

January 2020 Taiwan Manufacturing PMI

PMI at 51.3%

New Orders and Employment Growing
Production Contracting
Supplier Deliveries Slowing
Inventories Unchanged

MANUFACTURING AT A GLANCE

January 2020

Index	Series Index Jan	Series Index Dec	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'l's	Trans	Mach
Taiwan Manufacturing PMI	51.3	56.2	-4.9	Growing	Slower	4	53.6	52.2	60.0	44.9	52.1	46.0
New Orders	55.0	61.5	-6.5	Growing	Slower	5	50.0	51.3	73.1	46.5	60.4	44.2
Production	41.7	59.9	-18.2	Contracting	From Growing	1	48.6	48.7	53.8	38.4	54.2	45.3
Employment	52.8	55.0	-2.2	Growing	Slower	4	54.2	50.4	53.8	43.0	50.0	46.5
Supplier Deliveries	57.1	52.3	+4.8	Slowing	Faster	3	59.7	62.4	57.7	46.5	50.0	48.8
Inventories	50.0	52.2	-2.2	Unchanged	From Growing	1	55.6	48.2	61.5	50.0	45.8	45.3
Customers' Inventories	42.9	44.8	-1.9	Too Low	Faster	14	43.1	41.6	61.5	43.0	39.6	36.0
Prices	58.5	47.8	+10.7	Increasing	From Decreasing	1	58.3	60.2	63.5	53.5	58.3	55.8
Backlog of Orders	52.9	54.6	-1.7	Growing	Slower	2	51.4	55.8	50.0	52.3	41.7	47.7
New Export Orders	51.6	55.8	-4.2	Growing	Slower	3	58.3	50.9	63.5	41.9	64.6	52.3
Imports	50.8	52.6	-1.8	Growing	Slower	3	54.2	51.3	61.5	44.2	58.3	45.3
Future Outlooks	63.7	57.4	+6.3	Growing	Faster	2	62.5	66.8	59.6	64.0	50.0	57.0
Production Materials	35	35	-	-	-	-	37	36	35	40	23	30
MRO Supplies	30	31	-	-	-	-	36	29	30	36	23	26
Capital Expenditures	66	64	-	-	-	-	59	65	81	65	64	65

Chart 1: Time Series of Taiwan Manufacturing PMI

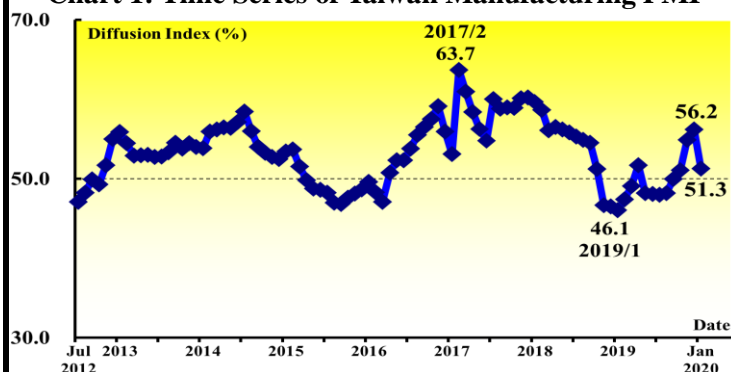
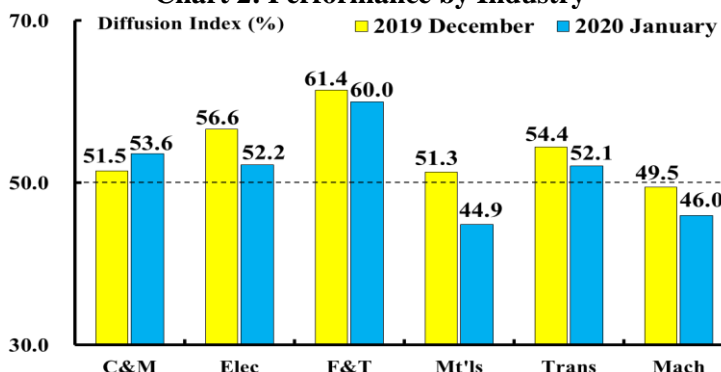


Chart 2: Performance by Industry



Summary

- The manufacturing sector expanded at a slower rate as the seasonally adjusted Taiwan Manufacturing PMI fell 4.9 percentage points to 51.3 percent in January 2020.
- Manufacturers' new orders grew for the fifth consecutive month but decelerated, as the seasonally adjusted New Orders Index decreased 6.5 percentage points to 55.0 percent.
- Manufacturers' production shifts from growing to contracting. The seasonally adjusted Production Index dramatically decreased 18.2 percentage points to 41.7 percent and contracted at the fastest rate since August 2012.
- The Supplier Deliveries Index further increased 4.8 percentage points to 57.1 percent and recorded its highest reading since August 2018.
- Manufacturer's Inventories failed to grow up continuous momentum as the Inventories Index fell to 50.0 percent and reflected unchanged inventories levels from December 2019.
- Manufacturers experienced inflationary pressure on their purchases in January 2020. The Prices Index significantly increased 10.7 percentage points to 58.5 percent and registered its highest reading since October 2018.
- The Backlog of Orders Index registered 52.9 percent, a small decrease of 1.7 percentage points, indicating growing in manufacturers' order backlogs for two consecutive months.
- Both New Export Orders and Imports Indexes expanded at slower rates as they went down 4.2 and 1.8 percentage points to 51.6 and 50.8 percent, respectively.
- The Future Outlooks Index accelerated and rose 6.3 percentage points to 63.7 percent in January 2020, the highest reading recorded since April 2018.
- Of the six manufacturing industries categories, four are reporting growing in the following order: Foods & Textiles (60.0%), Chemical, Biological & Medical (53.6%), Electronic & Optical (52.2%) and Transportation Equipment (52.1%). While Basic Materials (44.9%) and Electrical & Machinery Equipment (46.0%) reported contraction.

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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