

## February 2018 Taiwan Non-Manufacturing Index

NMI at 50.7%

Business Activity Index at 46.6%

New Orders Index at 47.1%

Employment Index at 54.5%

### NON-MANUFACTURING AT A GLANCE

February 2018

Index	Series Index Feb	Series Index Jan	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	50.7	55.9	-5.2	Growing	Slower	12	76.0	46.3	49.0	54.7	51.4	42.6	47.2	49.0
Business Activity	46.6	57.1	-10.5	Contracting	From Growing	1	88.5	43.3	42.3	53.9	44.4	40.9	38.6	37.8
New Orders	47.1	56.7	-9.6	Contracting	From Growing	1	76.9	38.3	48.1	57.8	50.0	22.7	43.2	47.2
Employment	54.5	55.1	-0.6	Growing	Slower	12	69.2	46.7	51.9	56.9	58.3	52.3	59.1	55.4
Supplier Deliveries	54.4	54.5	-0.1	Slowing	Slower	43	69.2	56.7	53.8	50.0	52.8	54.5	47.7	55.4
Inventories	49.4	53.1	-3.7	Contracting	From Growing	1	73.1	45.0	50.0	48.0	47.2	43.2	52.3	47.3
Prices	60.0	63.5	-3.5	Increasing	Slower	26	69.2	58.3	55.8	51.0	61.1	50.0	70.5	68.9
Backlog of Orders	46.6	50.6	-4.0	Contracting	From Growing	1	57.7	35.0	50.0	52.9	52.8	40.9	43.2	48.6
New Export Orders	50.5	53.0	-2.5	Growing	Slower	2	100.0	40.0	42.9	46.2	60.0	50.0	27.8	48.0
Imports	47.5	53.9	-6.4	Contracting	From Growing	1	69.2	38.9	35.7	45.8	58.3	41.7	35.0	50.0
Service Charge	53.8	53.7	+0.1	Increasing	Faster	3	73.1	51.7	41.3	56.9	52.8	50.0	54.5	56.8
Inventory Sentiment	53.7	51.0	+2.7	Too High	Faster	43	61.5	51.7	50.0	50.0	50.0	59.1	47.7	58.1
Six-month Outlook	57.3	55.0	+2.3	Growing	Faster	6	42.3	56.7	65.4	56.9	55.6	63.6	63.6	60.8

Chart 1: Time Series of Taiwan NMI

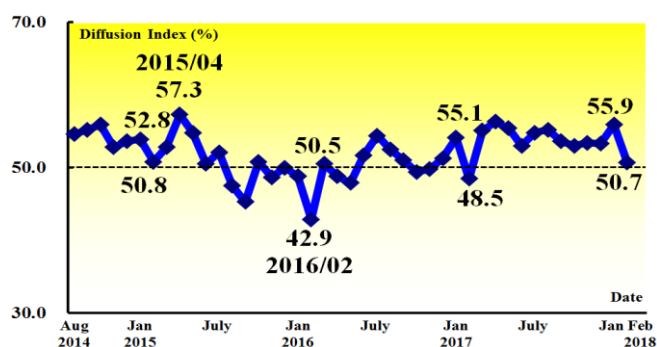
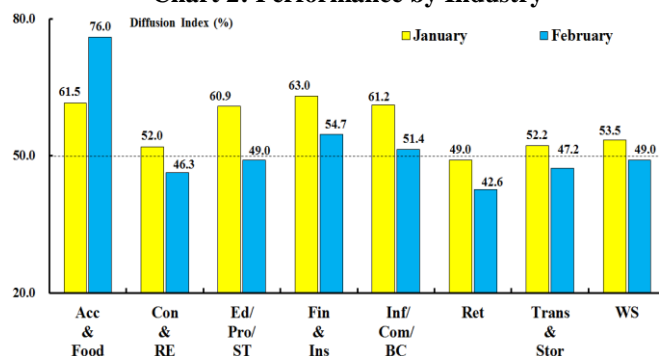


Chart 2: Performance by Industry



### Summary

- Taiwan NMI registered 50.7 percent in February, which is 5.2 percentage points lower than the 55.9 percent in January. The slower growth in new orders and business activity are the two major reasons to the lower NMI reading.
- Both Business Activity and New Orders Indexes turned from growing to contraction in February due to less working days, as they went down 10.5 and 9.6 percentage points to 46.6 and 47.1 percent, respectively.
- Non-manufacturing employment continued to grow for twelve consecutive months while the Employment Index slightly decreased by 0.6 percentage point to 54.5 percent in February.
- The Supplier Deliveries Index registered 0.1 percentage point lower than the 54.5 percent in January, indicating the delivery performance from suppliers to non-manufacturing sectors was slower for forty-three consecutive months.
- The Price Index registered 60.0 percent in February, signaling continuous upward pressure on non-manufacturers' cost for the twenty-sixth consecutive month.
- The Backlog of Orders Index fell 4.0 percentage points to 46.6 percent and reported contraction following only one month of growth.
- Non-manufacturers priced higher service fees for the third consecutive month although the Service Charge Index only inched up to 53.8 percent. Still, as recorded its highest reading since August 2014.
- The Six-month Outlook index sounds promising as it is up 2.7 percentage points to 57.3 percent in February and registered its highest reading since April 2017.
- Of the eight non-manufacturing industries categories, three are reporting growth in February in the following order: Acc & Food (76.0%); Fin & Ins (54.7%) and Inf/Com/BC (51.4%). While Ret (42.6%); Con & RE (46.3%); Trans & Stor (47.2%); Ed/Pro/ST (49.0%) and WS (49.0%) reported contraction.

## 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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