

July 2014 Taiwan Manufacturing PMI

PMI at 58.5%

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

MANUFACTURING AT A GLANCE

July 2014

Index	Series		Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
	Index Jul	Index Jun					C&M	Elec	F&T	Mt'l's	Trans	Mach
Taiwan Manufacturing PMI	58.5	58.2	+0.3	Growing	Faster	17	55.7	63.9	52.9	48.9	60.0	60.5
New Orders	62.3	59.6	+2.7	Growing	Faster	5	60.7	71.4	57.1	45.6	50.0	67.0
Production	62.2	61.7	+0.5	Growing	Faster	5	56.0	71.9	52.4	45.6	61.8	68.2
Employment	59.2	56.8	+2.4	Growing	Faster	20	56.0	61.0	66.7	54.4	58.8	59.1
Supplier Deliveries	54.2	57.4	-3.2	Slowing	Slower	11	52.4	61.9	35.7	45.6	58.8	51.1
Inventories	54.5	55.3	-0.8	Growing	Slower	7	53.6	53.3	52.4	53.3	70.6	56.8
Customers' Inventories	49.1	48.3	+0.8	Too Low	Slower	12	51.2	46.7	52.4	55.6	41.2	45.5
Prices	58.0	55.6	+2.4	Increasing	Faster	8	65.5	59.5	54.8	51.1	47.1	63.6
Backlog of Orders	50.7	53.0	-2.3	Growing	Slower	5	50.0	53.3	40.5	43.3	52.9	62.5
Exports	56.1	57.5	-1.4	Growing	Slower	8	54.8	64.8	47.6	41.1	50.0	59.1
Imports	58.9	57.6	+1.3	Growing	Faster	5	56.0	62.9	57.1	52.2	64.7	56.8
Six-month Outlook	65.5	68.4	-2.9	Growing	Slower	8	70.2	68.6	59.5	56.7	67.6	67.0
Production Materials	33	33	-	-	-	-	35	30	39	32	30	36
MRO Supplies	25	24	-	-	-	-	32	19	34	29	26	24
Capital Expenditures	48	51	-	-	-	-	54	45	65	48	73	33

Chart 1: Time Series of Taiwan Manufacturing PMI

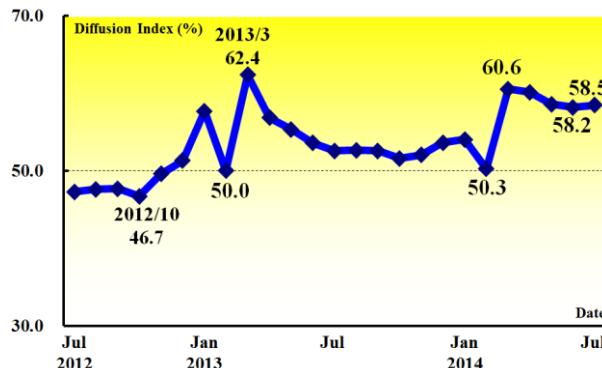
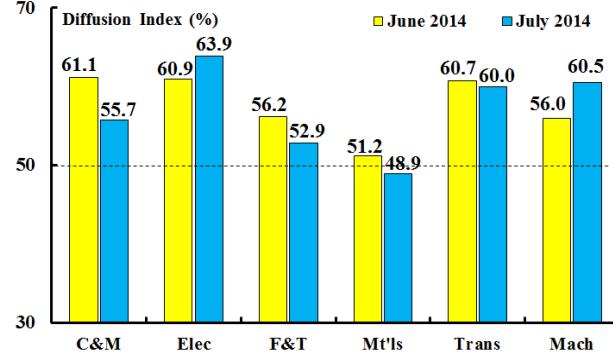


Chart 2: Performance by Industry



Summary

- The Taiwan Manufacturing PMI registered 58.5 percent in July, which is 0.3 percentage points higher than the 58.2 percent reported in June. The growing direction of PMI was sustained by favorable outcomes in New Orders, Production and Employment Indexes.
- Both New Orders and Production Indexes still remain in relatively high growing positions as they went up 2.7 and 0.5 percentage points to 62.3 and 62.2 percent, respectively.
- The Employment Index accelerated and registered 59.2 percent in July. This is the second record high index since July 2012, indicating the strong requirement to fulfill the job vacancy in the manufacturing sector.
- The manufactures still believe their customers have less than sufficient inventories on hand while the Customers' Inventories Index sequentially advanced by 0.8 percentage points to 49.1 percent in July, rather small increase, but, the highest in the past twelve months.
- Continuous strong demands put upward price pressure on electronic parts and components and drove the Price Index up 2.4 percentage points to 58.0 percent in July, the highest since March 2013.
- Order backlogs decelerated for the fourth consecutive month, but it is still remained in growth territory. The Backlog of Orders Index registered 50.7 percent in July, down from the 53.0 percent in June.
- Manufacturers still remain optimistic about the future. The Six-month outlook Index registered 65.5 percent and has risen above the 60 percent for seven consecutive months since January 2014.
- Of the 6 manufacturing industries categories, five are reporting growth in July in the following order: Electronic & Optical (63.9%); Electrical & Machinery Equipment (60.5%); Transportation Equipment (60.0%); Chemical, Biological & Medical (55.7%) and Foods & Textiles (52.9%). Only Basic Materials industry (48.9%) failed to grow 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 250 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'l'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.

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
Email: csh@cier.edu.tw
Tel: +(866) 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: stevelai@smit.org.tw
Tel: +(866) 2 27495889
www.smit.org.tw