

June 2018 Taiwan Non-Manufacturing Index

NMI at 54.7%

Business Activity Index at 56.3%

New Orders Index at 55.4%

Employment Index at 53.7%

NON-MANUFACTURING AT A GLANCE

June 2018

Index	Series Index June	Series Index May	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	54.7	53.7	+1.0	Growing	Faster	16	48.8	47.5	57.9	65.3	56.9	47.2	48.4	59.3
Business Activity	56.3	55.2	+1.1	Growing	Faster	4	45.0	45.0	57.4	75.5	55.6	45.2	52.2	62.5
New Orders	55.4	53.2	+2.2	Growing	Faster	4	50.0	46.7	61.1	73.6	58.3	38.9	45.7	62.1
Employment	53.7	54.9	-1.2	Growing	Slower	16	50.0	48.3	55.6	58.5	58.3	54.8	41.3	55.6
Supplier Deliveries	53.4	51.6	+1.8	Slowing	Faster	47	50.0	50.0	57.4	53.8	55.6	50.0	54.3	56.9
Inventories	54.4	55.0	-0.6	Growing	Slower	4	65.0	46.7	48.1	58.5	50.0	64.3	47.8	56.9
Prices	59.3	61.7	-2.4	Increasing	Slower	30	65.0	60.0	55.6	52.8	52.8	59.5	65.2	58.3
Backlog of Orders	51.7	46.4	+5.3	Growing	From Contracting	1	20.0	48.3	53.7	60.4	66.7	52.4	50.0	56.9
New Export Orders	52.2	49.0	+3.2	Growing	From Contracting	1	50.0	42.9	66.7	50.0	50.0	33.3	65.0	60.4
Imports	55.7	56.2	-0.5	Growing	Slower	4	50.0	47.2	50.0	59.1	50.0	50.0	55.0	63.0
Service Charge	50.5	51.1	-0.6	Increasing	Slower	3	50.0	51.7	50.0	51.9	50.0	47.5	50.0	51.4
Inventory Sentiment	54.3	53.1	+1.2	Too High	Faster	47	50.0	53.3	48.1	53.8	52.8	64.3	45.7	55.6
Six-month Outlook	53.0	52.1	+0.9	Growing	Faster	10	35.0	48.3	63.0	50.0	52.8	59.5	47.8	62.5

Chart 1: Time Series of Taiwan NMI

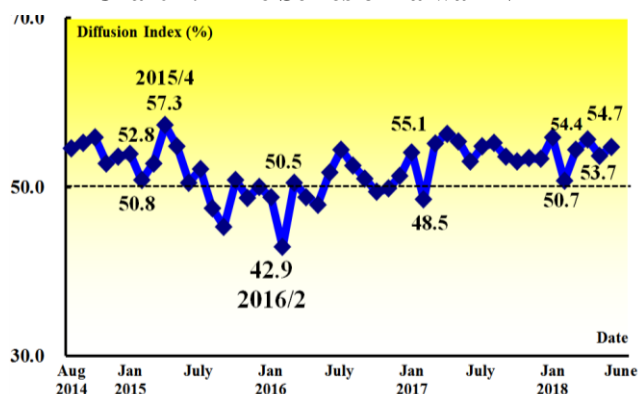
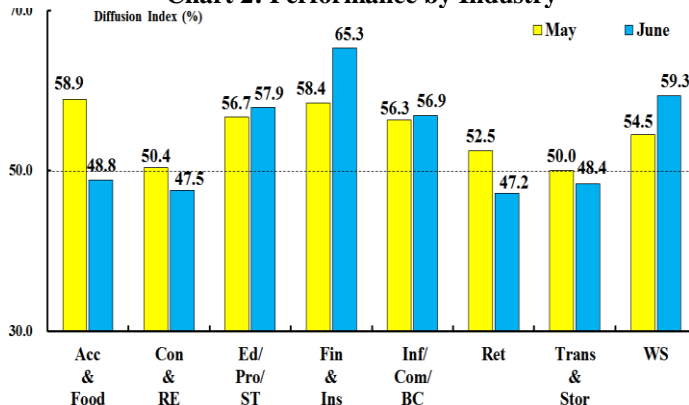


Chart 2: Performance by Industry



Summary

- The Taiwan NMI registered 1.0 percentage point higher than the 53.7 percent in May, indicating expansion in the non-manufacturing sector has been continued for sixteen consecutive months.
- Both Business Activity and New Orders Indexes accelerated in June as they went up 1.1 and 2.2 percentage points to 56.3 and 55.4 percent, respectively.
- Non-manufacturing employment still continued its growth momentum for the sixteenth consecutive month while the Employment Index decreased by 1.2 percentage points to 53.7 percent in June.
- The Inventories Index registered 54.4 percent, down from the highest recorded level of 55.0 percent since July 2015.
- The prices paid by the non-manufacturing sector for purchased materials and services are keep increasing for thirty consecutive months while the Price Index decreased 2.4 percentage points to 59.3 percent in June.
- Non-Manufacturers' Order backlogs performed to growth following only one month of contraction. The Backlog of Orders Index increased 5.3 percentage points to 51.7 percent and registered its highest reading since August 2014.
- The non-manufacturers charged higher service prices for three consecutive months while the Service Charge Index further fell 0.6 percentage point to 50.5 percent in June.
- The Six-month Outlook Index registered 0.9 percentage point higher than the May reading of 52.1 percent.
- Of the eight non-manufacturing industries categories, four are reporting growth in the following order: Fin & Ins (65.3%); WS (59.3%); Ed/Pro/ST (57.9%); Inf/Com/BC (56.9%). While Ret (47.2%); Con & RE (47.5%); Trans & Stor (48.4%); Acc & Food (48.8%) reported contraction in June.

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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