

December 2018 Taiwan Non-Manufacturing Index

NMI at 51.6%

Business Activity Index at 54.2%

New Orders Index at 50.4%

Employment Index at 50.4%

NON-MANUFACTURING AT A GLANCE

December 2018

Index	Series Index Dec	Series Index Nov	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries							
							Acc & Food	Con & RE	Ed/Pro/ST	Fin & Ins	Inf/Com/BC	Ret	Trans & Stor	WS
Taiwan NMI	51.6	52.3	-0.7	Growing	Slower	2	60.4	51.4	58.1	48.8	64.7	48.6	43.2	49.6
Business Activity	54.2	49.4	+4.8	Growing	From Contracting	1	62.5	50.0	64.5	53.0	76.5	56.0	37.5	50.0
New Orders	50.4	52.3	-1.9	Growing	Slower	2	66.7	55.8	64.5	42.0	79.4	42.3	35.4	40.3
Employment	50.4	55.9	-5.5	Growing	Slower	22	54.2	50.0	51.6	51.0	52.9	48.0	50.0	52.7
Supplier Deliveries	51.2	51.8	-0.6	Slowing	Slower	53	58.3	50.0	51.6	49.0	50.0	48.0	50.0	55.4
Inventories	51.2	49.1	+2.1	Growing	From Contracting	1	62.5	46.2	46.8	51.0	52.9	52.0	50.0	55.4
Prices	57.3	59.2	-1.9	Increasing	Slower	36	62.5	53.8	58.1	54.0	55.9	58.0	50.0	56.8
Backlog of Orders	44.8	43.1	+1.7	Contracting	Slower	5	45.8	44.2	59.7	41.0	55.9	40.0	31.3	44.6
New Export Orders	43.2	43.0	+0.2	Contracting	Slower	2	0.0	66.7	45.5	50.0	60.0	16.7	33.3	38.0
Imports	47.3	51.9	-4.6	Contracting	From Growing	1	58.3	46.7	53.6	62.5	50.0	42.9	33.3	42.9
Service Charge	48.5	47.5	+1.0	Decreasing	Slower	3	54.2	53.8	48.2	40.0	47.1	50.0	50.0	50.0
Inventory Sentiment	54.2	56.7	-2.5	Too High	Slower	53	54.2	55.8	46.8	50.0	50.0	58.0	41.7	62.2
Six-month Outlook	36.8	36.5	+0.3	Contracting	Slower	6	41.7	48.1	40.3	29.0	58.8	32.0	29.2	31.1

Chart 1: Time Series of Taiwan NMI

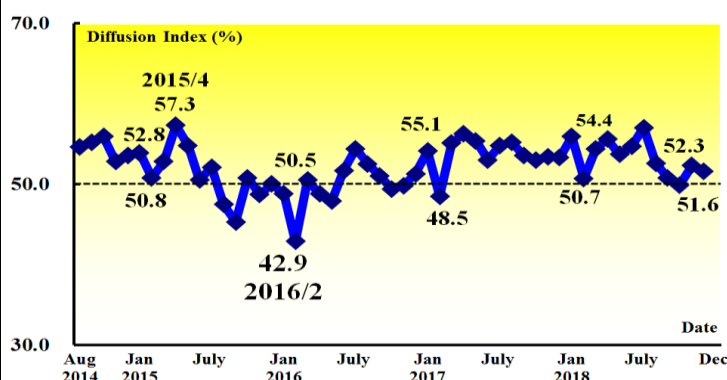
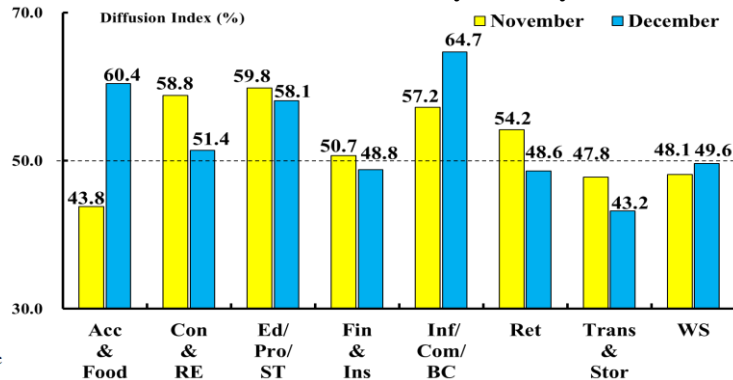


