

November 2018 Taiwan Manufacturing PMI

PMI at 48.0%

**New Orders, Production, Employment and Inventories contracting;
Supplier Deliveries Faster**

MANUFACTURING AT A GLANCE

November 2018

Index	Series Index November	Series Index October	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	48.0	51.8	-3.8	Contracting	From Growing	1	48.5	44.0	51.1	45.5	43.0	47.6
New Orders	47.6	51.2	-3.6	Contracting	From Growing	1	45.0	39.4	53.7	42.0	37.5	44.0
Production	49.2	56.1	-6.9	Contracting	From Growing	1	45.0	42.4	53.7	47.7	37.5	46.4
Employment	49.3	50.3	-1.0	Contracting	From Growing	1	56.3	45.8	50.0	45.5	42.5	48.8
Supplier Deliveries	45.9	51.6	-5.7	Faster	From Slowing	1	46.3	45.8	51.9	44.3	45.0	45.2
Inventories	48.0	50.0	-2.0	Contracting	From Unchanged	1	50.0	46.6	46.3	47.7	52.5	53.6
Customers' Inventories	50.1	48.9	+1.2	Too High	From Too Low	1	53.8	51.7	42.6	46.6	55.0	50.0
Prices	44.6	55.3	-10.7	Decreasing	From Increasing	1	46.3	44.9	51.9	33.0	57.5	53.6
Backlog of Orders	41.1	43.2	-2.1	Contracting	Faster	5	41.3	41.9	53.7	39.8	32.5	33.3
Exports	41.6	47.1	-5.5	Contracting	Faster	3	42.5	39.4	53.7	40.9	45.0	41.7
Imports	41.4	47.0	-5.6	Contracting	Faster	3	43.8	37.3	57.4	42.0	37.5	47.6
Six-month Outlook	33.7	40.6	-6.9	Contracting	Faster	3	37.5	31.4	53.7	30.7	30.0	33.3
Production Materials	36	37	-	-	-	-	37	33	44	44	42	28
MRO Supplies	31	30	-	-	-	-	48	28	31	36	21	23
Capital Expenditures	62	65	-	-	-	-	67	57	76	65	70	58

Chart 1: Time Series of Taiwan Manufacturing PMI

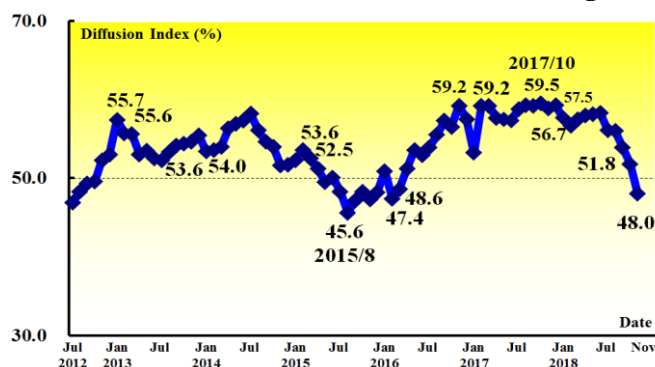
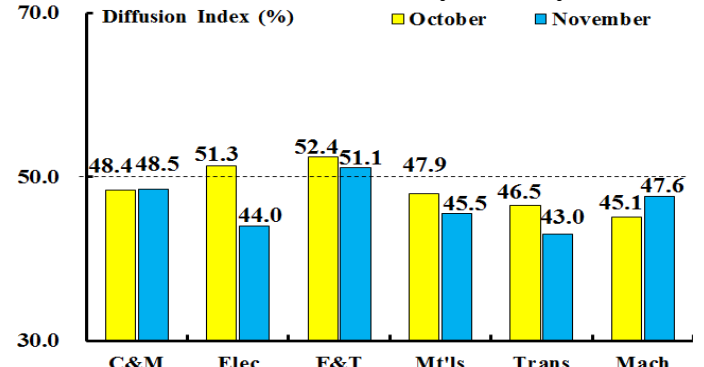


Chart 2: Performance by Industry



Summary

- The seasonally adjusted Taiwan Manufacturing PMI reversed its recent trend of growth and turned to contraction for the first time since April 2016 as the Taiwan PMI fell 3.8 percentage points to 48.0 percent in November.
- Both New Orders and Production Indexes failed to grow in November and dropped 3.6 and 6.9 percentage points to 47.6 and 49.2 percent, respectively.
- The Employment Index decreased 1.0 percentage point to the seasonally adjusted November reading of 49.3 percent and turned to contraction for the first time since May 2016.
- The Supplier Deliveries Index registered 5.7 percentage points lower than the 51.6 percent in October, indicating the delivery performance of suppliers to manufacturing sectors was faster for the first time for the past thirty-two months.
- Non-manufacturing inventories contracted for the first time since April 2016 as the Inventories Index further decreased by 2.0 percentage points to 48.0 percent.
- Manufacturers are currently buying rather lower prices due to the demands of the products is much slowing. The Price Index fell below the middle point (50.0%) for the first time since March 2016 and registered 44.6 percent in November.
- Manufacturing backlog contracted at the fastest rate since October 2015 as the Backlog of Orders Index decreased 2.1 percentage points to 41.1 percent, very low concerning point, in November.
- Both Export and Import Indexes contracted at a rather faster rate as they further fell 5.5 and 5.6 percentage points to 41.6 and 41.4 percent respectively.
- The Six-month Outlook Index dropped 6.9 percentage points to 33.7 percent and has been indicated contraction for three consecutive months. This is also the lowest level reported by the index since October 2015.
- Five manufacturing industries categories are reporting contraction in the following order: Transportation Equipment (43.0%), Electronic & Optical (44.0%), Basic Materials (45.5%), Electrical & Machinery Equipment (47.6%) and Chemical, Biological & Medical (48.5%). Only Foods & Textiles (51.1%) industry reported growth in November.

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