their charges to attract sales.

Looking ahead, firms were increasingly pessimistic regarding production over the next year, with firms generally anticipating a fall. Notably, the degree of negative sentiment was the worst seen since the initial pandemic phase in April 2020. Firms were often downbeat due to concerns of rising costs and a deteriorating global economic outlook.



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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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.

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