

July 2020 Taiwan Manufacturing PMI

PMI at 54.1%

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

MANUFACTURING AT A GLANCE

July 2020

Index	Series Index Jul	Series Index Jun	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	54.1	47.2	+6.9	Growing	From Contracting	1	57.1	53.2	66.9	50.7	61.4	47.3
New Orders	56.7	42.6	+14.1	Growing	From Contracting	1	61.0	51.4	76.9	52.2	70.5	52.7
Production	58.3	45.3	+13.0	Growing	From Contracting	1	64.6	57.6	73.1	51.1	72.7	48.6
Employment	51.7	45.2	+6.5	Growing	From Contracting	1	50.0	55.7	61.5	46.7	50.0	44.6
Supplier Deliveries	54.2	53.4	+0.8	Slowing	Faster	9	52.4	54.8	61.5	52.2	56.8	50.0
Inventories	49.7	49.5	+0.2	Contracting	Slower	2	57.3	46.7	61.5	51.1	56.8	40.5
Customers' Inventories	46.9	46.2	+0.7	Too Low	Slower	2	48.8	48.1	57.7	43.3	36.4	41.9
Prices	57.2	57.9	-0.7	Increasing	Slower	2	56.1	52.4	61.5	66.7	56.8	62.2
Backlog of Orders	47.3	44.2	+3.1	Contracting	Slower	4	47.6	49.0	69.2	34.4	52.3	44.6
New Export Orders	52.5	43.2	+9.3	Growing	From Contracting	1	57.3	55.7	57.7	40.0	61.4	45.9
Imports	50.7	44.2	+6.5	Growing	From Contracting	1	54.9	52.4	57.7	43.3	54.5	44.6
Future Outlooks	49.3	44.1	+5.2	Contracting	Slower	6	52.4	45.7	63.5	50.0	59.1	47.3
Production Materials	36	35	-	-	-	-	47	36	40	40	18	28
MRO Supplies	31	29	-	-	-	-	41	30	34	32	20	25
Capital Expenditures	61	54	-	-	-	-	66	58	87	55	56	54

Chart 1: Time Series of Taiwan Manufacturing PMI

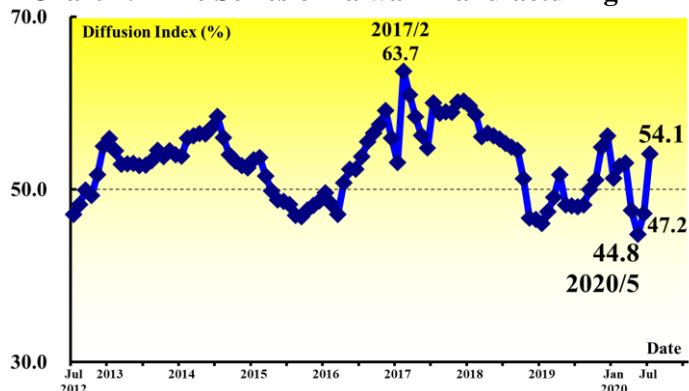
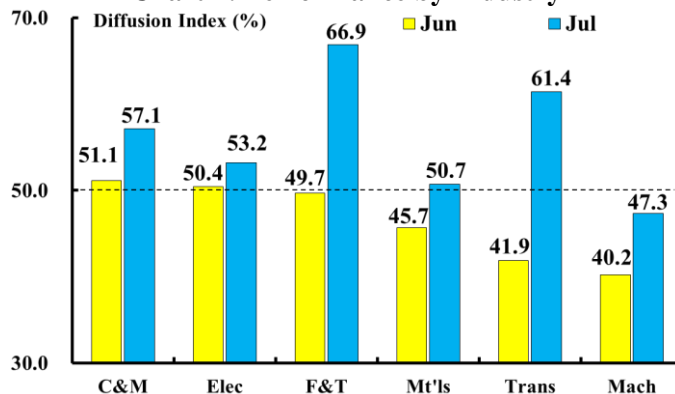


Chart 2: Performance by Industry



Summary

- The Taiwan Manufacturing sector reversed its recent trend of contraction and turned to growth during July for the first time in the past four months, as the seasonally adjusted Taiwan Manufacturing PMI increased 6.9 percentage points to 54.1 percent.
- Both manufacturers' new orders and production turned to growing as the indexes rose 14.1 and 13.0 percentage points to 56.7 and 58.3 percent, respectively.
- Manufacturers' employment expanded following four months of contraction as the seasonally adjusted Employment Index increased 6.5 percentage points to 51.7 percent and this indicates its record of the highest month-to-month increase since July 2012.
- Manufacturers believe that their customers still have insufficient inventories on hand for two consecutive months, while the Customer's Inventories Index went up 0.7 percentage point to 46.9 percent.
- Manufacturers are buying higher prices for the second consecutive month as the Price Index registered 0.7 percentage point lower than the 57.9 percent in June.
- Manufacturing backlog contracted for four consecutive months although the Backlog of Orders Index further increased 3.1 percentage points to 47.3 percent.
- Both New Export Orders and Imports Indexes turned to growth as they further rose 9.3 and 6.5 percentage points to 52.5 and 50.7 percent, respectively.
- The Future Outlooks Index remained in contraction in July while the index further increased 5.2 percentage points to 49.3 percent and contracted at the slowest rate since February 2020.
- Of the six manufacturing industries categories, five are reporting growing in the following order: Foods & Textiles (66.9%), Transportation Equipment (61.4%), Chemical, Biological & Medical (57.1%), Electronic & Optical (53.2%) and Basic Materials (50.7%). Only Electrical & Machinery Equipment (47.3%) still remained in contraction.

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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