

July 2019 Taiwan Manufacturing PMI

PMI at 48.0%

**New Orders and Inventories Contracting
Production and Employment Growing
Supplier Deliveries Faster**

MANUFACTURING AT A GLANCE

July 2019

Index	Series Index Jul	Series Index Jun	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'l's	Trans	Mach
Taiwan Manufacturing PMI	48.0	48.1	-0.1	Contracting	Faster	3	47.3	51.6	59.7	40.4	49.5	43.3
New Orders	48.2	48.7	-0.5	Contracting	Faster	3	46.3	54.5	66.7	37.0	47.5	38.4
Production	50.3	49.7	+0.6	Growing	From Contracting	1	42.5	57.3	68.3	38.0	52.5	43.0
Employment	50.1	48.7	+1.4	Growing	From Contracting	1	48.8	55.5	58.3	45.7	45.0	41.9
Supplier Deliveries	45.8	47.9	-2.1	Faster	Faster	3	51.3	45.5	53.3	41.3	52.5	41.9
Inventories	45.8	45.5	+0.3	Contracting	Slower	3	47.5	45.5	51.7	40.2	50.0	51.2
Customers' Inventories	44.6	46.1	-1.5	Too Low	Faster	8	42.5	42.7	53.3	44.6	52.5	44.2
Prices	49.0	40.7	+8.3	Decreasing	Slower	3	37.5	45.5	60.0	59.8	47.5	46.5
Backlog of Orders	44.8	47.8	-3.0	Contracting	Faster	4	43.8	47.7	58.3	39.1	32.5	37.2
New Export Orders	46.8	48.1	-1.3	Contracting	Faster	3	45.0	51.8	51.7	41.3	37.5	34.9
Imports	47.5	45.7	+1.8	Contracting	Slower	3	53.8	48.2	61.7	43.5	45.0	36.0
Future Outlooks	49.3	42.9	+6.4	Contracting	Slower	3	51.3	51.4	61.7	46.7	42.5	34.9
Production Materials	36	34	-	-	-	-	41	33	47	42	24	28
MRO Supplies	31	28	-	-	-	-	39	30	36	34	25	24
Capital Expenditures	66	62	-	-	-	-	70	64	71	63	66	70

Chart 1: Time Series of Taiwan Manufacturing PMI

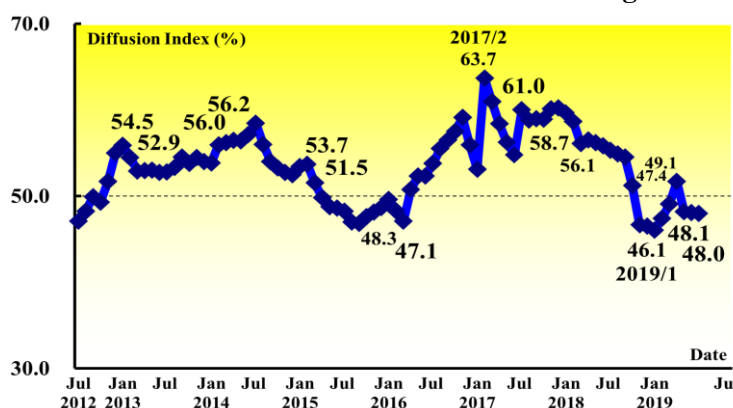
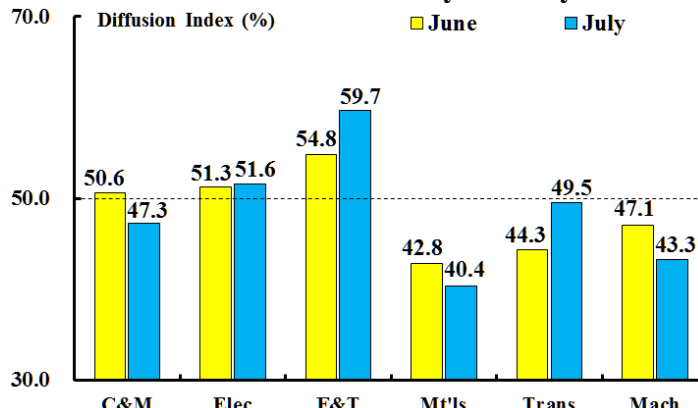


Chart 2: Performance by Industry



Summary

- The manufacturing sector contracted for three consecutive months as the seasonally adjusted Taiwan Manufacturing PMI registered 48.0 percent in July, an insignificant decrease of 0.1 percentage point from June.
- The seasonally adjusted New Orders Index decreased 0.5 percentage point to 48.2 percent, indicating contraction for the third consecutive month.
- Both the seasonally adjusted Production Index and the Employment Index reversed their recent trends of contraction and increased 0.6 and 1.4 percentage points to 50.3 and 50.1 percent, respectively.
- The Supplier Deliveries Index continuously reflected faster deliveries for the third consecutive month and registered a seven-month low of 45.8% in July.
- Manufacturers are still currently buying at lower prices while the Prices Index went up 8.3 percentage points and registered 49.0 percent in July.
- Manufacturing backlog contracted for four consecutive months as the Backlog of Orders Index further decreased 3.0 percentage points to 44.8 percent.
- Manufacturers' imports remained in contraction for three consecutive months but decelerated as the Imports Index increased 1.8 percentage points to 47.5 percent in July.
- The Future Outlooks Index contracted but decelerated as the index rose 6.4 percentage points to 49.3 percent.
- Of the six manufacturing industries categories, four are reporting contraction in the following order: Basic Materials (40.4%), Electrical & Machinery Equipment (43.3%), Chemical, Biological & Medical (47.3%) and Transportation Equipment industry (49.5%). While the Foods & Textiles (59.7%), Electronic & Optical (51.6%) industries expanded at a faster rate compared to June.

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.

Contact Information:

For economics comments, data and technical queries, please contact

Shin-Hui Chen, Ph.D.

Assistant Research Fellow, Center for Economic Forecasting Chung-Hua Institution for Economic Research
E-Mail: csh@cier.edu.tw
Tel: +(886) 2 27356006 ext. 424
www.cier.edu.tw

For industry comments, please contact:

Steve Lai

Executive Director, Center for Purchasing and Supply Studies
Supply Management Institute, Taiwan
E-Mail: stvelai@smit.org.tw
Tel: +(886) 2 27495889
www.smit.org.tw