

October 2018 Taiwan Non-Manufacturing Index

NMI at 49.9%

Business Activity Index at 46.6%

New Orders Index at 49.2%

Employment Index at 53.7%

NON-MANUFACTURING AT A GLANCE

October 2018

Index	Series Index Oct	Series Index Sep	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	49.9	50.8	-0.9	Contracting	From Growing	1	47.7	51.2	51.6	51.1	55.1	53.6	48.0	51.3
Business Activity	46.6	46.4	+0.2	Contracting	Slower	2	50.0	48.4	46.8	46.4	55.9	52.4	42.0	50.0
New Orders	49.2	52.8	-3.6	Contracting	From Growing	1	40.9	54.8	50.0	48.2	61.8	55.0	48.0	50.0
Employment	53.7	51.4	+2.3	Growing	Faster	20	45.5	53.2	58.1	60.0	55.9	52.4	52.0	53.9
Supplier Deliveries	50.2	52.8	-2.6	Slowing	Slower	51	54.5	48.4	51.6	50.0	47.1	54.8	50.0	51.3
Inventories	50.7	52.0	-1.3	Growing	Slower	2	59.1	48.4	51.6	50.0	47.1	52.4	52.0	55.3
Prices	61.2	60.8	+0.4	Increasing	Faster	34	68.2	59.7	58.1	55.5	55.9	66.7	64.0	65.8
Backlog of Orders	43.0	46.8	-3.8	Contracting	Faster	3	36.4	50.0	46.8	40.0	52.9	42.9	40.0	44.7
New Export Orders	50.3	44.9	+5.4	Growing	From Contracting	1	0.0	57.1	50.0	50.0	55.0	50.0	45.5	42.3
Imports	48.8	47.4	+1.4	Contracting	Slower	3	59.1	41.7	50.0	50.0	60.0	50.0	45.8	44.6
Service Charge	47.7	50.2	-2.5	Decreasing	From Increasing	1	40.9	46.8	50.0	48.2	44.1	50.0	54.0	51.3
Inventory Sentiment	54.7	53.3	+1.4	Too High	Faster	51	54.5	51.6	50.0	49.1	50.0	66.7	54.0	60.5
Six-month Outlook	36.1	44.8	-8.7	Contracting	Faster	4	27.3	43.5	35.5	27.3	55.9	50.0	32.0	36.8

Chart 1: Time Series of Taiwan NMI

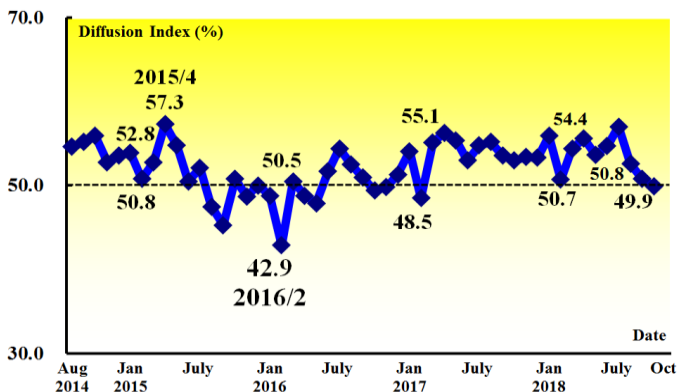
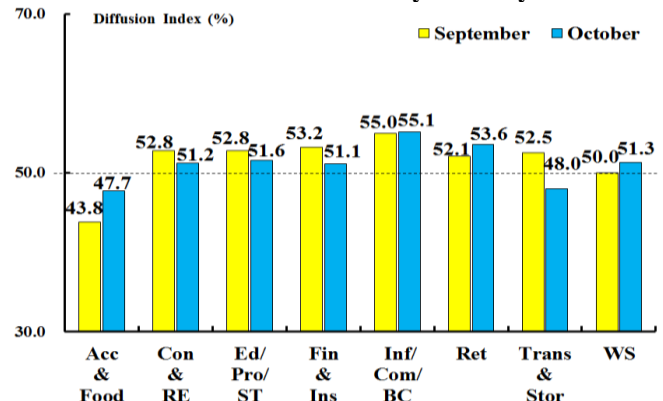


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector reversed its trend of growth and turned to contraction in October for the first time since March 2017 as the Taiwan NMI fell 0.9 percentage point to 49.9 percent.
- The Business Activity Index registered 46.6 percent in October, indicating contraction for two consecutive months.
- Non-manufacturers' new orders contracted following seven months of growth as the New Orders Index dropped 3.6 percentage points to 49.2 percent.
- Non-manufacturing employment remained in growing for the twentieth consecutive month as the Employment Index increased 2.3 percentage points to 53.7 percent.
- The Supplier Deliveries Index fell 2.6 percentage points to 50.2 percent in October and registered its lowest reading since June 2015.
- The Prices Index registered 61.2 percent in October, signaling continuous upward pressure on non-manufacturers' costs for thirty-four consecutive months.
- Non-manufacturers' backlogs contracted for the third consecutive month as the Backlog of Orders Index registered at 43.0 percent, 3.8 percentage points lower than the 46.8 percent in September.
- The Service Charge Index registered 47.7 percent, down from the 50.2 percent reported in September, indicating the non-manufacturers priced lower service fees following only one month of marginally higher service prices.
- The Six-month Outlook Index fell 8.7 percentage points to 36.1 percent, indicating contraction for four consecutive months and recorded its pessimistic reading since December 2016.
- Of the eight non-manufacturing industries categories, six are reporting growth in October in the following order: Inf/Com/BC (55.1%); Ret (53.6%); Ed/Pro/ST (51.6%); WS (51.3%); Con & RE (51.2%) and Fin & Ins (51.1%). While Acc & Food (47.7%) and Trans & Stor (48.0%) industries reported contraction in October.

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