

April 2020 Taiwan Manufacturing PMI

PMI at 47.6%

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

MANUFACTURING AT A GLANCE

April 2020

Index	Series Index Apr	Series Index Mar	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'l's	Trans	Mach
Taiwan Manufacturing PMI	47.6	53.1	-5.5	Contracting	From Growing	1	51.6	56.8	49.0	42.0	33.9	39.5
New Orders	37.1	50.1	-13.0	Contracting	From Growing	1	44.2	51.3	40.0	30.7	10.9	30.7
Production	40.2	49.5	-9.3	Contracting	Faster	4	50.0	55.8	50.0	37.5	15.2	36.4
Employment	46.5	49.2	-2.7	Contracting	Faster	2	47.7	51.8	51.7	40.9	37.0	38.6
Supplier Deliveries	63.8	65.9	-2.1	Slowing	Slower	6	66.3	70.5	53.3	54.5	58.7	53.4
Inventories	50.5	50.9	-0.4	Growing	Slower	2	50.0	54.5	50.0	46.6	47.8	38.6
Customers' Inventories	50.5	43.4	+7.1	Too High	From Too Low	1	53.5	53.1	60.0	43.2	43.5	43.2
Prices	47.7	50.5	-2.8	Decreasing	From Increasing	1	44.2	58.9	38.3	26.1	41.3	45.5
Backlog of Orders	46.8	56.4	-9.6	Contracting	From Growing	1	41.9	52.2	36.7	46.6	37.0	35.2
New Export Orders	37.9	51.2	-13.3	Contracting	From Growing	1	39.5	45.1	33.3	26.1	19.6	33.0
Imports	43.7	48.3	-4.6	Contracting	Faster	3	50.0	49.1	53.3	33.0	21.7	30.7
Future Outlooks	25.7	28.7	-3.0	Contracting	Faster	3	30.2	31.3	23.3	15.9	13.0	18.2
Production Materials	41	41	-	-	-	-	52	37	50	44	30	34
MRO Supplies	28	34	-	-	-	-	33	27	34	31	27	20
Capital Expenditures	58	62	-	-	-	-	56	54	81	52	63	55

Chart 1: Time Series of Taiwan Manufacturing PMI

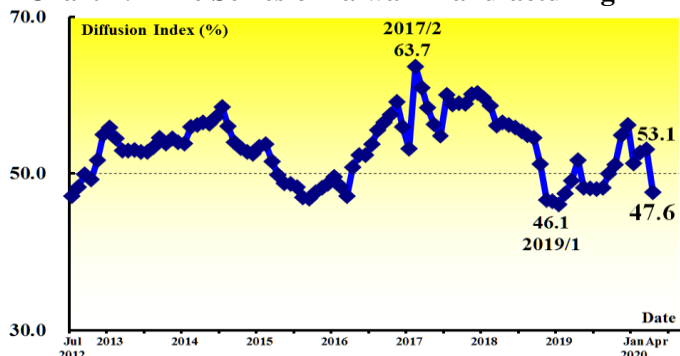
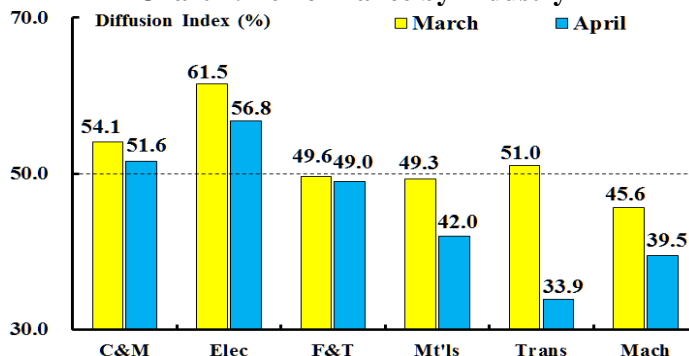


Chart 2: Performance by Industry



Summary

- The manufacturing sector reversed its recent trend of growth in the past six months as the seasonally adjusted Taiwan Manufacturing PMI fell 5.5 percentage points to 47.6 percent and recorded the significant month-to-month decrease since July 2012. The dramatically decline of New Orders and Production Indexes are two main causes for the contraction of PMI.
- Manufacturers' new orders reversed its recent trend of growth and contracted at the fastest pace since July 2012. The seasonally adjusted New Orders Index dropped 13.0 percentage points to 37.1 percent and recorded the biggest month-to-month decrease since July 2012.
- Both the seasonally adjusted Production and Employment Indexes contracted at the fastest rate since July 2012, dropping 9.3 and 2.7 percentage points to 40.2 and 46.5 percent respectively.
- Manufacturers reported their ongoing faster deliveries for six consecutive months, while the Supplier Deliveries Index decreased 2.1 percentage points to 63.8 percent, down from the highest recorded level of 65.9 percent since July 2012.
- Manufacturers believe their customers have more than sufficient inventories on hand for the first time since December 2018, as the Customer's Inventories Index rose 7.1 percentage points to 50.5 percent and recorded the climbing month-to-month increase since July 2012.
- The Prices Index decreased 2.8 percentage points to 47.7 percent, indicating relieving inflationary pressure on manufacturers' costs for the first time in the past four months.
- The Backlog of Orders Index also recorded the biggest month-to-month decline since July 2012 and turned to contracting in April, dropping 9.6 percentage points to 46.8 percent.
- Manufacturers' export orders failed to recover continuous momentum and contracted following only one month of growth. The New Export Orders Index fell 13.3 percentage points to 37.9 percent, the fastest rate of contraction since July 2012.
- The Future Outlooks Index further fell 3.0 percentage points to 25.7 percent and contracted at the fastest rate since July 2012.
- Of the six manufacturing industries categories, four are reporting contraction in the following order: Transportation Equipment (33.9%), Electrical & Machinery Equipment (39.5%), Basic Materials (42.0%) and Foods & Textiles (49.0%). Both Electronic & Optical (56.8%) and Chemical, Biological & Medical (51.6%) reported growing in April.

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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