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supply management institute, taiwan

中華經濟研究院
CHUNG-HUA INSTITUTION FOR ECONOMIC RESEARCH

June 2020 Taiwan Manufacturing PMI

PMI at 47.2%

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

MANUFACTURING AT A GLANCE
June 2020

Unit : %

Index	Series Index Jun	Series Index May	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	47.2	44.8	+2.4	Contracting	Slower	3	51.1	50.4	49.7	45.7	41.9	40.2
New Orders	42.6	35.9	+6.7	Contracting	Slower	3	50.0	45.1	50.0	45.5	35.7	31.4
Production	45.3	36.8	+8.5	Contracting	Slower	6	48.9	52.7	48.3	44.3	40.5	37.2
Employment	45.2	43.3	+1.9	Contracting	Slower	4	47.8	46.5	50.0	42.0	38.1	44.2
Supplier Deliveries	53.4	56.7	-3.3	Slowing	Slower	8	58.9	56.2	56.9	46.6	54.8	41.9
Inventories	49.5	51.3	-1.8	Contracting	From Growing	1	50.0	51.3	43.1	50.0	40.5	46.5
Customers' Inventories	46.2	55.0	-8.8	Too Low	From Too High	1	43.3	51.3	39.7	43.2	35.7	37.2
Prices	57.9	47.0	+10.9	Increasing	From Decreasing	1	62.2	56.2	62.1	60.2	52.4	57.0
Backlog of Orders	44.2	41.2	+3.0	Contracting	Slower	3	43.3	47.3	51.7	40.9	40.5	29.1
New Export Orders	43.2	34.4	+8.8	Contracting	Slower	3	52.2	49.1	41.4	33.0	33.3	26.7
Imports	44.2	41.0	+3.2	Contracting	Slower	5	51.1	45.6	46.6	37.5	35.7	44.2
Future Outlooks	44.1	30.8	+13.3	Contracting	Slower	5	45.6	44.7	51.7	45.5	35.7	33.7
Production Materials	35	37		-	-		48	34	36	37	16	31
MRO Supplies	29	29		-	-		38	28	33	28	17	24
Capital Expenditures	54	56		-	-		61	49	84	53	40	49

Chart 1: Time Series of Taiwan Manufacturing PMI

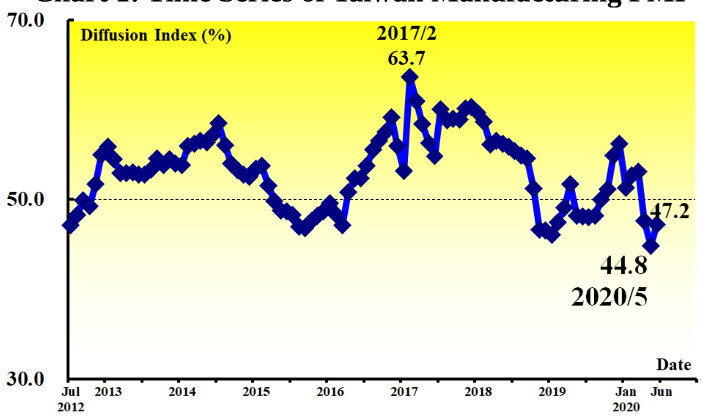
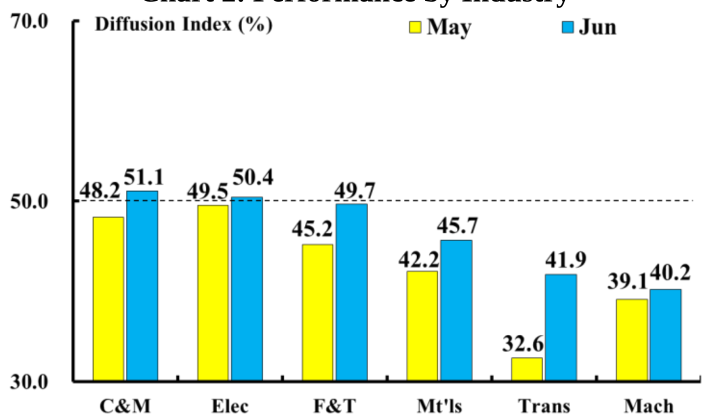


Chart 2: Performance by Industry



Summary

- The Taiwan manufacturing sector contracted for three consecutive months as the seasonally adjusted Taiwan Manufacturing PMI registered 47.2 percent in June, up from the lowest reading of 44.8 percent since July 2012.
- Both manufacturers' new orders and production contracted at slower rate as the seasonally adjusted New Order Index and the Production Index increased 6.7 and 8.5 percentage points to 42.6 and 45.3 percent in June, respectively.
- Manufacturers' employment contracted for four consecutive months for the first time since January 2016, as the seasonally adjusted Employment Index slightly increased 1.9 percentage points to 45.2 percent, up from the lowest recorded level of 43.3 percent since July 2012.
- The delivery performance of suppliers in the manufacturing sector was still slower for eight consecutive months, while the Supplier Deliveries Index further fell 3.3 percentage points to 53.4 percent.
- The Inventories Index went down 1.8 percentage points to 49.5 percent and contracted following three months of growth.
- The Customers' Inventories Index decreased 8.8 percentage points to 46.2 percent, down from the highest reading of 55.0 percent since July 2012, also recorded the biggest month-to-month decline since the index was firstly compiled.
- Manufacturers are currently buying higher prices as the Price Index rose 10.9 percentage points to 57.9 percent.
- The Backlog of Orders Index registered 3.0 percentage points higher than the 41.2 percent in May, indicating contraction for three consecutive months.
- The Future Outlooks Index remained in contraction, while the index further increased 13.3 percentage points to 44.1 percent in June.
- Of the six manufacturing industries categories, four are reporting contraction in the following order: Electrical & Machinery Equipment (40.2%), Transportation Equipment (41.9%), Basic Materials (45.7%) and Foods & Textiles (49.7%). While Chemical, Biological & Medical (51.1%) and Electronic & Optical (50.4%) industries reported growing in

June.

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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