

## May 2018 Taiwan Manufacturing PMI

PMI at 58.1%

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

### MANUFACTURING AT A GLANCE

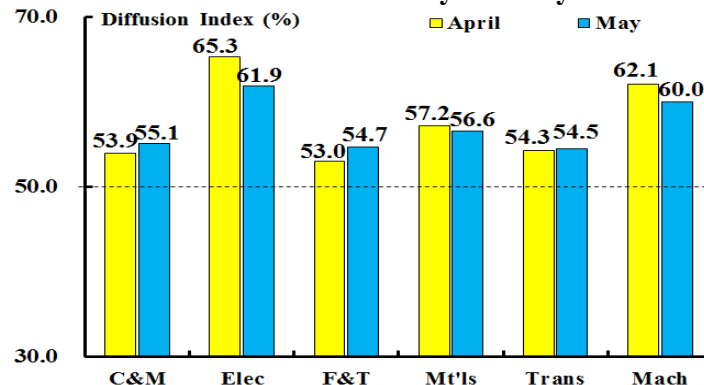
May 2018

Index	Series Index May	Series Index Apr	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries					
							C&M	Elec	F&T	Mt'ls	Trans	Mach
Taiwan Manufacturing PMI	58.1	58.0	+0.1	Growing	Faster	26	55.1	61.9	54.7	56.6	54.5	60.0
New Orders	56.2	56.0	+0.2	Growing	Faster	16	58.1	59.1	56.7	58.5	50.0	54.8
Production	59.6	58.0	+1.6	Growing	Faster	16	61.6	61.6	58.3	64.6	50.0	58.3
Employment	56.5	55.9	+0.6	Growing	Faster	25	58.1	62.1	58.3	48.8	59.1	59.5
Supplier Deliveries	59.2	62.2	-3.0	Slowing	Slower	26	50.0	65.9	45.0	51.2	54.5	64.3
Inventories	59.1	58.1	+1.0	Growing	Faster	26	47.7	60.8	55.0	59.8	59.1	63.1
Customers' Inventories	50.3	48.7	+1.6	Too High	From Too Low	1	40.7	51.3	50.0	58.5	43.2	40.5
Prices	76.3	71.7	+4.6	Increasing	Faster	27	80.2	78.0	70.0	74.4	70.5	76.2
Backlog of Orders	53.8	55.2	-1.4	Growing	Slower	22	52.3	56.0	46.7	53.7	43.2	56.0
Exports	56.1	57.1	-1.0	Growing	Slower	3	53.5	59.9	45.0	54.9	50.0	53.6
Imports	55.7	58.4	-2.7	Growing	Slower	27	57.0	60.3	51.7	48.8	47.7	52.4
Six-month Outlook	63.3	63.0	+0.3	Growing	Faster	27	61.6	69.0	61.7	54.9	54.5	59.5
Production Materials	38	37	-	-	-	-	43	35	47	51	22	32
MRO Supplies	31	32	-	-	-	-	43	26	31	44	23	27
Capital Expenditures	69	67	-	-	-	-	72	59	93	91	60	61

Chart 1: Time Series of Taiwan Manufacturing PMI



Chart 2: Performance by Industry



### Summary

- The manufacturing sector continued positive momentum in May as the Taiwan Manufacturing PMI rose 0.1 percentage point, signaling satisfactory performance when compared to the seasonally adjusted 58.0 percent recorded in April.
- Both New Orders and Production Indexes presented an upward improvement as they went up 0.2 and 1.6 percentage points to the seasonally adjusted May reading of 56.2 and 59.6 percent, respectively.
- The Employment Index remained in growth territory for twenty-five consecutive months as it went up 0.6 percentage point to the seasonally adjusted May reading of 56.5 percent.
- The delivery performance of suppliers in the manufacturing sector was slower for twenty-six consecutive months while the Supplier Deliveries Index further fell 3.0 percentage points to 59.2 percent in May.
- The Customers' Inventories Index registered 1.6 percentage points higher than the 48.7 percent reported in April, indicating that respondents believe their customers have more than sufficient inventories on hand for the second time in the past three months.
- Manufacturers' order backlogs decelerated in May as the Backlog of Orders Index registered 1.4 percentage points lower than the 55.2 percent in April.
- The Prices Index raised 4.6 percentage points to 76.3 percent and remained high figures for 10 consecutive months.
- Both Exports and Imports Indexes expanded at a rather slower rate in May as they fell 1.0 and 2.7 percentage points to 56.1 and 55.7 percent, respectively.
- The Six-month Outlook Index remained favorably for the fifth consecutive month and registered at 63.3 percent.
- All the manufacturing industries categories reporting growth in May in the following order: Electronics & Optical (61.9%); Electrical & Machinery Equipment (60.0%); Basic Materials (56.6%); Chemical, Biological & Medical (55.1%); Foods & Textiles (54.7%) and Transportation Equipment (54.5%).

## 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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