

July 2018 Taiwan Non-Manufacturing Index

NMI at 57.0%

Business Activity Index at 57.2%

New Orders Index at 60.6%

Employment Index at 57.9%

NON-MANUFACTURING AT A GLANCE

July 2018

Index	Series Index July	Series Index June	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	57.0	54.7	+2.3	Growing	Faster	17	51.7	54.8	62.1	58.0	64.6	58.5	51.1	55.2
Business Activity	57.2	56.3	+0.9	Growing	Faster	5	46.7	53.2	65.5	55.5	75.0	61.9	54.3	50.0
New Orders	60.6	55.4	+5.2	Growing	Faster	5	46.7	58.1	63.8	62.7	72.2	65.0	50.0	60.0
Employment	57.9	53.7	+4.2	Growing	Faster	17	63.3	53.2	62.1	64.5	61.1	57.1	52.2	56.8
Supplier Deliveries	52.3	53.4	-1.1	Slowing	Slower	48	50.0	54.8	56.9	49.1	50.0	50.0	47.8	54.1
Inventories	53.4	54.4	-1.0	Growing	Slower	5	46.7	45.2	53.4	52.7	50.0	61.9	52.2	59.5
Prices	64.1	59.3	+4.8	Increasing	Faster	31	80.0	69.4	69.0	50.0	55.6	61.9	69.6	67.6
Backlog of Orders	51.2	51.7	-0.5	Growing	Slower	2	33.3	45.2	51.7	53.6	58.3	54.8	50.0	58.1
New Export Orders	51.1	52.2	-1.1	Growing	Slower	2	66.7	58.3	50.0	42.9	61.1	33.3	59.1	47.8
Imports	55.6	55.7	-0.1	Growing	Slower	5	60.0	47.4	55.0	53.8	60.0	60.0	60.0	51.7
Service Charge	52.1	50.5	+1.6	Increasing	Faster	4	46.7	53.2	51.9	50.0	55.6	52.5	56.5	52.7
Inventory Sentiment	54.4	54.3	+0.1	Too High	Faster	48	53.3	53.2	51.7	50.0	47.2	57.1	54.3	59.5
Six-month Outlook	46.8	53.0	-6.2	Contracting	From Growing	1	30.0	38.7	51.7	48.2	61.1	64.3	54.3	45.9

Chart 1: Time Series of Taiwan NMI

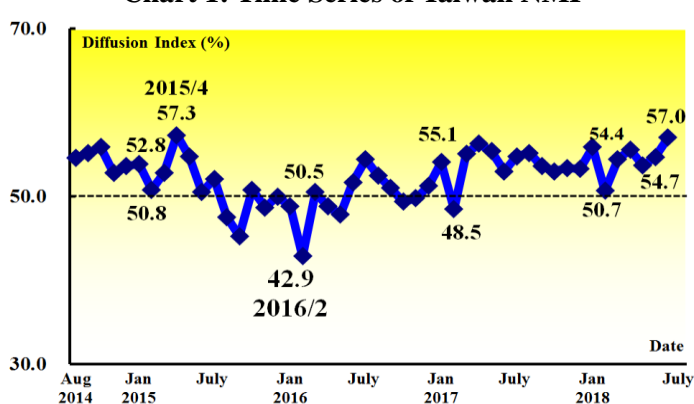
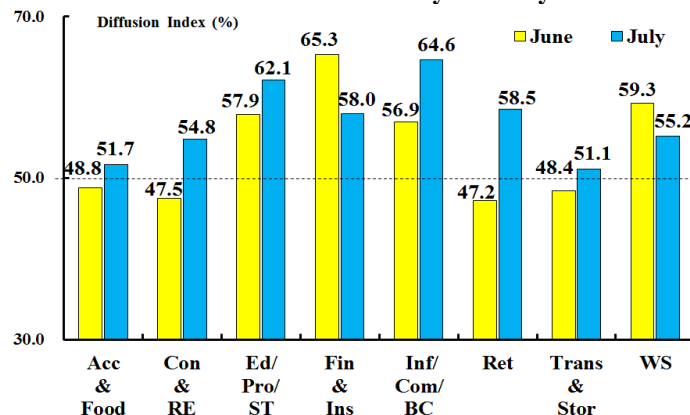


Chart 2: Performance by Industry



Summary

- The Taiwan NMI registered 2.3 percentage points higher than the 54.7 percent in June, indicating the continuous growth in non-manufacturing sector for the seventeenth consecutive month.
- Both Business Activity and New Orders Indexes brought good improvements in July as they went up 0.9 and 5.2 percentage points to 57.2 and 60.6 percent, respectively.
- Non-manufacturing employment continued its positive growing trend for the seventeenth consecutive month as the Employment Index increased 4.2 percentage points to 57.9 percent in July.
- Non-manufacturers experienced and continued an inflationary pressure on their purchases for thirty-one consecutive months as the Price Index increased up to the highest level since April 2017 and registered 64.1 percent in July.
- Non-Manufacturers' Order backlogs remain grew for the second consecutive month while the Backlog of Orders Index registered 0.5 percent point lower than the 51.7 percent in June.
- The non-manufacturers charged higher service prices for four consecutive months as the Service Charge Index went up 1.6 percentage points to 52.1 percent in July.
- The Six-month Outlook Index reversed its recent trend of growth and contracted during July for the first time in the past eleven months, registering 6.2 percentage points lower than the 53.0 percent reported in June.
- All the non-manufacturing industries' categories reporting growth in July in the following order: Inf/Com/BC (64.6%); Ed/Pro/ST (62.1%); Ret (58.5%); Fin & Ins (58.0%); WS (55.2%); Con & RE (54.8%); Acc & Food (51.7%) and Trans & Stor (51.1%).

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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