

September 2018 Taiwan Non-Manufacturing Index

NMI at 50.8%

Business Activity Index at 46.4%

New Orders Index at 52.8%

Employment Index at 51.4%

NON-MANUFACTURING AT A GLANCE

September 2018

Index	Series Index Sep	Series Index Aug	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	50.8	52.6	-1.8	Growing	Slower	19	43.8	52.8	52.8	53.2	55.0	52.1	52.5	50.0
Business Activity	46.4	50.2	-3.8	Contracting	From Growing	1	40.0	46.8	44.4	51.9	50.0	48.0	52.0	45.8
New Orders	52.8	51.7	+1.1	Growing	Faster	7	35.0	56.5	55.6	50.9	56.7	62.5	48.0	51.4
Employment	51.4	55.3	-3.9	Growing	Slower	19	45.0	50.0	57.4	61.1	56.7	48.0	54.0	51.4
Supplier Deliveries	52.8	53.4	-0.6	Slowing	Slower	50	55.0	58.1	53.7	49.1	56.7	50.0	56.0	51.4
Inventories	52.0	49.8	+2.2	Growing	From Contracting	1	55.0	51.6	46.3	50.9	53.3	62.0	56.0	54.2
Prices	60.8	62.8	-2.0	Increasing	Slower	33	75.0	62.9	53.7	53.7	60.0	64.0	74.0	63.9
Backlog of Orders	46.8	43.0	+3.8	Contracting	Slower	2	20.0	41.9	46.3	52.8	56.7	46.0	50.0	51.4
New Export Orders	44.9	44.6	+0.3	Contracting	Slower	2	50.0	35.7	57.1	60.7	50.0	50.0	50.0	40.0
Imports	47.4	47.8	-0.4	Contracting	Faster	2	45.0	36.8	54.5	56.7	55.6	42.9	59.1	44.8
Service Charge	50.2	48.8	+1.4	Increasing	From Decreasing	1	25.0	58.1	52.1	51.9	46.7	52.1	50.0	55.6
Inventory Sentiment	53.3	53.5	-0.2	Too High	Slower	50	45.0	51.6	48.1	50.9	50.0	64.0	48.0	58.3
Six-month Outlook	44.8	44.0	+0.8	Contracting	Slower	3	30.0	53.2	48.1	37.0	50.0	48.0	46.0	45.8

Chart 1: Time Series of Taiwan NMI

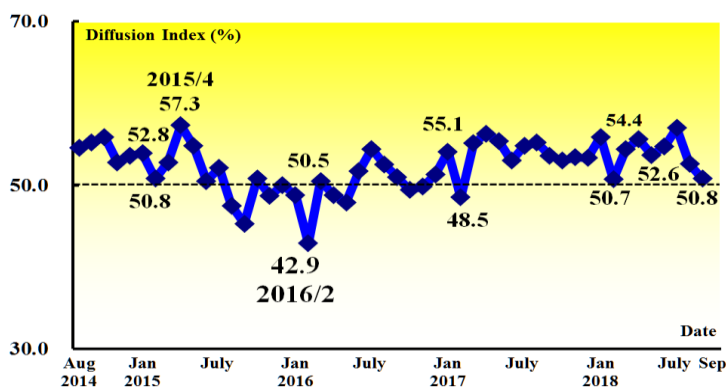
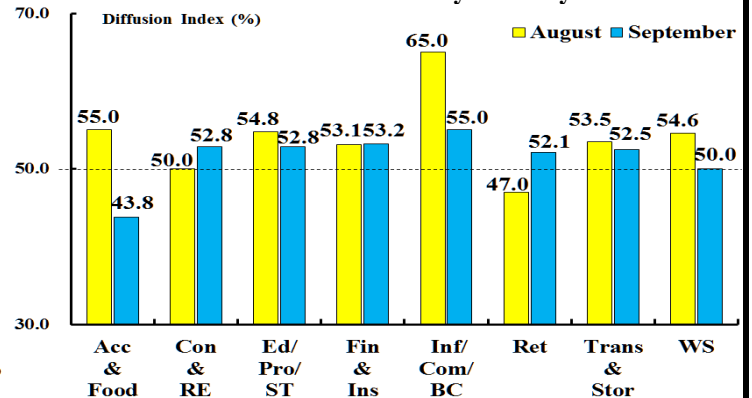


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector expanded at slower rate as the Taiwan NMI further decreased 1.8 percentage points to 50.8 percent in September.
- Non-manufacturing Business Activity turns to contracting following six months of growth as the Business Activity Index further fell 3.8 percentage points to 46.4 percent in September.
- The Employment Index further decreased 3.9 percentage points to 51.4 percent and registered its lowest reading since November 2017.
- The Inventories Index registered 52.0 percent, an increase of 2.2 percentage points, indicating a resumption of growth in inventories following only one month of contraction.
- The Prices Index registered 2.0 percentage points lower than the 62.8 percent reported in August, signaling continuing upward pressure on non-manufacturers' costs for thirty-three consecutive months.
- Non-manufacturers' backlogs contracted for the second consecutive month while the Backlog of Orders Index rose 3.8 percentage points to 46.8 percent.
- The Service Charge Index registered 50.2 percent, up from the 48.8 percent reported in August, indicating that non-manufacturers charged higher service fees following only one month of lower service prices.
- The Six-month Outlook Index contracted for three consecutive months and registered 44.8 percent in September, which is 0.8 percentage point higher than its lowest reading of 44.0 percent since December 2016.
- Of the eight non-manufacturing industries categories, six are reporting growth in September in the following order: Inf/Com/BC (55.0%); Fin & Ins (53.2%); Con & RE (52.8%); Ed/Pro/ST (52.8%); Trans & Stor (52.5%) and Ret (52.1%). While Acc & Food (43.8%) reported contracted. Only WS (50.0%) reported unchanged from August.

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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