

News Release

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S&P Global Taiwan Manufacturing PMI®

Growth of Taiwan's manufacturing economy sustained in July

Key findings

Solid expansions of both output and new orders signalled

Productivity gains as employment rises only marginally

Cost pressures intensify and output price inflation hits two-year high

Growth of the Taiwanese manufacturing economy was sustained in July at a solid rate amid ongoing gains in production and new orders. Employment rose in response, albeit marginally as firms continued to focus on improving productivity. Purchasing activity growth remained marked, although with delivery delays worsening, input inventories were reduced. Cost inflation meanwhile accelerated to its highest level for over two years and led to a steeper rise in output charges.

The S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI®), which is adjusted for seasonal influences, remained above the crucial 50.0 no-change mark in July for a fourth month in a row. Growth was solid, with the PMI posting 52.9, little changed on June's recent high of 53.2.

Supporting the PMI were marked, albeit softer, rises in both production and new orders. Companies reported that sales demand had improved across domestic and international markets. Highlighting the breadth of sales improvement, Asia, Europe and North America were all noted as sources of export growth, which remained solid in July.

Manufacturers reportedly boosted output in part through an improvement in productivity at their plants. Such an approach was further highlighted by the latest data on employment, which was barely changed again in July. Where growth in staffing numbers was registered, this was linked to increasing capacity constraints. Indeed, backlogs of work rose to the greatest degree since March 2022 and for the third month in a row.

Inventory drawdown was also highlighted by the latest survey data. Firms sometimes sought to meet their orders directly out of stock given strong sales growth and signs of production constraints. For inputs, delivery delays encouraged firms to utilise existing inventory wherever possible. There were reports that unstable shipping schedules and insufficient stock at vendors had led to the greatest lengthening of

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



Source: S&P Global PMI.
Data were collected 11-23 July 2024.

Comment

Paul Smith, Economics Director at S&P Global Market Intelligence, said:

"Growth of the manufacturing sector was sustained in July at a solid pace, with firms benefiting from a broad-based rise in demand. There were reports of higher sales from domestic clients and international sources in key markets across Asia, Europe and North America.

"Firms facilitated higher output largely through improvements in productivity, raising employment only marginally (though notably this was the first growth for three months). However, there were signs that capacity constraints are mounting, with backlogs increasing sharply. Moreover, delivery delays served to restrain production, with firms forced to dip into their existing inventory to help satisfy output requirements. Such challenges may well serve to limit growth in the coming months, and as such confidence in the future dipped to its lowest level of the year so far."

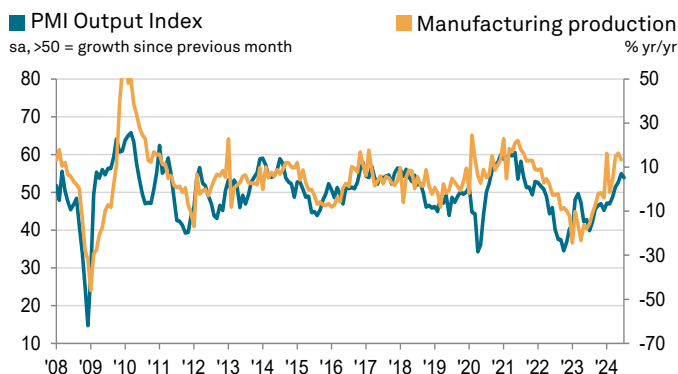
PMI®

by S&P Global

supplier delivery delays in over two years. Stronger demand for inputs also added to pressure on vendors. Latest data showed that purchasing activity growth was marked, and little changed on June's 28-month high.

Prices data meanwhile showed an acceleration in the rate of cost inflation to its highest level for over two years. The surge in input costs reflected a broad-based increase in material prices, although metals like copper and steel were frequently reported to have risen in price. Firms sought to protect their margins wherever possible, which meant that output price inflation was solid and at its highest level for two years.

Looking ahead, confidence in the future remained positive amid expectations of higher sales in the year ahead. Productivity gains were also forecast, whilst some manufacturers plan for the release of new products in turn linked to an uplift in research and development investment. That said, the degree of optimism was the lowest of the year so far.



Sources: S&P Global PMI, National Statistics via S&P Global Market Intelligence

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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@spglobal.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. www.spglobal.com/marketintelligence/en/mi/products/pmi