

May 2014 Taiwan Manufacturing PMI

PMI at 58.6%

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

MANUFACTURING AT A GLANCE

May 2014

| Index | Series Index May | Series Index Apr | Percentage Point Change | Direction | Rate of Change | Trend (Months) | Industries | | | | | |
|--------------------------|------------------|------------------|-------------------------|------------|----------------|----------------|------------|------|------|-------|-------|------|
| | | | | | | | C&M | Elec | F&T | Mt'ls | Trans | Mach |
| Taiwan Manufacturing PMI | 58.6 | 60.2 | -1.6 | Growing | Slower | 15 | 52.0 | 63.3 | 56.1 | 52.8 | 59.3 | 59.2 |
| New Orders | 62.3 | 67.1 | -4.8 | Growing | Slower | 3 | 50.0 | 68.4 | 60.9 | 58.7 | 50.0 | 65.6 |
| Production | 60.9 | 66.8 | -5.9 | Growing | Slower | 3 | 42.9 | 70.4 | 58.7 | 53.3 | 63.3 | 57.3 |
| Employment | 58.4 | 57.9 | +0.5 | Growing | Faster | 18 | 57.1 | 61.2 | 54.3 | 52.2 | 66.7 | 59.4 |
| Supplier Deliveries | 56.5 | 56.5 | +0.0 | Slowing | Same | 9 | 55.7 | 60.7 | 52.2 | 48.9 | 56.7 | 57.3 |
| Inventories | 54.8 | 52.6 | +2.2 | Growing | Faster | 5 | 54.3 | 55.8 | 54.3 | 51.1 | 60.0 | 56.3 |
| Customers' Inventories | 44.3 | 41.6 | +2.7 | Too Low | Slower | 10 | 41.4 | 42.7 | 50.0 | 46.7 | 43.3 | 46.9 |
| Prices | 53.7 | 56.1 | -2.4 | Increasing | Slower | 6 | 55.7 | 50.0 | 63.0 | 54.3 | 53.3 | 59.4 |
| Backlog of Orders | 54.6 | 57.3 | -2.7 | Growing | Slower | 3 | 51.4 | 60.2 | 39.1 | 52.2 | 46.7 | 55.2 |
| Exports | 58.3 | 62.0 | -3.7 | Growing | Slower | 6 | 54.3 | 63.6 | 54.3 | 55.4 | 50.0 | 52.1 |
| Imports | 58.4 | 60.4 | -2.0 | Growing | Slower | 3 | 54.3 | 63.1 | 54.3 | 55.4 | 53.3 | 54.2 |
| Six-month Outlook | 65.3 | 66.0 | -0.7 | Growing | Slower | 6 | 60.0 | 70.9 | 58.7 | 60.9 | 60.0 | 63.5 |
| Production Materials | 34 | 34 | - | - | - | - | 36 | 33 | 36 | 33 | 30 | 35 |
| MRO Supplies | 24 | 26 | - | - | - | - | 28 | 22 | 30 | 28 | 23 | 21 |
| Capital Expenditures | 51 | 55 | - | - | - | - | 67 | 51 | 47 | 59 | 53 | 33 |

Chart 1: Time Series of Taiwan Manufacturing PMI

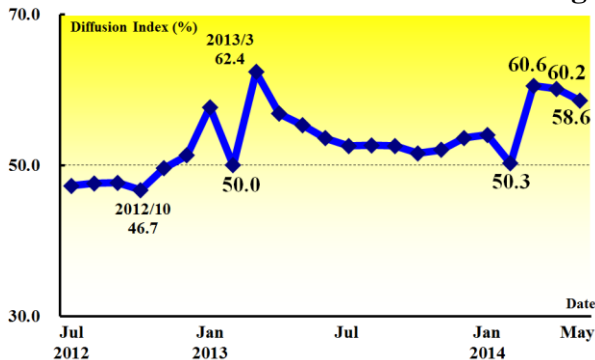
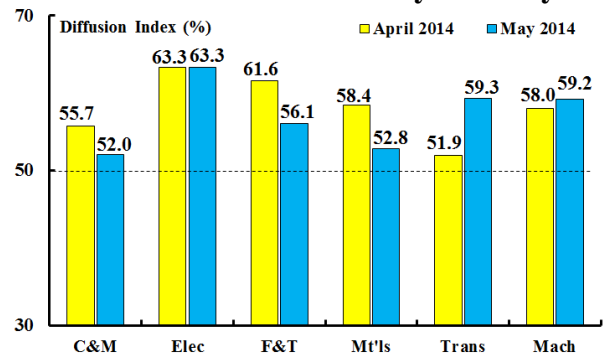


Chart 2: Performance by Industry



Summary

- The Taiwan Manufacturing PMI registered 58.6 percent in May, which is 1.6 percentage points lower than the 60.2 percent reported in April. This month's reading represents that the manufacturing sector grew at a slightly slower, but still promising, rates as both the New Orders and Production remain strong.
- Both New Orders and Production Indexes have now been above the 60 percent for the third straight month, registering 62.3 and 60.9 percent, respectively.
- The Employment Index accelerated and registered 58.4 percent in May. This is the second record high index since July 2012, indicating the manufacturing sector has been continuing to experience a significant job growth.
- The Supplier Deliveries Index registered 56.5 percent, the same percentage as reported in April, and represents the highest index reading since July 2012. This trend interprets the seller market oriented.
- Exports decelerated this month, but it is still at very positive levels. The Export Index registered 58.3 percent in May, down from the highest recorded level of 62.0 percent since April 2013.
- Imports of materials by manufacturers grew at a slower rate but still remain in a relatively strong demand position. The Imports Index registered 58.4 percent in May, which is 2.0 percentage points lower than the 60.4 percent reported in April.
- Manufacturers still remain optimistic about the future. The Six-month outlook Index registered 65.3 percent and has risen above the 60 percent for five consecutive months since January 2014.
- All the manufacturing industries categories reporting growth in March in the following order: Electronics & Optical (63.3%); Transportation Equipment (59.3%); Electrical & Machinery Equipment (59.2%); Foods & Textiles (56.1%); Basic Materials (52.8%) and Chemical, Biological & Medical (52.0%).

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 250 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.

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
Email: csh@cier.edu.tw
Tel: +(866) 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: +(866) 2 27495889
www.smit.org.tw