

November 2018 Taiwan Non-Manufacturing Index

NMI at 52.3%

Business Activity Index at 49.4%

New Orders Index at 52.3%

Employment Index at 55.9%

NON-MANUFACTURING AT A GLANCE

November 2018

Index	Series Index Nov	Series Index Oct	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	52.3	49.9	+2.4	Growing	From Contracting	1	43.8	58.8	59.8	50.7	57.2	54.2	47.8	48.1
Business Activity	49.4	46.6	+2.8	Contracting	Slower	3	40.0	60.0	51.8	43.3	60.5	54.2	45.7	47.1
New Orders	52.3	49.2	+3.1	Growing	From Contracting	1	35.0	61.7	64.3	52.9	57.9	50.0	45.7	43.9
Employment	55.9	53.7	+2.2	Growing	Faster	21	50.0	58.3	64.3	55.8	60.5	58.3	50.0	52.9
Supplier Deliveries	51.8	50.2	+1.6	Slowing	Faster	52	50.0	55.0	58.9	51.0	50.0	54.2	50.0	48.5
Inventories	49.1	50.7	-1.6	Contracting	From Growing	1	45.0	48.3	48.2	50.0	44.7	54.2	50.0	50.0
Prices	59.2	61.2	-2.0	Increasing	Slower	35	60.0	53.3	66.1	51.0	57.9	56.3	60.9	67.6
Backlog of Orders	43.1	43.0	+0.1	Contracting	Slower	4	25.0	46.7	50.0	41.3	57.9	45.8	34.8	44.1
New Export Orders	43.0	50.3	-7.3	Contracting	From Growing	1	0.0	37.5	55.6	46.2	59.1	50.0	50.0	39.1
Imports	51.9	48.8	+3.1	Growing	From Contracting	1	55.0	44.7	54.2	45.5	54.5	71.4	50.0	46.2
Service Charge	47.5	47.7	-0.2	Decreasing	Faster	2	45.0	48.3	58.0	43.3	52.6	39.1	52.2	48.5
Inventory Sentiment	56.7	54.7	+2.0	Too High	Faster	52	55.0	55.0	51.8	51.0	47.4	62.5	50.0	66.2
Six-month Outlook	36.5	36.1	+0.4	Contracting	Slower	5	25.0	50.0	35.7	28.8	44.7	45.8	32.6	30.9

Chart 1: Time Series of Taiwan NMI

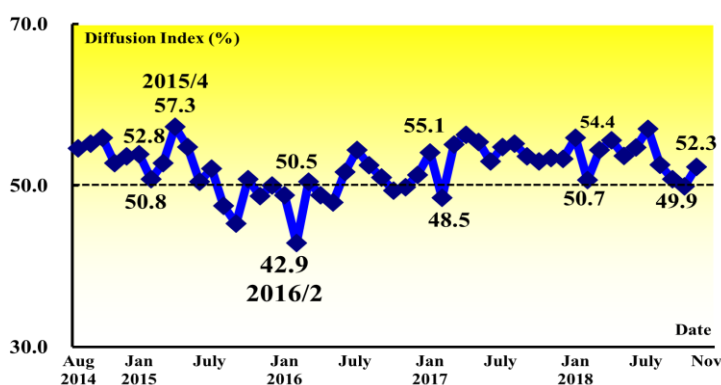
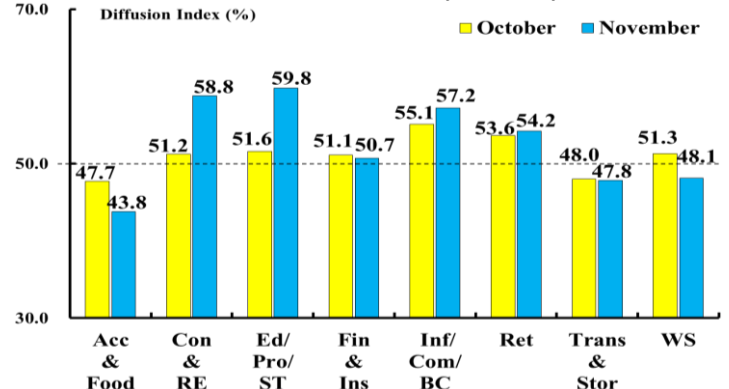


Chart 2: Performance by Industry



Summary

- The Taiwan NMI rose 2.4 percentage points to 52.3 percent in November, indicating a resumption of growth in the non-manufacturing sector following only one month of contraction.
- Non-manufacturers' Business Activity still remains in contraction but decelerated during November while the Business Activity Index registered 2.8 percentage points higher than the 46.6 percent in October.
- While the timing nearly closes to the end of fourth quarter and the new year, the New Orders Index raised up to 52.3 percent in November against 49.2 percent in October.
- The Supplier Deliveries Index registered 51.8 percent in November, slightly increased by 1.6 percentage points from the lowest recorded level of 50.2 percent since June 2015.
- Non-Manufacturing Inventories failed to grow during November for the first time in the past three months as the Inventories Index decreased 1.6 percentage points to 49.1 percent.
- The Price Index registered 59.2 percent in November, signaling continuous upward pressure on non-manufacturers' cost for the thirty-fifth consecutive month.
- Non-manufacturers' backlogs contracted for the fourth consecutive month as the Backlog of Orders Index increased up only by 0.1 percentage point to 43.1 percent.
- The Service Charge Index registered 47.5 percent, indicating the non-manufacturers priced lower service fees for two consecutive months and registered its lowest reading since June 2017.
- The Six-month Outlook Index contracted for five consecutive months and registered 36.5 percent in November.
- Of the eight non-manufacturing industries categories, five were reporting growth in November in the following order: Ed/Pro/ST (59.8%); Con & RE (58.8%); Inf/Com/BC (57.2%); Ret (54.2%) and Fin & Ins (50.7%). While Acc & Food (43.8%); Trans & Stor (47.8%) and WS (48.1%) industries reported contraction in November.

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.

Contact Information:

For economics comments, data and technical queries, please contact:

Shin-Hui Chen, Ph.D.

Assistant Research Fellow, Center for Economic Forecasting Chung-Hua Institution for Economic Research

E-Mail: csh@cier.edu.tw

Tel: +(886) 2 27356006 ext. 424 www.cier.edu.tw

For industry comments, please contact:

Steve Lai

Executive Director, Center for Purchasing and Supply Studies Supply Management Institute, Taiwan

E-Mail: stevelai@smit.org.tw

Tel: +(886) 2 27495889 www.smit.org.tw