

May 2020 Taiwan Manufacturing PMI

PMI at 44.8%

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

MANUFACTURING AT A GLANCE

May 2020

Index	Series Index May	Series Index Apr	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'l's	Trans	Mach
Taiwan Manufacturing PMI	44.8	47.6	-2.8	Contracting	Faster	2	48.2	49.5	45.2	42.2	32.6	39.1
New Orders	35.9	37.1	-1.2	Contracting	Faster	2	45.6	42.9	37.9	27.8	15.2	26.7
Production	36.8	40.2	-3.4	Contracting	Faster	5	41.1	46.5	31.0	33.3	19.6	32.6
Employment	43.3	46.5	-3.2	Contracting	Faster	3	46.7	46.0	50.0	42.2	34.8	43.0
Supplier Deliveries	56.7	63.8	-7.1	Slowing	Slower	7	55.6	59.7	51.7	54.4	45.7	54.7
Inventories	51.3	50.5	+0.8	Growing	Faster	3	52.2	52.2	55.2	53.3	47.8	38.4
Customers' Inventories	55.0	50.5	+4.5	Too High	Faster	2	48.9	59.7	55.2	51.1	54.3	44.2
Prices	47.0	47.7	-0.7	Decreasing	Faster	2	40.0	55.3	41.4	35.6	39.1	41.9
Backlog of Orders	41.2	46.8	-5.6	Contracting	Faster	2	38.9	46.0	32.8	41.1	21.7	32.6
New Export Orders	34.4	37.9	-3.5	Contracting	Faster	2	43.3	40.3	27.6	23.3	15.2	29.1
Imports	41.0	43.7	-2.7	Contracting	Faster	4	42.2	44.2	36.2	38.9	30.4	34.9
Future Outlooks	30.8	25.7	+5.1	Contracting	Slower	4	32.2	34.5	31.0	24.4	23.9	24.4
Production Materials	37	41	-	-	-	-	45	37	39	43	20	31
MRO Supplies	29	28	-	-	-	-	37	29	27	34	21	23
Capital Expenditures	56	58	-	-	-	-	57	53	54	57	70	58

Chart 1: Time Series of Taiwan Manufacturing PMI

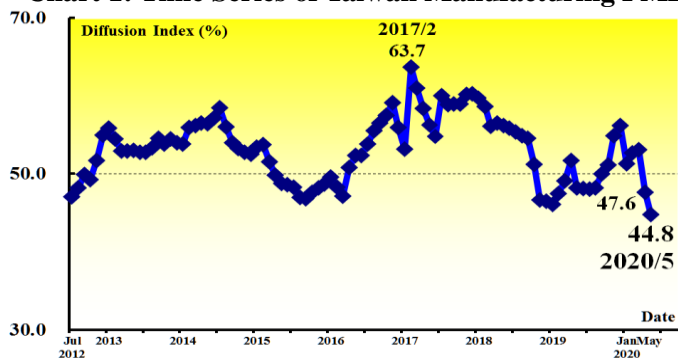
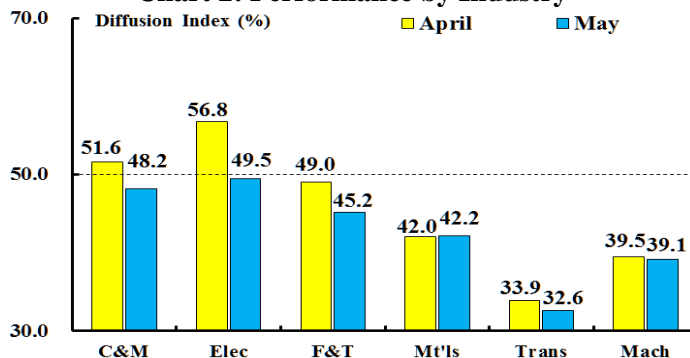


Chart 2: Performance by Industry



Summary

- The Taiwan manufacturing sector continuously contracted at the fastest pace since July 2012, when this index was firstly compiled, as the seasonally adjusted Taiwan Manufacturing PMI further fell 2.8 percentage points to 44.8 percent in May.
- Both the seasonally adjusted New Orders and Production Indexes contracted at the fastest rate since July 2012, decreasing 1.2 and 3.4 percentage points to 35.9 and 36.8 percent respectively.
- The seasonally adjusted Employment Index went down 3.2 percentage points to 43.3 percent and recorded the fastest rate of contraction since July 2012.
- The delivery performance of suppliers in the manufacturing sector was still slower for seven consecutive months, while the Supplier Deliveries Index dropped 7.1 percentage points to 56.7 percent.
- Manufacturers' new orders and production remained in contraction in May, while the Inventories Index remained in growth territory for the third consecutive month and increased 0.8 percentage point to 51.3 percent.
- Manufacturers believe their customers have more than sufficient inventories on hand for two consecutive months as the Customers' Inventories Index further increased 4.5 percentage points to 55.0 percent and recorded the highest reading since July 2012.
- The Backlog of Orders Index further contracted at the fastest pace since Jan 2019 as the index fell 5.6 percentage points to 41.2 percent.
- The New Export Orders Index fell 3.5 percentage points to 34.4 percent, the lowest reading since July 2012.
- The Future Outlooks Index contracted at a slower rate for the first time in the past three months, as the index went up 5.1 percentage points to 30.8 percent, up from the lowest recorded level of 25.7 percent since July 2012.
- All the six manufacturing industries categories are reporting contraction in the following order: Transportation Equipment (32.6%), Electrical & Machinery Equipment (39.1%), Basic Materials (42.2%), Foods & Textiles (45.2%), Chemical, Biological & Medical (48.2%) and Electronic & Optical (49.5%).

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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