

June 2018 Taiwan Manufacturing PMI

PMI at 58.3%

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

MANUFACTURING AT A GLANCE

June 2018

Index	Series Index June	Series Index May	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	58.3	58.1	+0.2	Growing	Faster	27	52.7	60.5	53.6	56.8	55.5	61.0
New Orders	61.0	56.2	+4.8	Growing	Faster	17	43.9	63.8	53.6	61.3	47.7	65.0
Production	61.0	59.6	+1.4	Growing	Faster	17	48.8	63.4	60.7	56.3	61.4	72.5
Employment	54.9	56.5	-1.6	Growing	Slower	26	57.3	56.3	51.8	56.3	56.8	51.3
Supplier Deliveries	60.2	59.2	+1.0	Slowing	Faster	27	52.4	66.5	48.2	52.5	59.1	61.3
Inventories	54.6	59.1	-4.5	Growing	Slower	27	61.0	52.7	53.6	57.5	52.3	55.0
Customers' Inventories	48.1	50.3	-2.2	Too Low	From Too High	1	45.1	48.7	39.3	52.5	47.7	46.3
Prices	76.1	76.3	-0.2	Increasing	Slower	28	76.8	75.0	67.9	80.0	68.2	83.8
Backlog of Orders	54.2	53.8	+0.4	Growing	Faster	23	47.6	55.4	48.2	55.0	45.5	62.5
Exports	57.1	56.1	+1.0	Growing	Faster	4	48.8	61.6	48.2	52.5	52.3	61.3
Imports	58.9	55.7	+3.2	Growing	Faster	28	53.7	61.2	57.1	55.0	52.3	65.0
Six-month Outlook	60.8	63.3	-2.5	Growing	Slower	28	57.3	67.4	55.4	52.5	56.8	53.8
Production Materials	39	38	-	-	-	-	39	35	53	46	21	43
MRO Supplies	32	31	-	-	-	-	41	27	37	38	24	32
Capital Expenditures	69	69	-	-	-	-	71	62	80	70	71	73

Chart 1: Time Series of Taiwan Manufacturing PMI

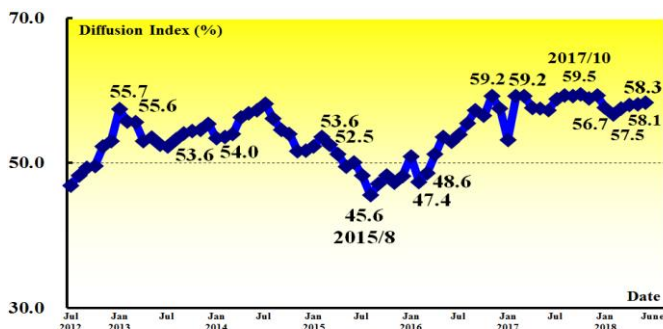
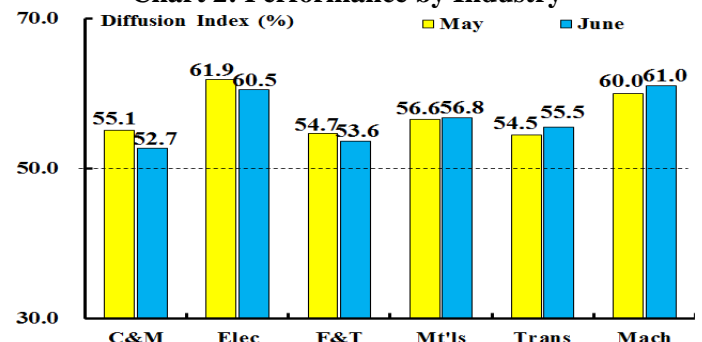


Chart 2: Performance by Industry



Summary

- The manufacturing sector continued positive momentum in June as the Taiwan Manufacturing PMI rose 0.2 percentage point, signaling satisfactory performance when compared to the seasonally adjusted 58.1 percent recorded in May.
- Both New Orders and Production Indexes were accelerated and registered 61.0 percent June, increasing 4.8 and 1.4 percentage points, respectively.
- Manufacturing employment remained in growth territory for twenty-six consecutive months while the Employment Index fell 1.6 percentage points to the seasonally adjusted June reading of 54.9 percent.
- The Supplier Deliveries Index registered 60.2 percent, indicates the delivery performance of suppliers to manufacturing sectors was slower for twenty-seven consecutive months.
- Manufacturers once commented their customers have sufficient inventories on hand in May, while the Customers' Inventories Index fell 2.2 percentage points to 48.1 percent in June.
- The Prices Index registered 76.1 percent in June and remained above 70.0 percent for the eleventh consecutive month.
- The Backlog of Orders Index slightly increased by 0.4 percentage point to 54.2 percent in June, following two months of slower growth in manufacturing backlogs.
- Both Exports and Imports Indexes performed positive increases in June as they went up 1.0 and 3.2 percentage points to 57.1 and 58.9 percent, respectively.
- The Six-month Outlook Index remained above 60.0 percent boundary for the sixth consecutive month but registered 2.5 percentage points lower than the 63.3 percent in May.
- All the manufacturing industries categories reporting growth in June in the following order: Electrical & Machinery Equipment (61.0%) Electronics & Optical (60.5%); Basic Materials (56.8%); Transportation Equipment (55.5%); Foods & Textiles (53.6%) and Chemical, Biological & Medical (52.7%).

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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