

# February 2014 Taiwan Manufacturing PMI

## PMI at 50.3%

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

### MANUFACTURING AT A GLANCE

February 2014

| Index                    | Series Index Feb | Series Index Jan | Percentage Point Change | Direction   | Rate of Change | Trend (Months) | Industries |      |      |       |       |      |
|--------------------------|------------------|------------------|-------------------------|-------------|----------------|----------------|------------|------|------|-------|-------|------|
|                          |                  |                  |                         |             |                |                | C&M        | Elec | F&T  | Mt'ls | Trans | Mach |
| Taiwan Manufacturing PMI | 50.3             | 54.1             | -3.8                    | Growing     | Slower         | 12             | 53.6       | 50.9 | 46.0 | 45.1  | 55.9  | 54.1 |
| New Orders               | 48.8             | 55.3             | -6.5                    | Contracting | From Growing   | 1              | 47.4       | 49.0 | 46.0 | 47.7  | 52.9  | 52.3 |
| Production               | 43.6             | 56.7             | -13.1                   | Contracting | From Growing   | 1              | 50.0       | 42.0 | 34.0 | 40.7  | 58.8  | 48.9 |
| Employment               | 52.0             | 51.7             | +0.3                    | Growing     | Faster         | 15             | 61.5       | 49.5 | 56.0 | 46.5  | 52.9  | 58.0 |
| Supplier Deliveries      | 54.4             | 52.9             | +1.5                    | Slowing     | Faster         | 6              | 61.5       | 56.5 | 46.0 | 50.0  | 50.0  | 53.4 |
| Inventories              | 52.5             | 53.6             | -1.1                    | Growing     | Slower         | 2              | 47.4       | 57.5 | 48.0 | 40.7  | 64.7  | 58.0 |
| Customers' Inventories   | 45.8             | 46.5             | -0.7                    | Too Low     | Faster         | 7              | 52.6       | 46.0 | 36.0 | 45.3  | 41.2  | 47.7 |
| Prices                   | 55.5             | 57.8             | -2.3                    | Increasing  | Slower         | 3              | 64.1       | 49.0 | 70.0 | 57.0  | 64.7  | 53.4 |
| Backlog of Orders        | 48.7             | 52.0             | -3.3                    | Contracting | From Growing   | 1              | 44.9       | 48.5 | 40.0 | 46.5  | 61.8  | 60.2 |
| Exports                  | 51.3             | 52.6             | -1.3                    | Growing     | Slower         | 3              | 55.1       | 49.0 | 54.0 | 53.5  | 52.9  | 48.9 |
| Imports                  | 49.9             | 53.0             | -3.1                    | Contracting | From Growing   | 1              | 52.6       | 49.5 | 46.0 | 46.5  | 67.6  | 48.9 |
| Six-month Outlook        | 64.4             | 65.1             | -0.7                    | Growing     | Slower         | 3              | 59.0       | 72.0 | 46.0 | 54.7  | 76.5  | 64.8 |
| Production Materials     | 32               | 33               | -                       | -           | -              | -              | 33         | 30   | 31   | 37    | 26    | 34   |
| MRO Supplies             | 24               | 23               | -                       | -           | -              | -              | 29         | 19   | 28   | 31    | 21    | 21   |
| Capital Expenditures     | 47               | 47               | -                       | -           | -              | -              | 71         | 38   | 53   | 60    | 47    | 34   |

Chart 1: Time Series of Taiwan Manufacturing PMI

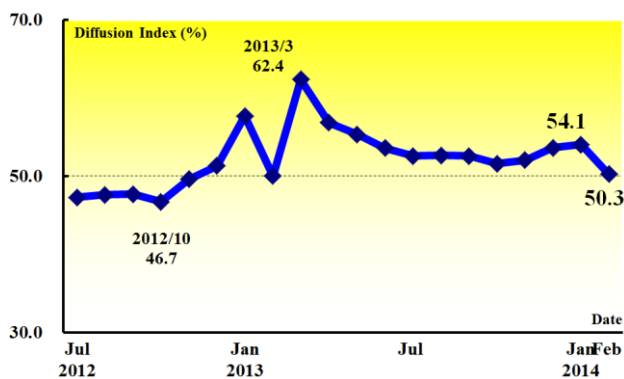
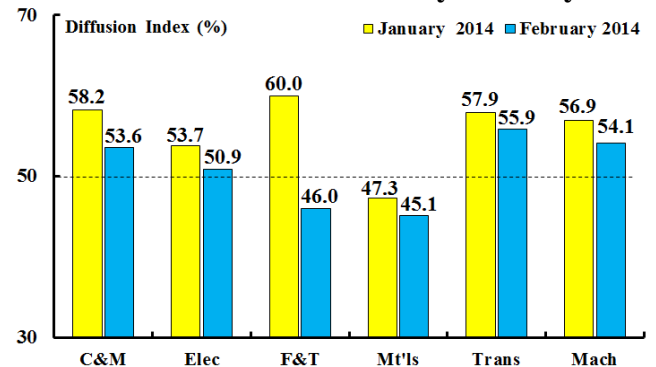


Chart 2: Performance by Industry



### Summary

- Taiwan Manufacturing PMI registered 50.3 percent in February, which is 3.8 percentage points lower than the 54.1 percent in January. The dramatic decline in production is the major reason to the rather lower PMI reading.
- The manufacturing sector experienced contraction in new orders and production in February, when the Chinese New Year holidays influenced the nation's manufacturing activities. The New Orders and Production Indexes dropped 6.5 and 13.1 percentage points to 48.8 and 43.6 percent, respectively.
- The Supplier Deliveries Index registered 54.4 percent, an increase of 1.5 percentage points, indicating the delivery performance of suppliers to manufacturing sectors was slower for six consecutive months.
- Manufacturing Inventories continued the expansion following five consecutive months of contraction, with the Inventories Index registered 52.5 percent in February.
- Manufacturer's backlog of order failed to pick up continuous momentum and contracted following only one month of growth. The Backlog of Orders Index fell 3.3 percent points to 48.7 in February.
- Manufacturing export orders grew in February for the third consecutive month, while the Exports Index registered 1.3 percentage points below the January reading of 52.6 percent.
- Although Taiwan Manufacturing PMI is 3.8 percentage points lower than the January reading of 54.1 percent, manufacturers generally still remain optimistic on the future. The Six-month outlook Index registered 64.4 percent, despite at a slower rate, indicating a growth trend for the third consecutive month.
- Of the 6 manufacturing industries categories, four are reporting growth in February in the following order: Transportation Equipment (55.9%); Electrical & Machinery Equipment (54.1%); Chemical, Biological & Medical (53.6%) and Electronic & Optical (50.9%), while the Foods & Textiles (46.0%) and Basic Materials industries (45.0%) reporting contracting, down from 60.0 and 47.3 percent in January, respectively.

## 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'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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