

October 2018 Taiwan Manufacturing PMI

PMI at 51.8%

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

MANUFACTURING AT A GLANCE

October 2018

Index	Series Index Oct	Series Index Sep	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	51.8	53.9	-2.1	Growing	Slower	31	48.4	51.3	52.4	47.9	46.5	45.1
New Orders	51.2	55.2	-4.0	Growing	Slower	21	47.4	50.0	48.5	38.4	41.3	40.4
Production	56.1	54.9	+1.2	Growing	Faster	21	48.7	53.0	48.5	54.7	41.3	40.4
Employment	50.3	52.6	-2.3	Growing	Slower	30	55.3	49.6	60.6	46.5	43.5	46.8
Supplier Deliveries	51.6	54.8	-3.2	Slowing	Slower	31	50.0	54.7	50.0	46.5	52.2	48.9
Inventories	50.0	52.1	-2.1	Unchanged	From Growing	1	40.8	49.1	54.5	53.5	54.3	48.9
Customers' Inventories	48.9	51.1	-2.2	Too Low	From Too High	1	46.1	50.4	48.5	44.2	52.2	52.1
Prices	55.3	61.4	-6.1	Increasing	Slower	32	61.8	54.7	56.1	50.0	60.9	59.6
Backlog of Orders	43.2	49.2	-6.0	Contracting	Faster	4	44.7	47.4	50.0	34.9	41.3	33.0
Exports	47.1	48.7	-1.6	Contracting	Faster	2	48.7	50.4	50.0	47.7	37.0	29.8
Imports	47.0	48.7	-1.7	Contracting	Faster	2	52.6	49.1	54.5	40.7	47.8	37.2
Six-month Outlook	40.6	47.6	-7.0	Contracting	Faster	2	42.1	39.3	53.0	43.0	34.8	33.0
Production Materials	37	37	-	-	-	-	37	32	45	46	34	32
MRO Supplies	30	33	-	-	-	-	37	27	33	40	25	23
Capital Expenditures	65	69	-	-	-	-	60	64	74	62	82	56

Chart 1: Time Series of Taiwan Manufacturing PMI

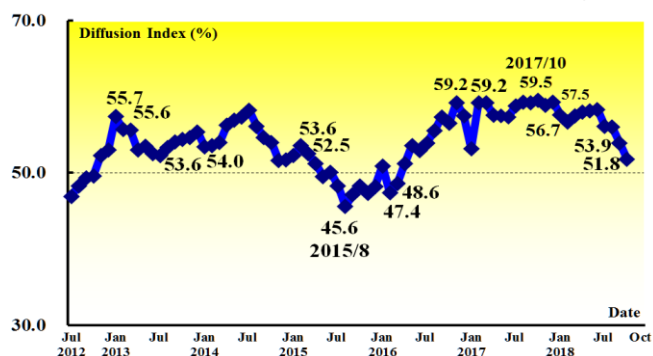
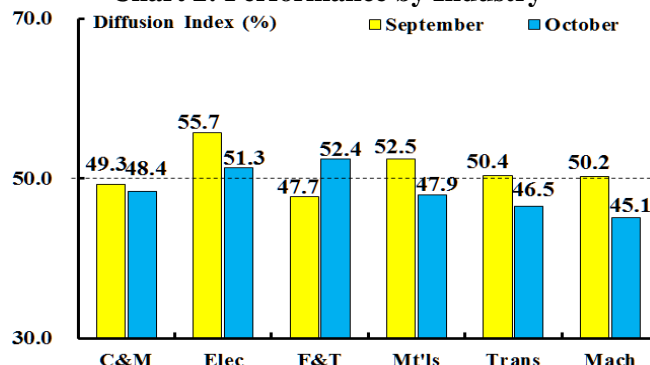


Chart 2: Performance by Industry



Summary

- The seasonally adjusted Taiwan Manufacturing PMI further fell 2.1 percentage points to 51.8 percent in October, indicating that the manufacturing sector turned it growing at the slowest pace since May 2016.
- The seasonally adjusted New Orders Index recorded its lowest level of growth since February 2017, decreasing 4.0 percentage points to 51.2 percent.
- The Employment Index further fell 2.3 percentage points to the seasonally adjusted October reading of 50.3 percent, also the lowest level recorded since May 2016.
- The delivery performance of suppliers to manufacturing sectors was slower for thirty-one consecutive months while the Supplier Deliveries Index decreased 3.2 percentage points to 51.6 percent, the lowest figure since April 2016.
- The past trend of inventories growing reversed its direction during October for the first time in the past thirty-one months, with the Inventories Index is dropped 2.1 percentage points for the month to 50.0%.
- The Customer's Inventories Index fell 2.2 percentage points to 48.9 percent in October, indicating respondents believe that their customers have insufficient inventories on hand for the first time in the past three months.
- Manufacturing backlog contracted at the fastest rate since March 2016 as the Backlog of Orders Index calculated 6.0 percentage points lower than the 49.2 percent in September.
- Both Export and Import Indexes contracted at a slightly decreasing rate in October as they went down 1.6 and 1.7 percentage points to 47.1 and 47.0 percent, respectively.
- The Six-month Outlook Index dropped 7.0 percentage points to 40.6 percent in October and reported contraction for two consecutive months. This is also the biggest month-to-month decrease since September 2015.
- Four manufacturing industries categories are reporting contraction in the following order: Electrical & Machinery Equipment (45.1%), Transportation Equipment (46.5%), Basic Materials (47.9%) and Chemical, Biological & Medical (48.4%). Only Foods & Textiles (52.4%) and Electronic & Optical (51.3%) industries report growth in October.

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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