

February 2019 Taiwan Non-Manufacturing Index

NMI at 47.8%

Business Activity Index at 40.8%

New Orders Index at 45.6%

Employment Index at 55.0%

NON-MANUFACTURING AT A GLANCE

February 2019

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	47.8	49.0	-1.2	Contracting	Faster	2	55.2	49.6	52.3	49.0	47.7	45.6	38.1	37.7
Business Activity	40.8	47.5	-6.7	Contracting	Faster	2	54.2	37.9	45.3	49.0	37.5	45.8	20.5	25.6
New Orders	45.6	46.0	-0.4	Contracting	Faster	2	58.3	48.3	57.8	45.2	50.0	34.6	29.5	30.3
Employment	55.0	50.3	+4.7	Growing	Faster	24	54.2	58.6	56.3	51.0	59.4	50.0	52.3	51.3
Supplier Deliveries	49.7	52.1	-2.4	Faster	From Slowing	1	54.2	53.4	50.0	51.0	43.8	52.1	50.0	43.6
Inventories	52.2	51.6	+0.6	Growing	Faster	3	62.5	48.3	50.0	50.0	46.9	54.2	38.6	57.7
Prices	60.1	62.3	-2.2	Increasing	Slower	38	75.0	69.0	65.6	51.0	50.0	60.4	56.8	57.7
Backlog of Orders	43.5	42.2	+1.3	Contracting	Slower	7	58.3	37.9	48.4	38.5	62.5	43.8	31.8	42.3
New Export Orders	43.5	43.9	-0.4	Contracting	Faster	4	33.3	50.0	38.9	61.5	45.0	50.0	12.5	30.8
Imports	46.7	44.3	+2.4	Contracting	Slower	3	54.2	47.1	40.9	54.5	45.0	41.7	13.6	45.2
Service Charge	50.1	50.4	-0.3	Increasing	Slower	2	70.8	53.4	44.4	43.3	43.8	47.8	47.7	50.0
Inventory Sentiment	54.1	55.3	-1.2	Too High	Slower	55	54.2	53.4	46.9	48.1	46.9	56.3	56.8	64.1
Six-month Outlook	45.8	36.7	+9.1	Contracting	Slower	8	45.8	48.3	54.7	42.3	56.3	41.7	38.6	38.5

Chart 1: Time Series of Taiwan NMI

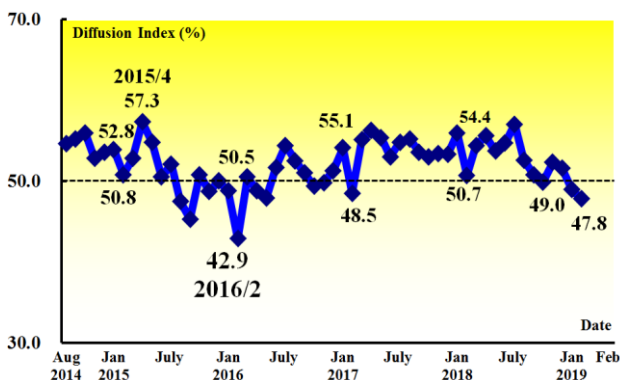
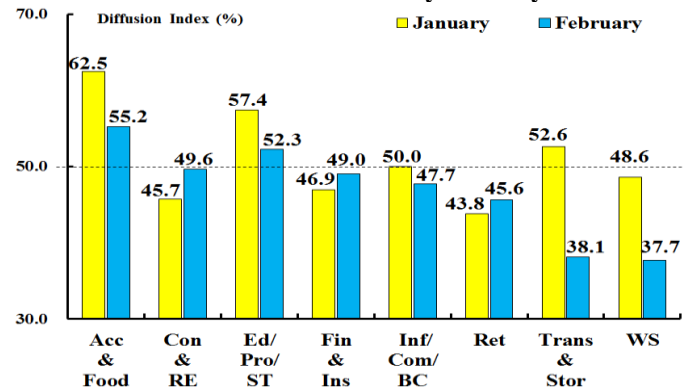


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector contracted at a faster rate in February, as the Taiwan NMI further fell 1.2 percentage points to 47.8 percent.
- The Chinese New Year holiday break of nine days had influenced the nation's nonmanufacturing activities. Both Business Activity and New Orders Indexes contracted at a faster rate in February, dropping 6.7 and 0.4 percentage points to 40.8 and 45.6 percent, respectively.
- Non-manufacturers' employment continued to grow for twenty-four consecutive months as the Employment Index increased 4.7 percentage points to 55.0 percent in February.
- The Supplier Deliveries Index fell 2.4 percentage points to 49.7 percent, indicating the delivery performance from suppliers to non-manufacturing sectors was turning to faster for the first time since August 2014.
- The Price Index registered 60.1 percent, signaling continuous upward pressure on non-manufacturers' cost and price for thirty-eight consecutive months.
- Non-manufacturers' backlogs contracted for the seventh consecutive month while the Backlog of Orders Index increased 1.3 percentage points to 43.5 percent.
- The Service Charge Index registered 50.1 percent in February, indicating that non-manufacturers kept collecting rather higher service prices for two consecutive months.
- The Six-month Outlook Index contracted at the slowest rate since August 2018, registering 9.1 percentage points higher than the 36.7 percent reported in January.
- Of the eight non-manufacturing industries categories, six are reporting contraction in February 2019 in the following order: WS (37.7%); Trans & Stor (38.1%); Ret (45.6%); Inf/Com/BC (47.7%); Fin & Ins (49.0%) and Con & RE (49.6%). While Acc & Food (55.2%) and Ed/Pro/ST (52.3%) still remained in growing in February.

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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