

May 2022 Taiwan Manufacturing PMI

PMI at 53.5%

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

MANUFACTURING AT A GLANCE

May 2022

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	53.5	56.3	-2.8	Growing	Slower	23	56.6	56.3	53.1	52.0	46.4	53.0
New Orders	45.6	47.7	-2.1	Contracting	Faster	2	53.7	51.2	43.1	41.1	34.1	47.7
Production	47.9	50.2	-2.3	Contracting	From Growing	1	61.0	51.2	51.7	45.6	34.1	47.7
Employment	54.2	54.6	-0.4	Growing	Slower	23	57.3	55.3	50.0	55.6	47.7	53.5
Supplier Deliveries	61.7	67.4	-5.7	Slowing	Slower	31	59.8	62.2	65.5	57.8	63.6	66.3
Inventories	58.2	61.4	-3.2	Growing	Slower	17	51.2	61.4	55.2	60.0	52.3	50.0
Customers' Inventories	52.1	51.9	+0.2	Too High	Faster	5	51.2	56.9	48.3	46.7	40.9	46.5
Prices	69.3	84.1	-14.8	Increasing	Slower	24	70.7	69.9	84.5	55.6	75.0	79.1
Backlog of Orders	50.2	55.7	-5.5	Growing	Slower	22	56.1	56.1	48.3	35.6	45.5	45.3
New Export Orders	47.6	51.9	-4.3	Contracting	From Growing	1	51.2	50.8	43.1	41.1	38.6	46.5
Imports	51.0	56.1	-5.1	Growing	Slower	23	59.8	50.8	46.6	51.1	43.2	48.8
Future Outlooks	44.0	52.9	-8.9	Contracting	From Growing	1	48.8	49.2	36.2	33.3	40.9	39.5
Production Materials	49	52	-	-	-	-	44	56	49	52	31	43
MRO Supplies	43	39	-	-	-	-	39	49	38	42	42	37
Capital Expenditures	70	72	-	-	-	-	65	73	83	61	78	62

Chart 1: Time Series of Taiwan Manufacturing PMI

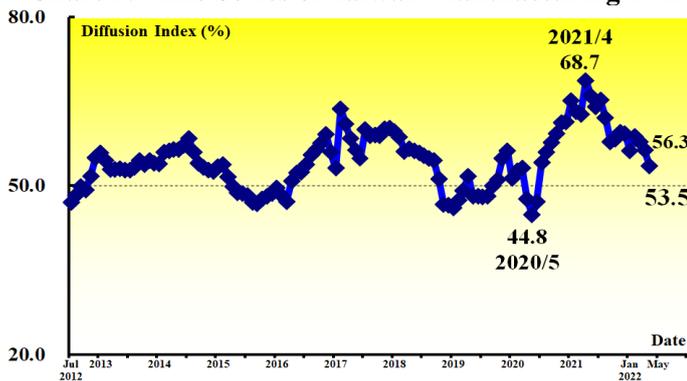
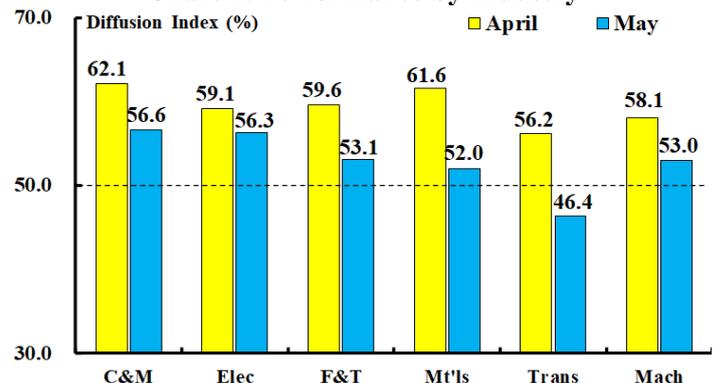


Chart 2: Performance by Industry



Summary

- The Taiwan manufacturing sector expanded for twenty-three consecutive months but decelerated as the seasonally adjusted Taiwan Manufacturing PMI further fell 2.8 percentage points to 53.5 percent in May. Both the New Orders and Production Indexes contracted at the fastest rates since July 2020.
- Manufacturers' new orders, a first leading indicator of the manufacturing economy conditions, contracted for the second consecutive month as the seasonally adjusted New Orders Index further decreased 2.1 percentage points to 45.6 percent.
- Manufacturers' production turned to contraction as the seasonally adjusted Production Index dropped 2.3 percentage points to 47.9 percent in May.
- The COVID-19 lockdown resulted in sluggish China demand. The Supplier Deliveries Index went down 5.7 percentage points to 61.7 percent in May, registering the lowest reading since November 2020.
- Manufacturers' new orders and production contracted in May, while the Inventories Index still expanded for seventeen consecutive months and registered 58.2 percent.
- Manufacturers reported their customers having more than sufficient inventories on hand for five consecutive months. The Customers' Inventories Index inched up 0.2 percentage point to 52.1 percent, the highest reading since June 2020.
- The Prices Index sharply decreased 14.8 percentage points to 69.3 percent, the lowest level since November 2020.
- The Backlog of Orders Index fell 5.5 percentage points to 50.2 percent, the slowest growth rate since August 2020.
- The New Export Orders Index turned to contraction following two consecutive months of growth as the index went down 4.3 percentage points to 47.6 percent, registering the fastest contraction rate since July 2020.
- The Future Outlooks Index shifted to contraction for the first time since August 2020 and registered 44.0 percent, a significant decrease of 8.9 percentage points from the April reading. All the six manufacturing industries categories reported future outlooks contracting in May.
- Five among six manufacturing industries categories reported growing in the following order: Chemical, Biological & Medical (56.6%), Electronic & Optical (56.3%), Foods & Textiles (53.1%), Machinery Equipment (53.0%) and Basic Materials (52.0%). While the Transportation Equipment (46.4%) reversed its recent trend of growth and contracted during May for the first time in the past twenty-three months.

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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