

July 2022 Taiwan Manufacturing PMI

PMI at 47.8%

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

MANUFACTURING AT A GLANCE

July 2022

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	47.8	53.6	-5.8	Contracting	From Growing	1	49.2	45.5	54.8	47.3	55.5	47.2
New Orders	36.6	47.4	-10.8	Contracting	Faster	4	36.5	29.8	56.0	35.2	50.0	27.8
Production	43.8	51.6	-7.8	Contracting	From Growing	1	44.6	40.8	52.0	40.9	63.6	43.1
Employment	51.5	55.1	-3.6	Growing	Slower	25	45.9	52.9	60.0	53.4	50.0	54.2
Supplier Deliveries	49.3	54.8	-5.5	Faster	From Slowing	1	60.8	44.5	50.0	52.3	54.5	52.8
Inventories	57.9	59.1	-1.2	Growing	Slower	19	58.1	59.2	56.0	54.5	59.1	58.3
Customers' Inventories	59.9	56.9	+3.0	Too High	Faster	7	58.1	63.4	62.0	53.4	47.7	59.7
Prices	49.3	62.5	-13.2	Decreasing	From Increasing	1	45.9	49.6	78.0	40.9	56.8	43.1
Backlog of Orders	39.2	42.9	-3.7	Contracting	Faster	2	43.2	37.8	48.0	35.2	38.6	44.4
New Export Orders	37.0	39.1	-2.1	Contracting	Faster	3	41.9	34.0	46.0	36.4	40.9	40.3
Imports	43.1	49.3	-6.2	Contracting	Faster	2	47.3	40.8	56.0	38.6	52.3	45.8
Future Outlooks	30.1	37.1	-7.0	Contracting	Faster	3	32.4	27.7	50.0	28.4	40.9	22.2
Production Materials	49	52	-	-	-	-	47	51	57	49	47	43
MRO Supplies	41	43	-	-	-	-	42	43	50	35	41	34
Capital Expenditures	71	76	-	-	-	-	69	75	98	58	84	53

Chart 1: Time Series of Taiwan Manufacturing PMI

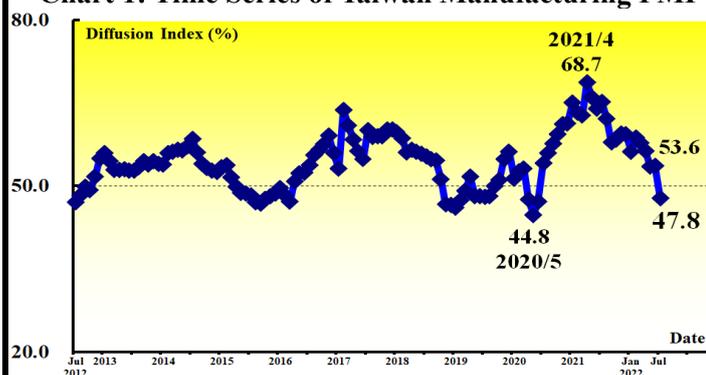
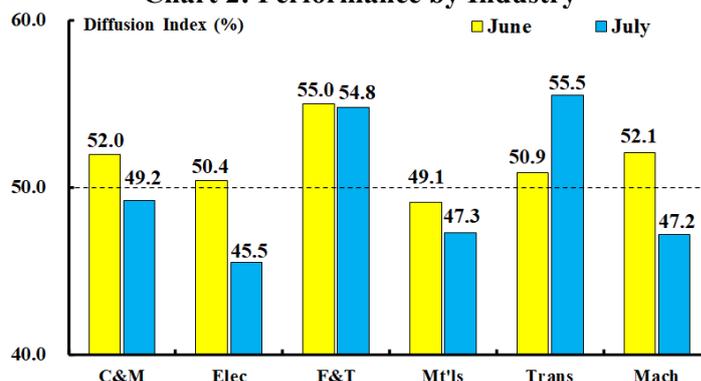


Chart 2: Performance by Industry



Summary

- The Taiwan manufacturing sector reversed its recent trend of growth in the past twenty-four consecutive months and contracted in July. The seasonally adjusted Taiwan Manufacturing PMI decreased 5.8 percentage points to 47.8 percent, recording the biggest month-to-month decline since July 2012.
- Manufacturers' new orders, the leading indicator of the manufacturing major business activities, contracted for the fourth consecutive month. The seasonally adjusted New Orders Index largely decreased 10.8 percentage points to 36.6 percent in July, registering the fastest contraction rate since June 2020.
- Manufacturers' production accordingly turned to contraction following only one month of growth as the seasonally adjusted Production Index dropped 7.8 percentage points to 43.8 percent in July.
- Manufacturers' employment expanded for twenty-five consecutive months, while the seasonally adjusted Employment Index declined 3.6 percentage points to 51.5 percent, the slowest expansion rate since July 2020.
- The Supplier Deliveries Index further went down 5.5 percentage points and registered 49.3 percent in July, indicating the delivery performance of suppliers to manufacturing sectors was faster for the first time since November 2019.
- Manufacturers' inventories expanded for nineteen consecutive months as the Inventories Index registered 57.9 percent.
- Manufacturers reported their customers having more than sufficient inventories on hand for seven consecutive months as the Customers' Inventories Index further increased 3.0 percentage points to 59.9 percent, the highest reading since July 2012.
- Manufacturers are currently buying rather lower prices for the first time in the past twenty-six consecutive months as the Prices Index significantly decreased 13.2 percentage points to 49.3 percent in July.
- Manufacturers' backlogs contracted for two consecutive months as the Backlog of Orders Index decreased 3.7 percentage points to 39.2 percent, the fastest contraction rate since January 2019.
- The Future Outlooks Index contracted for the third consecutive month and further fell 7.0 percentage points to 30.1 percent, registering the lowest reading since May 2020.
- Four among six manufacturing industries categories reported contraction in the following order: Electronic & Optical (45.5%), Electrical & Machinery Equipment (47.2%), Basic Materials (47.3%) and Chemical, Biological & Medical (49.2%). While Transportation Equipment (55.5%) and Foods & Textiles (54.8%) reported growth in July.

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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