

March 2020 Taiwan Manufacturing PMI

PMI at 53.1%

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

MANUFACTURING AT A GLANCE

March 2020

Index	Series Index Mar	Series Index Feb	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	53.1	52.7	+0.4	Growing	Faster	6	54.1	61.5	49.6	49.3	51.0	45.6
New Orders	50.1	56.9	-6.8	Growing	Slower	7	54.5	62.2	44.6	45.7	57.1	43.0
Production	49.5	48.6	+0.9	Contracting	Slower	3	51.1	60.5	48.2	52.2	45.2	45.0
Employment	49.2	50.9	-1.7	Contracting	From Growing	1	51.1	54.6	51.8	50.0	45.2	42.0
Supplier Deliveries	65.9	63.1	+2.8	Slowing	Faster	5	58.0	77.3	57.1	51.1	57.1	54.0
Inventories	50.9	44.1	+6.8	Growing	From Contracting	1	55.7	52.9	46.4	47.8	50.0	44.0
Customers' Inventories	43.4	40.7	+2.7	Too Low	Slower	16	45.5	43.3	42.9	47.8	42.9	32.0
Prices	50.5	52.4	-1.9	Increasing	Slower	3	46.6	60.5	33.9	39.1	50.0	36.0
Backlog of Orders	56.4	55.9	+0.5	Growing	Faster	4	58.0	64.3	44.6	43.5	52.4	49.0
New Export Orders	51.2	40.9	+10.3	Growing	From Contracting	1	46.6	56.7	44.6	42.4	50.0	50.0
Imports	48.3	39.4	+8.9	Contracting	Slower	2	52.3	52.1	42.9	42.4	47.6	39.0
Future Outlooks	28.7	36.8	-8.1	Contracting	Faster	2	26.1	34.9	23.2	21.7	23.8	18.0
Production Materials	41	37	-	-	-	-	53	40	49	42	30	34
MRO Supplies	34	30	-	-	-	-	48	32	29	34	24	33
Capital Expenditures	62	60	-	-	-	-	59	62	66	61	59	68

Chart 1: Time Series of Taiwan Manufacturing PMI

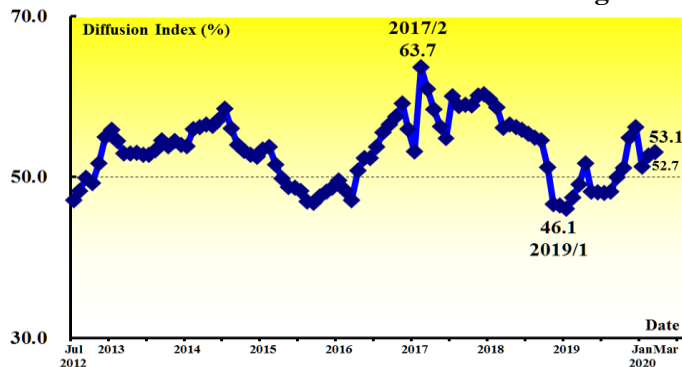
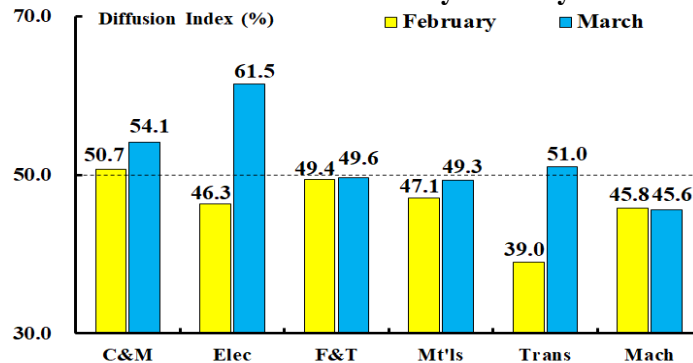


Chart 2: Performance by Industry



Summary

- The seasonally adjusted Taiwan Manufacturing PMI inched up to 53.1 percent in March, an increase of 0.4 percentage point, against 52.7 percent in February. The slowing Supplier Deliveries Index, negatively resulted from the COVID-19 outbreak and coronavirus-related transportation restrictions, is one of the main reasons for the higher PMI reading.
- Manufacturers' new orders decelerated as the seasonally adjusted New Orders Index fell 6.8 percentage points to 50.1 percent, against 56.9 percent in February.
- The seasonally adjusted Production Index registered 49.5 percent, went up 0.9 percentage point, against 48.6 percent in February which indicating contraction for three consecutive months.
- Manufacturers' employment reversed its recent trend of growth in the past five months and contracted in March as the seasonally adjusted Employment Index decreased 1.7 percentage points to 49.2 percent.
- The Supplier Deliveries Index further increased 2.8 percentage points to 65.9 percent and recorded its highest reading since July 2012.
- With China's work resumption picked up following a devastating coronavirus outbreak, the seasonally unadjusted Inventories Index registered 50.9 percent, up from the lowest recorded level of 44.1 percent since January 2016.
- The Prices Index further fell 1.9 percentage points to 50.5 percent, while the Prices Index of Electronic & Optical industry remained above 60.0 percent for the third consecutive month.
- The Backlog of Orders Index further increased 0.5 percentage point to 56.4 percent and recorded its fastest rate of growing since April 2018.
- Following a double-digit decrease of 26.9 percentage points and turning to contraction in February, the Future Outlooks Index further fell 8.1 percentage points to 28.7 percent and contracted at its fastest rate since July 2012.
- Of the six manufacturing industries categories, three are reporting growing in the following order: Electronic & Optical (61.5%), Chemical, Biological & Medical (54.1%) and Transportation Equipment (51.0%). While Electrical & Machinery Equipment (45.6%), Basic Materials (49.3%) and Foods & Textiles (49.6%) reported contraction in March.

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) 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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