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector keeps growing for two consecutive months while the Taiwan NMI registered 0.7 percentage point lower than the 52.3 percent in November.
- Non-manufacturers' Business Activity reported growth in December following last three months of contraction as the Business Activity Index registered 4.8 percentage points higher than the 49.4 percent in November.
- Non-Manufacturers' new orders decelerated as the New order Index decreased 1.9 percentage points to 50.4 percent.
- Non-Manufacturers' employment grew at its slowest pace since March 2017 as the Employment Index dropped 5.5 percentage points to 50.4 percent.
- The Inventories Index rose 2.1 percentage points to 51.2 percent this month, indicating growth in non-manufacturers' inventories following only one month of contraction.
- The Price Index registered 57.3 percent in December, signaling continuous upward pressure on non-manufacturers' cost for the thirty-sixth consecutive month.
- Non-manufacturers' backlogs contracted for the fifth consecutive month, with the Backlog of Orders Index registered 1.7 percentage points higher than the 43.1 percent in November.
- Non-manufacturers priced lower service fees for three consecutive months as the Service Charge Index registered 48.5 percent in December, up from the lowest recorded level of 47.5 percent since June 2017.
- The Six-month Outlook Index just increased slightly to 36.8 percent in December against 36.5 percent in November, indicating contraction for six consecutive months.
- Of the eight non-manufacturing industries categories, four are reporting growth in December in the following order: Inf/Com/BC (64.7%); Acc & Food (60.4%); Ed/Pro/ST (58.1%); Con & RE (51.4%). While Trans & Stor (43.2%); Ret (48.6%); Fin & Ins (48.8%) and WS (49.6%) industries reported contraction in December.

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 non-manufacturing executives in about 300 representative non-manufacturing companies. The panel has been carefully selected to accurately replicate the actual structure of the non-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). The NMI (Non-Manufacturing Index) is a composite index based on the diffusion indexes for four of the indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. An index reading above 50 percent indicates that the non-manufacturing economy in that index is generally expanding; below 50 percent indicates that it is generally declining. Supplier Deliveries is an exception. A Supplier Deliveries Index above 50 percent indicates slower deliveries and below 50 percent indicates faster deliveries. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured, this report shows the percentage reporting each response, and the diffusion index. Responses represent raw data and are never changed.

We re-categorize the non-manufacturing subsectors listed in the Standard Industrial Classification System of the Republic of China (Rev.9, 2011) into nine broad categories. **The Accommodation & Food Service industry (Acc & Food)** which includes Accommodation and Food and Beverage Service Activities; **The Construction and Real Estate industry (Con & RE)** which comprises Construction of Buildings, Civil Engineering, Specialized Construction Activities, Real Estate Development Activities, Real Estate Operation Activities and Related Activities; **The Education, Professional, Scientific & Technical Activities (Ed/Pro/ST)** which includes Education, Legal and Accounting Activities, Activities of Head Offices and Management Consultancy Activities, Architecture and Engineering Activities, Technical Testing and Analysis, Scientific Research and Development, Advertising and Market Research, Specialized Design Activities and Veterinary Activities and Other Professional, Scientific and Technical Activities; **The Financial & Insurance Industry (Fin & Ins)** which comprises Financial Intermediation, Insurance, Securities, Futures and Other Financing; **The Information, Communication and Broadcasting industry (Inf/Com/BC)** which comprises Publishing Activities, Motion Picture, Video and Television Programme Production, Sound Recording and Music Publishing Activities, Programming and Broadcasting Activities, Telecommunications, Computer Systems Design Services and Information Service Activities; **The Transportation and Storage (Trans & Stor)** which includes Land Transportation, Water Transportation, Air Transport, Support Activities for Transportation, Warehousing and Storage and Postal and Courier Activities; **Other Industries (Others):** Electricity and Gas Supply, Water Supply and Remediation Activities, Human Health and Social Work Activities and Support Service Activities; **The Wholesale Trade industry (WS)** and **The Retail Trade industry (Ret)**. These industries together account for an estimated 82% of Taiwan non-manufacturing sector output. CIER provides industrial diffusion indexes for each industrial category except Other Industries category.

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