

February 2016 Taiwan Manufacturing PMI

PMI at 41.4%

New Orders, Production and Employment Contracting
Inventories Contraction
Supplier Deliveries Slowing

MANUFACTURING AT A GLANCE

February 2016

Index	Series Index Feb	Series Index Jan	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'l's	Trans	Mach
Taiwan Manufacturing PMI	41.4	51.3	-9.9	Contracting	From Growing	1	44.2	40.9	42.8	39.1	41.8	45.3
New Orders	37.0	53.4	-16.4	Contracting	From Growing	1	37.5	32.8	36.0	40.9	41.2	48.9
Production	29.4	55.3	-25.9	Contracting	From Growing	1	31.9	27.0	38.0	25.0	41.2	35.6
Employment	45.1	49.8	-4.7	Contracting	Faster	7	55.6	44.1	44.0	40.9	44.1	51.1
Supplier Deliveries	51.1	51.1	+0.0	Slowing	Same	2	50.0	55.9	52.0	44.3	41.2	45.6
Inventories	44.5	46.8	-2.3	Contracting	Faster	9	45.8	44.6	44.0	44.3	41.2	45.6
Customers' Inventories	43.4	45.4	-2.0	Too Low	Faster	16	45.8	44.6	38.0	43.2	47.1	37.8
Prices	44.3	30.3	+14.0	Decreasing	Slower	18	48.6	38.2	48.0	59.1	35.3	42.2
Backlog of Orders	43.1	46.4	-3.3	Contracting	Faster	10	48.6	39.7	30.0	50.0	50.0	48.9
Exports	42.1	50.2	-8.1	Contracting	From Growing	1	54.2	37.3	40.0	44.3	47.1	51.1
Imports	40.3	48.8	-8.5	Contracting	Faster	10	47.2	38.7	40.0	38.6	47.1	42.2
Six-month Outlook	48.7	42.5	+6.2	Contracting	Slower	8	50.0	48.5	46.0	51.1	52.9	43.3
Production Materials	29	30	-	-	-	-	29	25	32	33	21	34
MRO Supplies	25	25	-	-	-	-	35	20	32	29	19	24
Capital Expenditures	44	47	-	-	-	-	50	41	57	59	48	25

Chart 1: Time Series of Taiwan Manufacturing PMI

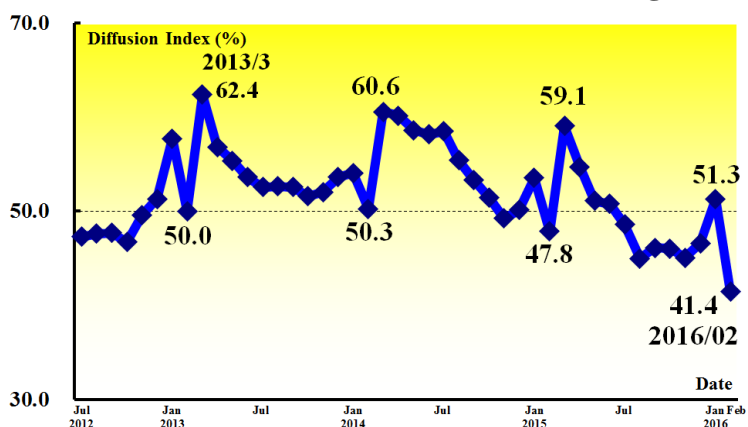
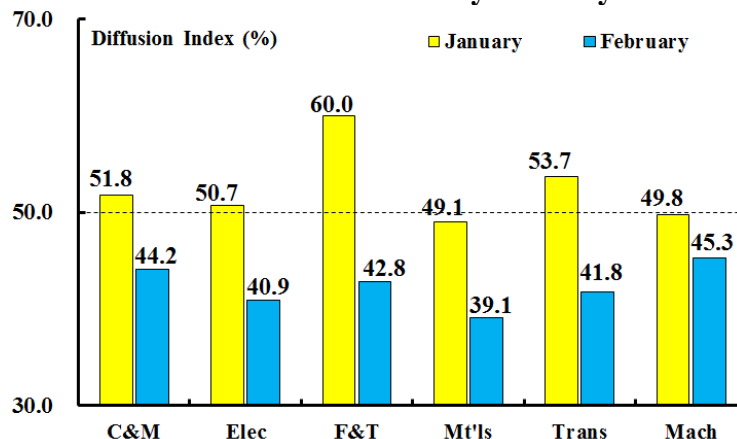


Chart 2: Performance by Industry



Summary

- Taiwan Manufacturing PMI registered 41.4 percent in February, which is 9.9 percentage points lower than the 51.3 percent in January. The big decline in new orders and production is the main reason to the lower PMI reading.
- The holiday break of nine consecutive days for the Chinese New Year and the Peace Memorial Day weekend slowing down the nation's manufacturing activities. The New Orders and Production Indexes dropped 16.4 and 25.9 percentage points to 37.0 and 29.4 percent, respectively. Both indexes recorded their lowest indicating since July 2012.
- The Employment Index fell 4.7 percent points to 45.1 percent, which was the lowest recorded in this particular index since July 2012.
- Manufacturers still believe their customers have less than sufficient inventories on hand for the past sixteenth months as the Customers' Inventories Index registered 43.4 percent and declined to its lowest level since May 2014.
- Following the recent oil and steel price increases, the February report is indicating the first sign of higher prices. The Prices Index increased 14.0 percentage points to 44.3 percent, though still at a contracting direction.
- Manufacturer's export failed to continuous raising momentum and contracted following only one month of growth. The Exports Index decreased 8.1 percentage points to 42.1 percent in February.
- Manufacturers are still commenting their concerns about the future. However, the Six-month Outlook Index registered 6.2 percentage points above the January reading of 42.5 percent.
- All the manufacturing industries categories reporting contraction in February in the following order: Basic Materials (39.1%); Electronics & Optical (40.9%); Transportation Equipment (41.8%); Foods & Textiles (42.8%); Chemical, Biological & Medical (44.2%) and Electrical & Machinery Equipment (45.3%).

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.

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