

January 2018 Taiwan Manufacturing PMI

PMI at 59.0%

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

MANUFACTURING AT A GLANCE

January 2018

Index	Series Index Jan	Series Index Dec	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	59.0	58.0	+1.0	Growing	Faster	23	59.1	60.4	56.4	55.9	59.6	60.0
New Orders	60.9	58.1	+2.8	Growing	Faster	23	67.0	63.1	60.7	52.4	58.0	64.1
Production	61.2	62.3	-1.1	Growing	Slower	11	60.2	60.8	58.9	61.0	66.0	64.1
Employment	53.2	54.3	-1.1	Growing	Slower	21	54.5	52.3	51.8	51.2	64.0	56.4
Supplier Deliveries	61.6	60.4	+1.2	Slowing	Faster	22	60.2	67.1	58.9	54.9	50.0	56.4
Inventories	57.9	54.7	+3.2	Growing	Faster	22	53.4	58.6	51.8	59.8	60.0	59.0
Customers' Inventories	44.5	45.2	-0.7	Too Low	Faster	39	43.2	45.9	46.4	43.9	40.0	39.7
Prices	79.2	73.2	+6.0	Increasing	Faster	23	79.5	77.9	73.2	86.6	66.0	82.1
Backlog of Orders	53.4	54.1	-0.7	Growing	Slower	18	51.1	55.9	57.1	46.3	48.0	57.7
Exports	59.1	55.6	+3.5	Growing	Faster	23	60.2	60.8	53.6	58.5	50.0	60.3
Imports	57.7	54.6	+3.1	Growing	Faster	23	62.5	57.2	55.4	54.9	66.0	59.0
Six-month Outlook	65.7	58.8	+6.9	Growing	Faster	23	68.2	69.4	62.5	57.3	58.0	69.2
Production Materials	37	34	-	-	-	-	38	35	40	37	28	44
MRO Supplies	31	31	-	-	-	-	43	28	34	30	21	31
Capital Expenditures	64	70	-	-	-	-	68	57	79	69	58	68

Chart 1: Time Series of Taiwan Manufacturing PMI

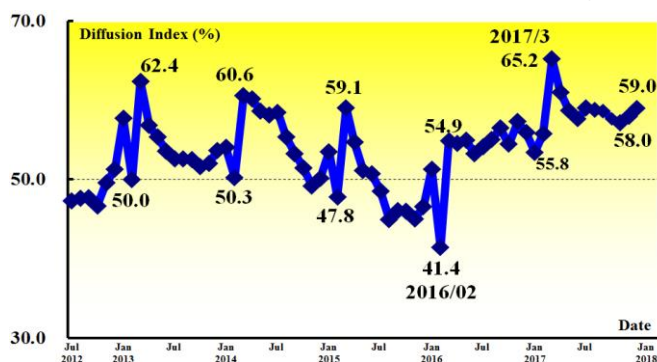
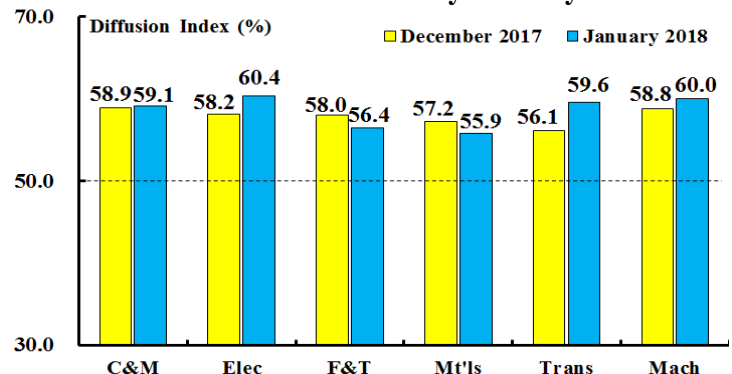


Chart 2: Performance by Industry



Summary

- The manufacturing sector grew for twenty-three consecutive months as the Taiwan Manufacturing PMI accelerated and registered 59.0 percent in January 2018. This also represents the longest period of growth since July 2012.
- Manufacturers' new orders expanded at a faster rate as the New Orders Index went up 2.8 percentage points to 60.9 percent in January.
- The Production Index has rose above the 60.0 percent for two consecutive months but registered 1.1 percentage points lower than the 62.3 percent in December 2017.
- Manufacturing Employment grew in January for the twenty-first consecutive month while the Employment Index has further decreased 1.1 percentage points to 53.2 percent.
- The Supplier Deliveries Index marked up to 61.6 percent in January and registered its highest reading since July 2012.
- The Customers' Inventories Index further fell down 0.7 percentage point to 44.5 percent in January, indicating that respondents believe their customers have less than sufficient inventories on hand for thirty-nine consecutive months.
- The Prices Index increased 6.0 percentage points to 79.2 percent in January, signaling more inflationary pressure on manufacturers' costs. This is also the highest reading recorded by the index since July 2012.
- Both Export and Import Indexes performed positive improvement in January as they went up 3.5 and 3.1 percentage points to 59.1 and 57.7 percent, respectively.
- Manufacturers still remain positive forecast about the future as the Six-month Outlook Index increased 6.9 percentage points to 65.7 percent in January, the highest reading since April 2017.
- Of the six manufacturing industries categories, all are reporting growth in the following order: Electronics & Optical (60.4%); Electrical & Machinery Equipment (60.0%); Transportation Equipment (59.6%); Chemical, Biological & Medical (59.1%); Foods & Textiles (56.4%) and Basic Materials (55.9%).

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.

Contact Information:

For economics comments, data and technical queries, please contact

Shin-Hui Chen, Ph.D.

Assistant Research Fellow, Center for Economic Forecasting
Chung-Hua Institution for Economic Research
E-Mail: csh@cier.edu.tw
Tel: +(886) 2 27356006 ext. 424
www.cier.edu.tw

For industry comments, please contact:

Steve Lai

Executive Director, Center for Purchasing and Supply Studies
Supply Management Institute, Taiwan
E-Mail: stvelai@smit.org.tw
Tel: +(886) 2 27495889
www.smit.org.tw