

## July 2023 Taiwan Manufacturing PMI

PMI at 46.1%

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

### MANUFACTURING AT A GLANCE

July 2023

| Index                    | Series Index Jul | Series Index Jun | Percentage Point Change | Direction   | Rate of Change | Trend (Months) | Industries |      |      |       |       |      |
|--------------------------|------------------|------------------|-------------------------|-------------|----------------|----------------|------------|------|------|-------|-------|------|
|                          |                  |                  |                         |             |                |                | C&M        | Elec | F&T  | Mt'ls | Trans | Mach |
| Taiwan Manufacturing PMI | 46.1             | 48.3             | -2.2                    | Contracting | Faster         | 5              | 45.8       | 46.0 | 58.0 | 46.0  | 48.6  | 42.8 |
| New Orders               | 48.1             | 52.7             | -4.6                    | Contracting | From Growing   | 1              | 51.3       | 48.3 | 58.0 | 46.3  | 43.2  | 38.8 |
| Production               | 47.0             | 50.9             | -3.9                    | Contracting | From Growing   | 1              | 35.5       | 50.8 | 62.0 | 46.3  | 52.3  | 42.5 |
| Employment               | 47.4             | 47.2             | +0.2                    | Contracting | Slower         | 12             | 50.0       | 49.2 | 54.0 | 47.5  | 47.7  | 45.0 |
| Supplier Deliveries      | 43.8             | 44.1             | -0.3                    | Faster      | Faster         | 13             | 46.1       | 41.7 | 60.0 | 42.5  | 45.5  | 41.3 |
| Inventories              | 44.4             | 46.7             | -2.3                    | Contracting | Faster         | 5              | 46.1       | 40.0 | 56.0 | 47.5  | 54.5  | 46.3 |
| Customers' Inventories   | 41.0             | 42.7             | -1.7                    | Too Low     | Faster         | 9              | 42.1       | 41.3 | 42.0 | 35.0  | 43.2  | 50.0 |
| Prices                   | 43.8             | 40.4             | +3.4                    | Decreasing  | Slower         | 3              | 44.7       | 45.4 | 54.0 | 33.8  | 40.9  | 48.8 |
| Backlog of Orders        | 38.2             | 40.7             | -2.5                    | Contracting | Faster         | 14             | 35.5       | 37.9 | 48.0 | 36.3  | 47.7  | 35.0 |
| New Export Orders        | 42.0             | 43.2             | -1.2                    | Contracting | Faster         | 15             | 43.4       | 43.3 | 58.0 | 33.8  | 40.9  | 37.5 |
| Imports                  | 42.6             | 43.3             | -0.7                    | Contracting | Faster         | 14             | 51.3       | 39.2 | 60.0 | 42.5  | 45.5  | 36.3 |
| Future Outlooks          | 43.2             | 44.9             | -1.7                    | Contracting | Faster         | 15             | 51.3       | 41.3 | 54.0 | 37.5  | 52.3  | 43.8 |
| Production Materials     | 41               | 38               | -                       | -           | -              | -              | 50         | 42   | 44   | 38    | 24    | 38   |
| MRO Supplies             | 37               | 35               | -                       | -           | -              | -              | 40         | 36   | 38   | 36    | 29    | 42   |
| Capital Expenditures     | 64               | 59               | -                       | -           | -              | -              | 63         | 64   | 76   | 43    | 79    | 67   |

Chart 1: Time Series of Taiwan Manufacturing PMI

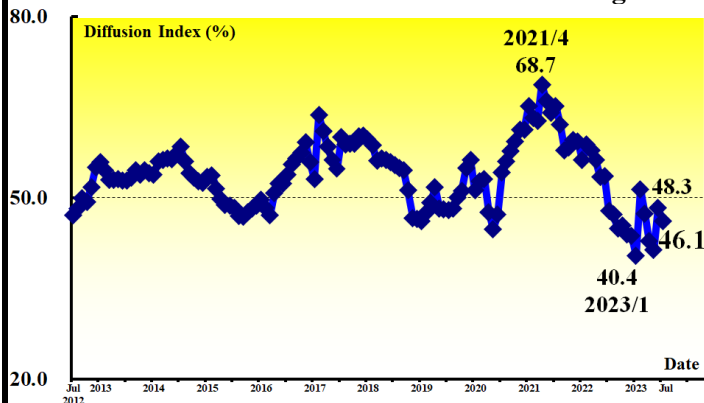
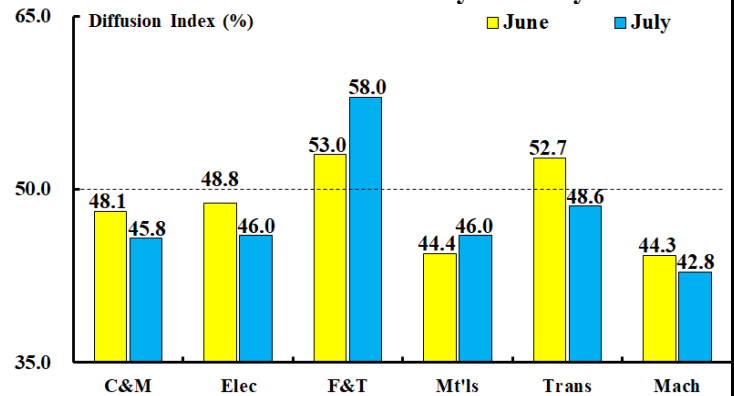


Chart 2: Performance by Industry



### Summary

- The Taiwan manufacturing sector remained in contraction for the fifth consecutive month as the seasonally adjusted Taiwan Manufacturing PMI decreased 2.2 percentage points to 46.1 percent in July.
- While entering the third quarter, the seasonally adjusted New Orders Index decreased 4.6 percentage points to 48.1 percent and contracted following only one month of growth.
- The seasonally adjusted Production Index turned to contraction following only one month of growth as the index declined 3.9 percentage points to 47.0 percent in July.
- The seasonally adjusted Employment Index inched up 0.2 percentage point to 47.4 percent, contracting for the twelfth consecutive month.
- Manufacturers reported faster delivery performance for thirteen consecutive months as the Supplier Deliveries Index registered 43.8 percent, 0.3 percentage point lower than the 44.1 percent recorded in June.
- The Inventories Index decreased 2.3 percentage points to 44.4 percent, contracting for the fifth consecutive month.
- Manufacturers reported their customers had insufficient inventories on hand for nine consecutive months. The Customers' Inventories Index further went down 1.7 percentage points to 41.0 percent, registering the lowest reading since March 2020.
- Manufacturers are currently buying at rather lower prices for the third consecutive month while the Prices Index registered 43.8 percent, up 3.4 percentage points from the lowest reading of 40.4 percent since January 2019.
- The Backlog of Orders Index contracted for the fourteenth consecutive month and went down 2.5 percentage points to 38.2 percent in July.
- The Future Outlooks Index contracted at a faster rate and decreased 1.7 percentage points to 43.2 percent.
- Five among six manufacturing industries categories reported contraction in July in the following order: Electrical & Machinery Equipment (42.8%), Chemical, Biological & Medical (45.8%), Electronic & Optical (46.0%), Basic Materials (46.0%) and Transportation Equipment (48.6%). Only Foods & Textiles (58.0%) reported growth in July.

## 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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