

July 2016 Taiwan Manufacturing PMI

PMI at 54.2%

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

MANUFACTURING AT A GLANCE

July 2016

Index	Series	Series	Percentage	Direction	Rate of Change	Trend (Months)	Industries					
	Index Jul	Index Jun	Point Change				C&M	Elec	F&T	Mt'l's	Trans	Mach
Taiwan Manufacturing PMI	54.2	53.3	+0.9	Growing	Faster	5	51.6	55.8	61.5	50.0	51.7	52.3
New Orders	54.9	55.3	-0.4	Growing	Slower	5	52.6	58.6	75.0	41.5	47.8	52.5
Production	58.3	55.3	+3.0	Growing	Faster	5	52.6	61.7	67.3	52.1	58.7	51.3
Employment	53.1	51.1	+2.0	Growing	Faster	3	55.3	50.9	61.5	55.3	47.8	53.8
Supplier Deliveries	52.4	52.2	+0.2	Slowing	Faster	4	51.3	55.9	53.8	46.8	45.7	50.0
Inventories	52.2	52.5	-0.3	Growing	Slower	4	46.1	51.8	50.0	54.3	58.7	53.8
Customers' Inventories	46.5	43.2	+3.3	Too Low	Slower	21	50.0	45.5	57.7	46.8	43.5	40.0
Prices	57.0	54.3	+2.7	Increasing	Faster	5	57.9	51.8	63.5	67.0	58.7	55.0
Backlog of Orders	50.0	51.7	-1.7	Unchanged	From Growing	1	48.7	52.7	55.8	45.7	52.2	40.0
Exports	51.8	50.3	+1.5	Growing	Faster	5	51.3	55.9	53.8	43.6	45.7	50.0
Imports	54.0	51.4	+2.6	Growing	Faster	5	56.6	55.0	65.4	51.1	50.0	45.0
Six-month Outlook	55.5	53.8	+1.7	Growing	Faster	5	52.6	60.4	55.8	46.8	56.5	50.0
Production Materials	34	33	-	-	-	-	34	29	50	39	32	34
MRO Supplies	28	27	-	-	-	-	40	21	40	36	25	20
Capital Expenditures	55	53	-	-	-	-	75	52	71	56	50	35

Chart 1: Time Series of Taiwan Manufacturing PMI

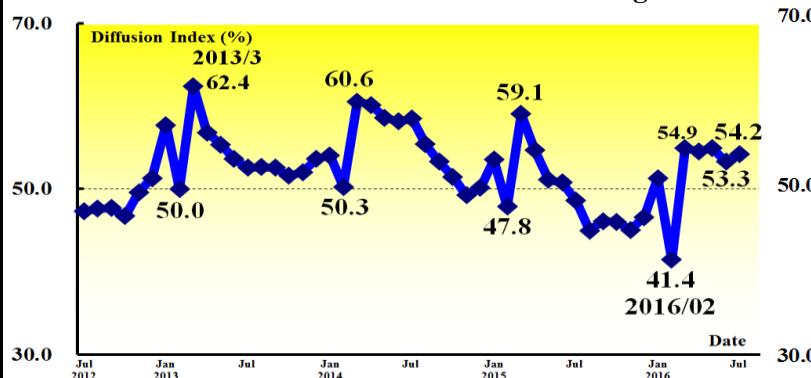
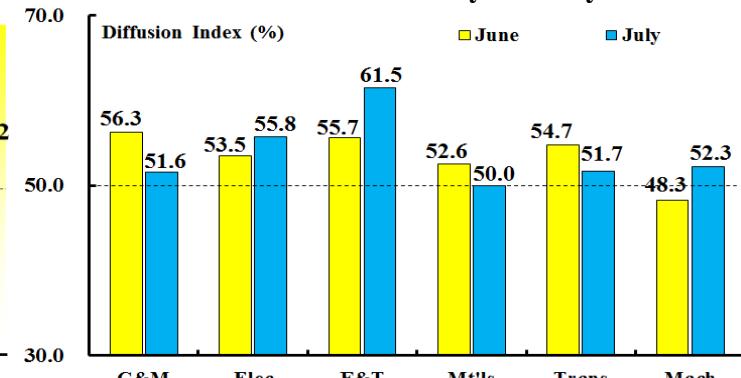


Chart 2: Performance by Industry



Summary

- The manufacturing sector expanded at a slightly faster rate in July as the Taiwan manufacturing PMI increased 0.9 percentage point to 54.2 percent in July. This is the fifth consecutive month the PMI remained at around 54.0 percent.
- The New Orders Index still remained in growing at 54.9 percent but decelerated for two consecutive months.
- Manufacturing production continues to grow and accelerated during July for the first time in the past four months with the Production Index registered 3.0 percentage points higher than the 55.3 percent reported in June.
- The Employment Index rose 2.0 percentage points to 53.1 percent in July and indicating expansion in manufacturing employment for the third consecutive month.
- The Customers' Inventories Index increased 3.3 percentage points from the 43.2 percent (the lowest reading since May 2015) reported in June, indicating manufacturers' customers are still pursuing a conservative inventory policy.
- Manufacturers are experiencing higher prices of their purchases for five consecutive months as the Price Index increased 2.7 percentage points to 57.0 percent in July.
- Manufacturer's backlog of order failed to pick up continuous momentum as the Backlog of Orders Index fell to 50.0 percent and reflected unchanged order backlog levels from June.
- Both manufacturers' Exports and Imports accelerated this month as the Export and Import Index registered 51.8 and 54.0 percent in July, increasing 1.5 and 2.6 percentage points, respectively.
- Expecting positive among Taiwan Electronic & Optical manufacturers. The Six-month Outlook Index registered 1.7 percentage points higher than the 53.8 percent reported in July.
- Of the six manufacturing industry categories, five are reporting growth in the following order: Foods & Textiles (61.5%); Electronics & Optical (55.8%); Electrical & Machinery Equipment (52.3%); Transportation Equipment (51.7%) and Chemical, Biological & Medical (51.6%). Only Basic Materials (50.0%) industry failed to grow and reported unchanged 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 (SMT). 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.

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