

July 2018 Taiwan Manufacturing PMI

PMI at 56.1%

**New Orders, Production and Employment Growing;
Supplier Deliveries Slowing;
Inventories Growing**

MANUFACTURING AT A GLANCE

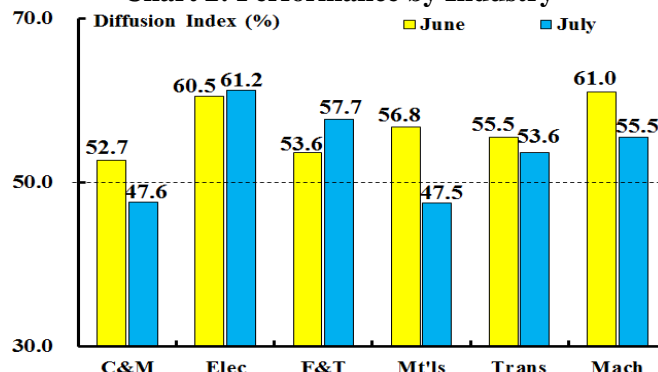
July 2018

Index	Series Index July	Series Index June	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	56.1	58.3	-2.2	Growing	Slower	28	47.6	61.2	57.7	47.5	53.6	55.5
New Orders	56.7	61.0	-4.3	Growing	Slower	18	45.6	63.7	60.0	40.0	52.3	50.0
Production	58.8	61.0	-2.2	Growing	Slower	18	48.9	67.1	56.7	45.0	56.8	55.3
Employment	52.6	54.9	-2.3	Growing	Slower	27	52.2	56.8	61.7	46.3	54.5	52.6
Supplier Deliveries	57.2	60.2	-3.0	Slowing	Slower	28	48.9	63.7	55.0	47.5	52.3	56.6
Inventories	55.1	54.6	+0.5	Growing	Faster	28	42.2	54.7	55.0	58.8	52.3	63.2
Customers' Inventories	49.7	48.1	+1.6	Too Low	Slower	2	45.6	48.7	56.7	51.3	50.0	48.7
Prices	68.6	76.1	-7.5	Increasing	Slower	29	66.7	71.4	61.7	68.8	63.6	64.5
Backlog of Orders	48.6	54.2	-5.6	Contracting	From Growing	1	47.8	54.3	55.0	38.8	43.2	38.2
Exports	53.4	57.1	-3.7	Growing	Slower	5	46.7	61.5	45.0	41.3	54.5	50.0
Imports	57.2	58.9	-1.7	Growing	Slower	29	55.6	61.1	60.0	52.5	50.0	50.0
Six-month Outlook	55.5	60.8	-5.3	Growing	Slower	29	55.6	62.4	58.3	40.0	54.5	50.0
Production Materials	36	39	-	-	-	-	40	33	49	42	24	30
MRO Supplies	32	32	-	-	-	-	44	27	36	37	25	28
Capital Expenditures	64	69	-	-	-	-	65	65	69	66	69	50

Chart 1: Time Series of Taiwan Manufacturing PMI



Chart 2: Performance by Industry



Summary

- The Taiwan Manufacturing PMI registered 56.1 percent, a decrease of 2.2 percentage points from June and indicating that the manufacturing sector expanded at the slightly slowest pace since February 2017.
- Both New Orders and Production Indexes signaled the continuous growth in July, although they both dropped 4.3 and 2.2 percentage points to 56.7 and 58.8 percent, respectively.
- Manufacturing employment remained in growth territory for twenty-seven consecutive months while the Employment Index further fell 2.3 percentage points to the seasonally adjusted July reading of 52.6 percent.
- The Supplier Deliveries Index registered 57.2 percent, indicates the delivery performance of suppliers to manufacturing sectors was still slower for twenty-eight consecutive months.
- The manufacturers still believe their customers have less than sufficient inventories on hand, while the Customers' Inventories Index rose by 1.6 percentage points to 49.7 percent.
- The Price Index registered 68.6 percent in July and remained above 60.0 percent for the thirteenth consecutive month.
- Manufacture's backlog of order failed to maintain continuous growth momentum as the Backlog of Orders Index fell to 48.6 percent and reflected contracting order backlog levels from June.
- Both Exports and Imports Indexes expanded at a rather slower rate in July as they fell 3.7 and 1.7 percentage points to 53.4 and 57.2 percent, respectively.
- Manufactures still remain the optimistic forecast about the future while the Six-month outlook Index further fell 5.3 percentage points to 55.5 percent and expanded at the slowest pace since December 2016.
- Of the 6 manufacturing industries categories, four are reporting growth in the following order: Electronic & Optical (61.2%), Foods & Textiles (57.7%), Electrical & Machinery Equipment (55.5%) and Transportation Equipment (53.6%). While Basic Materials (47.5%) and Chemical, Biological & Medical (47.6%) industries failed to grow in July.

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.

Starting from each release of the Month of April 2018, the index numbers for Manufacturing PMI, New Orders, Production and Employment are seasonally adjusted to remove those seasonal components and calendar effects such as trading day, leap year and other moving holiday effects. Averaging the seasonally adjusted component series (the New Orders, Production, and Employment indexes) and the seasonally unadjusted components (Supplier Delivers and Inventories indexes) which will give rise to the indirect seasonally adjusted Manufacturing PMI. As the direct seasonally adjusted PMI is more stable than the indirect seasonally adjusted PMI, CIER assumes the difference between these two indexes to three seasonally adjusted component series using the variance of each irregular component as weights. Therefore, the equality of seasonally adjusted PMI and its component series is maintained. The diffusion indexes other than the PMI component series and the industrial data are raw data and not seasonally adjusted.

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