

February 2015 Taiwan Manufacturing PMI

PMI at 47.8%

New Orders, Production, and Employment Contracting
Inventories Growing
Supplier Deliveries Slowing

MANUFACTURING AT A GLANCE

February 2015

Index	Series Index Feb	Series Index Jan	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	47.8	53.5	-5.7	Contracting	From Growing	1	52.1	46.0	51.2	47.2	51.9	49.6
New Orders	45.3	56.5	-11.2	Contracting	From Growing	1	53.6	45.1	52.0	35.9	52.4	50.0
Production	39.6	58.5	-18.9	Contracting	From Growing	1	48.8	37.6	44.0	37.0	50.0	37.8
Employment	47.7	49.9	-2.2	Contracting	Faster	2	50.0	42.1	56.0	51.1	57.1	55.1
Supplier Deliveries	52.3	50.8	+1.5	Slowing	Faster	2	52.4	54.0	52.0	48.9	47.6	54.1
Inventories	54.2	51.8	+2.4	Growing	Faster	2	56.0	51.5	52.0	63.0	52.4	51.0
Customers' Inventories	47.6	47.8	-0.2	Too Low	Faster	4	51.2	49.5	48.0	42.4	45.2	45.9
Prices	38.3	27.7	+10.6	Decreasing	Slower	6	52.4	35.6	52.0	33.7	40.5	35.7
Backlog of Orders	48.9	50.6	-1.7	Contracting	From Growing	1	60.7	50.5	48.0	40.2	45.2	51.0
Exports	49.2	51.6	-2.4	Contracting	From Growing	1	57.1	50.0	54.0	38.0	57.1	53.1
Imports	49.8	53.4	-3.6	Contracting	From Growing	1	52.4	51.0	60.0	43.5	52.4	44.9
Six-month Outlook	61.8	58.5	+3.3	Growing	Faster	2	69.0	66.3	58.0	46.7	69.0	63.3
Production Materials	34	31	-	-	-	-	33	31	39	36	31	35
MRO Supplies	25	24	-	-	-	-	26	21	34	31	30	20
Capital Expenditures	49	46	-	-	-	-	43	46	61	57	82	31

Chart 1: Time Series of Taiwan Manufacturing PMI

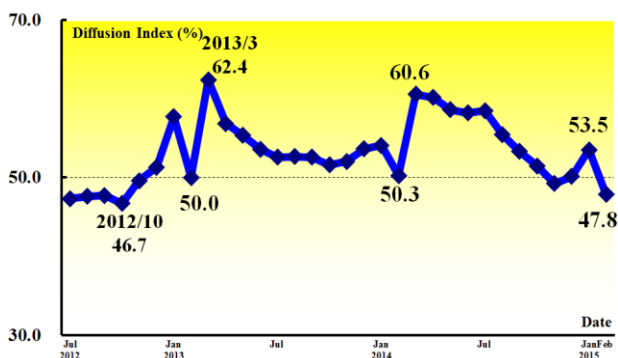
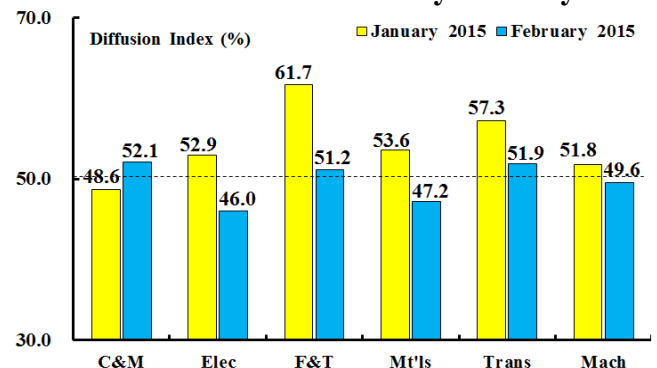


