

## May 2018 Taiwan Non-Manufacturing Index

NMI at 53.7%

Business Activity Index at 55.2%

New Orders Index at 53.2%

Employment Index at 54.9%

### NON-MANUFACTURING AT A GLANCE

May 2018

Index	Series Index May	Series Index Apr	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	53.7	55.6	-1.9	Growing	Slower	15	58.9	50.4	56.7	58.4	56.3	52.5	50.0	54.5
Business Activity	55.2	58.6	-3.4	Growing	Slower	3	57.1	51.8	57.1	57.6	52.8	64.8	50.0	55.1
New Orders	53.2	56.3	-3.1	Growing	Slower	3	64.3	46.4	60.7	55.4	61.1	41.7	56.3	59.2
Employment	54.9	54.1	+0.8	Growing	Faster	15	64.3	53.6	55.4	64.1	58.3	53.7	47.9	52.6
Supplier Deliveries	51.6	53.3	-1.7	Slowing	Slower	46	50.0	50.0	53.6	56.5	52.8	50.0	45.8	51.3
Inventories	55.0	50.9	+4.1	Growing	Faster	3	64.3	51.8	48.2	56.5	50.0	61.1	45.8	59.0
Prices	61.7	63.8	-2.1	Increasing	Slower	29	57.1	64.3	64.3	53.3	44.4	59.3	77.1	69.2
Backlog of Orders	46.4	51.7	-5.3	Contracting	From Growing	1	39.3	37.5	55.4	54.3	58.3	44.4	37.5	47.4
New Export Orders	49.0	49.9	-0.9	Contracting	Faster	3	50.0	37.5	64.3	46.2	50.0	33.3	55.0	55.8
Imports	56.2	51.8	+4.4	Growing	Faster	3	53.6	53.1	61.1	54.5	55.6	50.0	60.0	53.1
Service Charge	51.1	54.9	-3.8	Increasing	Slower	2	53.6	55.4	50.0	47.8	52.8	46.2	47.9	51.3
Inventory Sentiment	53.1	51.3	+1.8	Too High	Faster	46	60.7	48.2	46.4	52.2	50.0	57.4	52.1	59.0
Six-month Outlook	52.1	51.4	+0.7	Growing	Faster	9	46.4	48.2	64.3	48.9	50.0	55.6	43.8	53.8

Chart 1: Time Series of Taiwan NMI

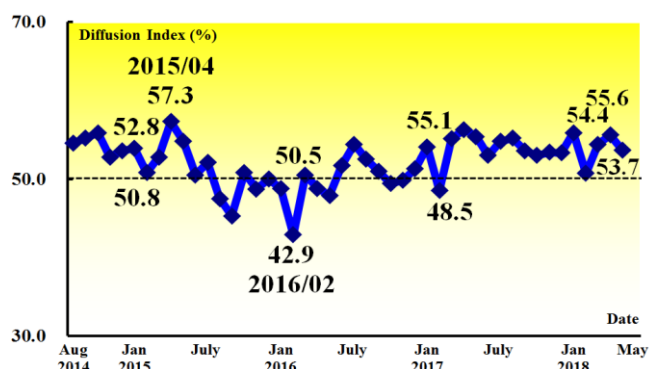
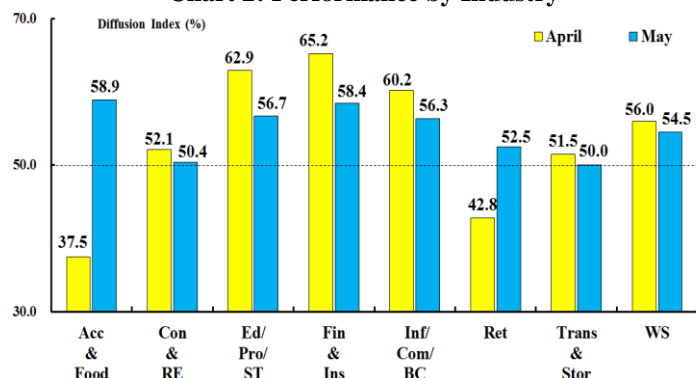


Chart 2: Performance by Industry



### Summary

- The non-manufacturing sector continued its growth trend for fifteen consecutive months although the Taiwan NMI decreased 1.9 percentage points to 53.7 percent in May 2018.
- Both Business Activity and New Orders Indexes decelerated in May, dropping 3.4 and 3.1 percentage points to 55.2 and 53.2 percent, respectively.
- Non-manufacturing employment continued its growth trend for the fifteenth consecutive month as the Employment Index went slightly up 0.8 percentage point to 54.9 percent in May.
- The Inventories Index increased 4.1 percentage points to 55.0 percent, the highest level since July 2015.
- The Prices Index registered 61.7 percent in May, signaling continuing upward pressure on manufacturers' costs for twenty-nine consecutive months.
- Non-Manufacturers' Order backlogs reported contracting following only one month of growth. The Backlog of Orders Index registered 46.4 in May, down from the highest recorded level of 51.7 percent since August 2014.
- The Service Charge Index registered 51.1 percent in May, down from the highest reading of 54.9 percent since August 2014, indicating that non-manufacturers continue charged higher service prices for two consecutive months.
- The Six-month Outlook Index registered 0.7 percentage point higher than the April reading of 51.4 percent.
- Of the eight non-manufacturing industries categories, seven are reporting growth in the following order: Acc & Food (58.9%); Fin & Ins (58.4%); Ed/Pro/ST (56.7%); Inf/Com/BC (56.3%); WS (54.5%); Ret (52.5%); Con & RE (50.4%). Only Trans & Stor (50.0%) reported unchanged in May.

## 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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