

January 2019 Taiwan Non-Manufacturing Index

NMI at 49.0%

Business Activity Index at 47.5%

New Orders Index at 46.0%

Employment Index at 50.3%

NON-MANUFACTURING AT A GLANCE

January 2019

Index	Series Index Jan	Series Index Dec	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	49.0	51.6	-2.6	Contracting	From Growing	1	62.5	45.7	57.4	46.9	50.0	43.8	52.6	48.6
Business Activity	47.5	54.2	-6.7	Contracting	From Growing	1	72.7	32.8	60.9	44.9	50.0	50.0	62.5	48.7
New Orders	46.0	50.4	-4.4	Contracting	From Growing	1	68.2	44.8	62.5	46.9	53.1	27.3	50.0	39.2
Employment	50.3	50.4	-0.1	Growing	Slower	23	59.1	48.3	53.1	46.9	46.9	50.0	47.9	52.6
Supplier Deliveries	52.1	51.2	+0.9	Slowing	Faster	54	50.0	56.9	53.1	49.0	50.0	47.7	50.0	53.8
Inventories	51.6	51.2	+0.4	Growing	Faster	2	68.2	50.0	51.6	55.1	50.0	50.0	50.0	48.7
Prices	62.3	57.3	+5.0	Increasing	Faster	37	90.9	65.5	62.5	51.0	59.4	61.4	56.3	57.7
Backlog of Orders	42.2	44.8	-2.6	Contracting	Faster	6	59.1	34.5	50.0	39.8	59.4	31.8	45.8	42.3
New Export Orders	43.9	43.2	+0.7	Contracting	Slower	3	50.0	41.7	55.6	67.9	45.0	16.7	50.0	38.0
Imports	44.3	47.3	-3.0	Contracting	Faster	2	59.1	31.3	59.1	46.2	45.0	43.8	40.9	44.8
Service Charge	50.4	48.5	+1.9	Increasing	From Decreasing	1	54.5	53.4	53.6	45.9	46.9	52.4	50.0	48.7
Inventory Sentiment	55.3	54.2	+1.1	Too High	Faster	54	50.0	58.6	48.4	51.0	53.1	63.6	50.0	60.3
Six-month Outlook	36.7	36.8	-0.1	Contracting	Faster	7	31.8	37.9	39.1	37.8	59.4	31.8	29.2	32.1

Chart 1: Time Series of Taiwan NMI

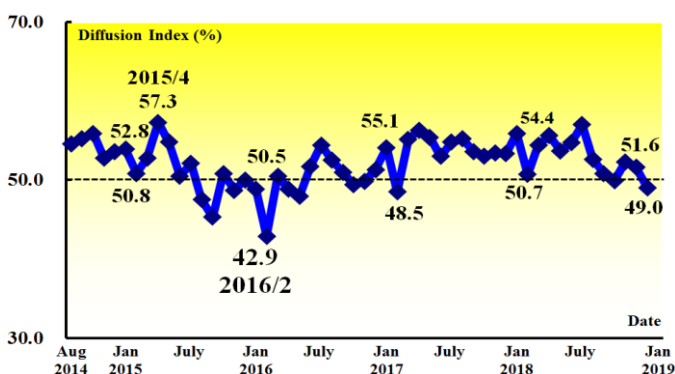
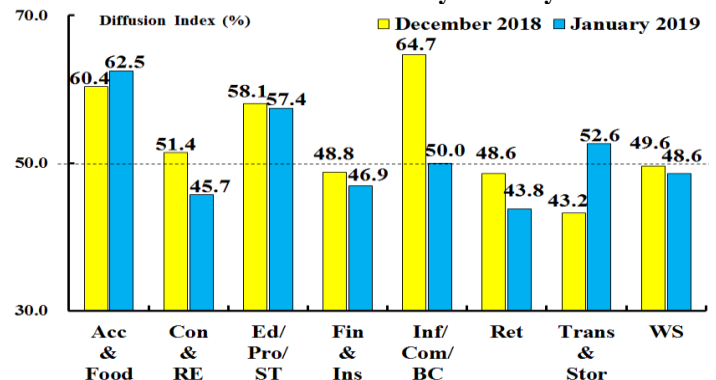


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector reversed its previous trend of growth and turned to contraction during January 2019 as the Taiwan NMI dropped 2.6 percentage points to 49.0 percent.
- Non-manufacturers' Business Activity contracted in January following only one month of growth as the Business Activity Index registered 6.7 percentage points lower than the 54.2 percent in December 2018.
- The New Order Index fell 4.4 percentage points to 46.0 percent and registered its lowest reading since June 2016.
- Non-Manufacturers' employment grew at its very slowest pace since March 2017 as the Employment Index slightly decreased 0.1 percentage point to 50.3 percent in January.
- The Price Index increased 5.0 percentage points to 62.3 percent in January 2019, signaling continuous and significant upward pressure on non-manufacturers' cost for thirty-seven consecutive months.
- Non-manufacturers' backlogs contracted for the sixth consecutive month as the Backlog of Orders Index decreased 2.6 percentage points to 42.2 percent.
- The Service Charge Index registered 50.4 percent, up from the 48.5 percent reported in December 2018, indicating that non-manufacturers again charged higher service fees following three months of lower service prices.
- The Six-month Outlook Index slightly decreased by 0.1 percentage point to 36.7 percent in January 2019, indicating contraction for seven consecutive months.
- Of the eight non-manufacturing industries categories, four are reporting contraction in January 2019 in the following order: Ret (43.8%); Con & RE (45.7%); Fin & Ins (46.9%) and WS (48.6%). Three are reporting growth in the following order: Acc & Food (62.5%); Ed/Pro/ST (57.4%); Trans & Stor (52.6%). Only Inf/Com/BC (50.0%) reported unchanged from December 2018.

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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