Chart 2: Performance by Industry



Summary

- Taiwan Manufacturing PMI registered 47.8 percent in February, which is 5.7 percentage points lower than the 53.5 percent in January. The contraction of PMI was driven by the dramatic decline in new orders and production.
- The holiday break of nine days for the Chinese New Year and the Peace Memorial Day influenced the nation's manufacturing activities. The New Orders and Production Indexes dropped 11.2 and 18.9 percentage points to 45.3 and 39.6 percent, respectively.
- The Employment Index remains in contraction at 47.7 percent and registered its lowest level since July 2012.
- Manufacturing inventories grew in February for the second consecutive month, with the Inventories Index registered 2.4 percentage points higher than the January reading of 51.8 percent.
- The February report is indicating the first sign of higher prices as the Prices Index increased 10.6 percentage points to 38.3 percent, though still at a deflationary level.
- The Backlog of Orders Index turns from growth to contraction, decreasing 1.7 percentage points to 48.9 percent.
- The Exports Index decreased 2.4 percentage points to 49.2 percent turning to contraction in February while it was increased 4.5 percentage points in January as shifted to growth.
- The Imports Index dropped 3.6 percentage points to 49.8 percent, following only one month of growth in the previous month.
- Although both New Orders and Production Indexes turn to contraction, manufacturers still remain optimistic. The Six-month Outlook Index is up 3.3 percentage points to 61.8%, and registered its highest reading since August 2014.
- Of the 6 manufacturing industries categories, three are reporting growth in February in the following order: Chemical, Biological & Medical (52.1%); Transportation Equipment (51.9%) and Foods & Textiles (51.2%). While Electronic & Optical (46.0%), Basic Materials industries (47.2%) and Electrical & Machinery Equipment (49.6%); reporting contracting in February.

About this Report

This report is jointly issued by the National Development Council (NDC) – a cabinet-level ministry, the Chung-Hua Institution for Economic Research (CIER), and the Supply Management Institute, Taiwan (SMIT). CIER makes no representation, other than that stated within this release, regarding the individual company data collection procedures.

Data and Method of Presentation

The Survey is based on data compiled from monthly replies to questionnaires sent to manufacturing purchasing and supply executives in about 300 manufacturing companies. The panel has been carefully selected to accurately replicate the actual structure of the manufacturing economy, based on each industry's contribution to gross domestic product (GDP). The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive). A PMI reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally decline. Responses to Buying Policy reflect the percent reporting the current month's lead time, the approximate weighted number of days ahead for which commitments are made for Production Materials; Capital Expenditures; and Maintenance, Repair and Operating (MRO) Supplies, expressed as hand-to-mouth (five days), 30 days, 60 days, 90 days, six months (180 days), a year or more (360 days), and the weighted average number of days.

We re-categorize the manufacturing subsectors listed in the Standard Industrial Classification System of the Republic of China (Rev.9, 2011) into six broad categories. **The Chemical, Biological & Medical industry (C&M)** which includes Manufacture of Chemical Material, Manufacture of Chemical Products, Manufacture of Pharmaceuticals and Medicinal Chemical Products and Manufacture of Medical Instruments and Supplies. **The Electronic & Optical industry (Elec)** which comprises Manufacture of Electronic Parts and Components and Manufacture of Computers, Electronic and Optical Products. **The Foods & Textiles industry (F&T)** which comprises Manufacture of Food Products, Manufacture of Beverages, Manufacture of Tobacco Products, Manufacture of Textiles, Manufacture of Wearing Apparel and Clothing Accessories, Manufacture of Leather, Fur and Related Products. **The Basic Materials industry (Mt'ls)** which includes Manufacture of Wood and of Products of Wood and Bamboo, Manufacture of Pulp, Paper and Paperboard, Printing and Service Activities Related to Printing, Manufacture of Rubber Products, Manufacture of Plastics Products, Manufacture of Other Non-metallic Mineral Products, Manufacture of Basic Metals and Manufacture of Fabricated Metal Products. **The Transportation Equipment industry (Trans)** which comprises Manufacture of Motor Vehicles and Parts and Manufacture of Other Transport Equipment and Parts. The last category is **Electrical & Machinery Equipment industry (Mach)** which includes Manufacture of Electrical Equipment and Manufacture of Machinery and Equipment.

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