

February 2019 Taiwan Manufacturing PMI

PMI at 48.3%

**New Orders and Production Contracting
Employment and Inventories Growing
Supplier Deliveries Faster**

MANUFACTURING AT A GLANCE

February 2019

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	48.3	47.9	+0.4	Contracting	Slower	4	54.4	38.6	39.7	41.1	45.9	42.4
New Orders	46.9	46.6	+0.3	Contracting	Slower	4	54.7	29.7	28.8	33.0	45.5	34.8
Production	46.2	49.1	-2.9	Contracting	Faster	4	43.0	27.1	22.7	21.6	45.5	30.4
Employment	50.4	49.3	+1.1	Growing	From Contracting	1	53.5	43.2	51.5	45.5	45.5	54.3
Supplier Deliveries	48.1	46.3	+1.8	Faster	Slower	4	52.3	47.9	51.5	47.7	47.7	43.5
Inventories	50.1	48.0	+2.1	Growing	From Contracting	1	68.6	45.3	43.9	58.0	45.5	48.9
Customers' Inventories	47.6	48.9	-1.3	Too Low	Faster	3	45.3	49.6	47.0	46.6	43.2	44.6
Prices	52.1	46.1	+6.0	Increasing	From Decreasing	1	60.5	44.5	59.1	68.2	52.3	43.5
Backlog of Orders	42.0	42.6	-0.6	Contracting	Faster	8	57.0	40.3	37.9	45.5	36.4	37.0
Exports	38.9	42.8	-3.9	Contracting	Faster	6	58.1	33.5	40.9	40.9	43.2	41.3
Imports	39.7	43.0	-3.3	Contracting	Faster	6	62.8	33.9	34.8	45.5	45.5	38.0
Six-month Outlook	42.9	34.9	+8.0	Contracting	Slower	6	54.7	41.1	51.5	42.0	40.9	37.0
Production Materials	36	35	-	-	-	-	40	33	45	44	24	31
MRO Supplies	31	28	-	-	-	-	35	29	34	37	23	31
Capital Expenditures	69	61	-	-	-	-	77	63	76	79	60	67

Chart 1: Time Series of Taiwan Manufacturing PMI

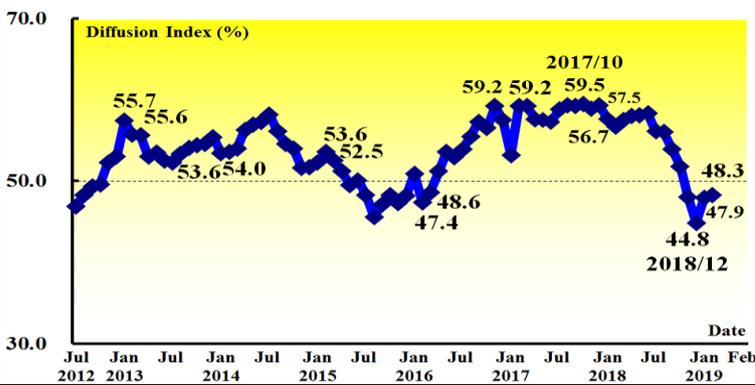
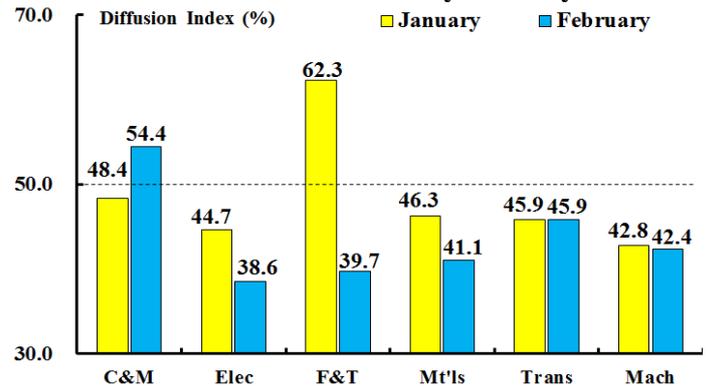


Chart 2: Performance by Industry



Summary

- The manufacturing sector still contracted for the fourth consecutive month while the seasonally adjusted Taiwan Manufacturing PMI further increased 0.4 percentage point to 48.3 percent in February.
- Manufacturers' New Orders contracted at a slower rate as the New Order Index went up 0.3 percentage point to the seasonally adjusted February reading of 46.9 percent.
- The seasonally adjusted Production Index fell 2.9 percentage points to 46.2 percent and indicated contraction for four consecutive months.
- Manufacturing employment reversed its recent trend of contraction and turned to growth for the first time in the past four months as the Employment index raised up to seasonally adjusted February reading of 50.4 percent.
- The Inventories Index registered 50.1 percent, indicating growing in inventories following three months of contraction.
- Manufacturers are experiencing higher prices of their purchases for the first time since November 2018 with the Price Index further increased 6.0 percentage points to 52.1 percent in February.
- The Backlog of Orders Index registered 42.0 percent and indicated contraction for the eighth consecutive month.
- Two holiday breaks for the Chinese New Year and the Peace Memorial Day influenced the nation's manufacturing activities. Both Export and Import Indexes contracted at a faster rate and dropped 3.9 and 3.3 percentage points to 38.9 and 39.7 percent, respectively.
- The Six-month Outlook Index remained in contraction but increased 8.0 percentage points to 42.9 percent in February.
- Of the six manufacturing industries categories, five are reporting contraction in the following order: Electronic & Optical (38.6%), Foods & Textiles (39.7%), Basic Materials (41.1%), Electrical & Machinery Equipment (42.4%) and Transportation Equipment (45.9%). While Chemical, Biological & Medical (54.4%) industry turned from contraction to growing in February.

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) which 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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