

Aug 2018 Taiwan Manufacturing PMI

PMI at 56.0%

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

MANUFACTURING AT A GLANCE

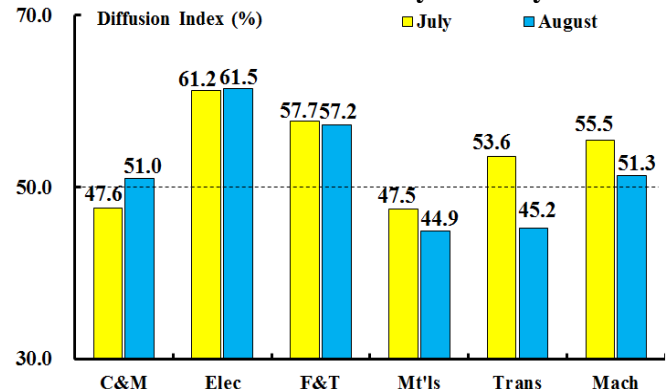
Aug 2018

Index	Series Index Aug	Series Index July	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	56.0	56.1	-0.1	Growing	Slower	29	51.0	61.5	57.2	44.9	45.2	51.3
New Orders	56.3	56.7	-0.4	Growing	Slower	19	48.8	64.2	60.9	39.5	37.0	43.8
Production	58.7	58.8	-0.1	Growing	Slower	19	46.4	64.6	60.9	41.9	45.7	57.5
Employment	54.7	52.6	+2.1	Growing	Faster	28	56.0	58.0	59.4	46.5	43.5	55.0
Supplier Deliveries	54.7	57.2	-2.5	Slowing	Slower	29	52.4	60.4	51.6	46.5	52.2	48.8
Inventories	55.4	55.1	+0.3	Growing	Faster	29	51.2	60.4	53.1	50.0	47.8	51.3
Customers' Inventories	50.4	49.7	+0.7	Too High	From Too Low	1	41.7	52.4	53.1	47.7	58.7	47.5
Prices	65.6	68.6	-3.0	Increasing	Slower	30	72.6	65.6	68.8	64.0	69.6	57.5
Backlog of Orders	49.3	48.6	+0.7	Contracting	Slower	2	46.4	56.1	56.3	38.4	37.0	40.0
Exports	52.9	53.4	-0.5	Growing	Slower	6	52.4	60.8	54.7	41.9	41.3	40.0
Imports	56.0	57.2	-1.2	Growing	Slower	30	48.8	62.3	60.9	51.2	45.7	41.3
Six-month Outlook	54.1	55.5	-1.4	Growing	Slower	30	52.4	60.4	56.3	45.3	45.7	43.8
Production Materials	36	36	-	-	-	-	40	33	50	45	22	30
MRO Supplies	33	32	-	-	-	-	45	30	36	39	23	27
Capital Expenditures	63	64	-	-	-	-	74	59	75	67	58	53

Chart 1: Time Series of Taiwan Manufacturing PMI



Chart 2: Performance by Industry



Summary

- The seasonally adjusted Taiwan Manufacturing PMI registered 56.0 percent, a very small decrease of 0.1 percentage point from July. However, it indicates that the manufacturing sector expanded at the slowest pace since February 2017.
- Both New Orders and Production Indexes showed the continuous growth in August, while they were slightly decreased 0.4 and 0.1 percentage point to 56.3 and 58.7 percent, respectively.
- The Employment Index remained in growth territory for twenty-eight consecutive months as it went up 2.1 percentage points to the seasonally adjusted August reading of 54.7 percent.
- The delivery performance of suppliers to manufacturing sectors was still slower for twenty-nine consecutive months while the Supplier Deliveries Index further fell 2.5 percentage points to 54.7 percent and recorded its lowest reading since November 2016.
- The Customers' Inventories Index registered 50.4 percent in August, indicating that respondents believe their customers have turned to sufficient inventories on hand for the first time in the past three months.
- Manufacture's backlogs contracted for the second consecutive month while the Backlog of Orders Index registered 0.7 percentage point higher than the 48.6 percent reported in July.
- Both Exports and Imports Indexes expanded at a rather slower rate in August as they fell 0.5 and 1.2 percentage points to 52.9 and 56.0 percent, respectively.
- Manufactures still remain the optimistic forecast about the future while the Six-month outlook Index further fell 1.4 percentage points to 54.1 percent and expanded at the slowest pace since December 2016.
- Of the six manufacturing industries categories, four are reporting growth in the following order: Electronic & Optical (61.5%), Foods & Textiles (57.2%), Electrical & Machinery Equipment (51.3%) and Chemical, Biological & Medical (51.0%). While Basic Materials (44.9%) and Transportation Equipment (45.2%) industries reported contraction in August.

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) which 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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