

August 2020 Taiwan Manufacturing PMI

PMI at 56.0%

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

MANUFACTURING AT A GLANCE

August 2020

Index	Series Index Aug	Series Index Jul	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	56.0	54.1	+1.9	Growing	Faster	2	54.5	57.8	57.4	54.9	57.9	49.2
New Orders	62.5	56.7	+5.8	Growing	Faster	2	62.5	63.8	63.0	62.2	62.5	45.8
Production	59.2	58.3	+0.9	Growing	Faster	2	61.3	59.4	57.4	61.1	70.8	54.2
Employment	52.5	51.7	+0.8	Growing	Faster	2	50.0	56.3	55.6	48.9	54.2	48.6
Supplier Deliveries	55.1	54.2	+0.9	Slowing	Faster	10	48.8	60.3	55.6	47.8	52.1	50.0
Inventories	50.6	49.7	+0.9	Growing	From Contracting	1	50.0	49.1	55.6	54.4	50.0	47.2
Customers' Inventories	41.9	46.9	-5.0	Too Low	From Contracting	3	42.5	42.9	46.3	37.8	43.8	40.3
Prices	58.9	57.2	+1.7	Increasing	Faster	3	53.8	52.7	51.9	78.9	66.7	59.7
Backlog of Orders	53.5	47.3	+6.2	Growing	From Contracting	1	57.5	54.0	55.6	55.6	62.5	34.7
New Export Orders	57.3	52.5	+4.8	Growing	Faster	2	62.5	62.5	53.7	51.1	50.0	40.3
Imports	54.5	50.7	+3.8	Growing	Faster	2	53.8	55.4	61.1	55.6	52.1	43.1
Future Outlooks	53.5	49.3	+4.2	Growing	From Contracting	1	50.0	53.1	61.1	55.6	62.5	44.4
Production Materials	35	36	-	-	-	-	39	36	34	42	24	24
MRO Supplies	31	31	-	-	-	-	37	34	29	33	24	22
Capital Expenditures	60	61	-	-	-	-	54	67	74	53	43	51

Chart 1: Time Series of Taiwan Manufacturing PMI

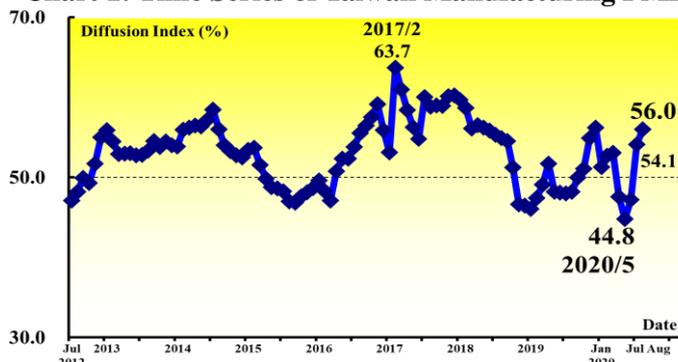
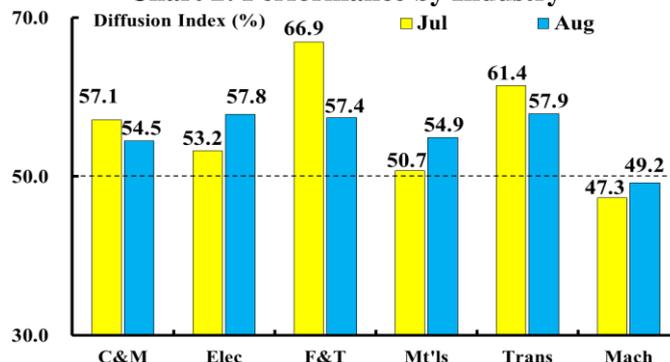


Chart 2: Performance by Industry



Summary

- The Taiwan manufacturing sector expanded at the fastest pace since January 2020. The seasonally adjusted Taiwan Manufacturing PMI further increased 1.9 percentage points to 56.0 percent, indicating growth in the Taiwan manufacturing sector for two consecutive months.
- Both manufacturers' new orders and production grew for two consecutive months. The seasonally adjusted New Order Index and the Production Index increased 5.8 and 0.9 percentage points to 62.5 and 59.2 percent, respectively.
- The seasonally adjusted Employment Index further increased 0.8 percentage point to 52.5 percent, indicating growing for the second consecutive month.
- Manufacturers' inventories turned to growth in August following two months of contraction as the Inventories Index further increased 0.9 percentage point to 50.6 percent.
- Manufacturers believe that their customers have insufficient inventories on hand for three consecutive months as the Customer's Inventories Index fell 5.0 percentage points to 41.9 percent.
- Manufacturers are experiencing higher prices of their purchases for the third consecutive month, as the Price Index increased 1.7 percentage points to 58.9 percent and recorded the highest reading since October 2018.
- Manufacturers' backlog turned to growth following four months of contraction as the Backlog of Orders Index further rose 6.2 percentage points to 53.5 percent.
- Both New Export Orders and Imports Indexes grew for two consecutive months and accelerated, as they further increased 4.8 and 3.8 percentage points to 57.3 and 54.5 percent, respectively.
- The Future Outlooks Index reversed its recent trend of contracting in the past six months and turned to growth during August, registering 4.2 percentage points higher than the 49.3 percent reported in July.
- Of the six manufacturing industries categories, five are reporting growing in the following order: Transportation Equipment (57.9%), Electronic & Optical (57.8%), Foods & Textiles (57.4%), Basic Materials (54.9%) and Chemical, Biological & Medical (54.5%). While the Electrical & Machinery Equipment (49.2%) still remained in contraction for sixteen consecutive months.

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's)** 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.

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
E-Mail: csh@cier.edu.tw
Tel: +(886) 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: +(886) 2 27495889
www.smit.org.tw