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CIER 中華經濟研究院
CHUNG-HUA INSTITUTION FOR ECONOMIC RESEARCH

February 2020 Taiwan Non-Manufacturing Index

NMI at 40.4%

Business Activity Index at 30.5%
New Orders Index at 34.7%
Employment Index at 46.0%

NON-MANUFACTURING AT A GLANCE
February 2020

Unit : %							Industries							
Index	Series Index Feb	Series Index Jan	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Acc & Food	Con & RE	Ed/ Pro/ ST	Fin & Ins	Inf/ Com/ BC	Ret	Trans & Stor	WS
Taiwan NMI	40.4	55.0	-14.6	Contracting	From Growing	1	16.1	50.9	45.4	42.9	44.8	29.5	35.6	44.1
Business Activity	30.5	56.6	-26.1	Contracting	From Growing	1	0.0	44.6	40.0	32.7	45.8	15.9	25.0	29.8
New Orders	34.7	54.8	-20.1	Contracting	From Growing	1	0.0	44.6	48.3	42.9	41.7	11.1	26.9	42.4
Employment	46.0	55.3	-9.3	Contracting	From Growing	1	21.4	51.8	51.7	46.9	58.3	45.5	46.2	45.7
Supplier Deliveries	50.3	53.2	-2.9	Slowing	Slower	4	42.9	62.5	41.7	49.0	33.3	45.5	44.2	58.5
Inventories	40.3	55.0	-14.7	Contracting	From Growing	1	21.4	46.4	48.3	50.0	33.3	25.0	51.9	35.1
Prices	54.3	60.1	-5.8	Increasing	Slower	50	42.9	58.9	56.7	49.0	58.3	56.8	57.7	53.2
Backlog of Orders	34.6	48.5	-13.9	Contracting	Faster	10	7.1	39.3	38.3	39.8	54.2	38.6	23.1	41.5
New Export Orders	29.3	48.3	-19.0	Contracting	Faster	2	0.0	41.7	37.5	35.7	40.0	16.7	20.8	36.1
Imports	31.5	53.3	-21.8	Contracting	From Growing	1	7.1	37.5	40.9	42.3	40.0	14.3	22.7	36.5
Service Charge	44.6	54.2	-9.6	Decreasing	From Increasing	1	14.3	50.0	50.0	44.9	50.0	47.7	48.1	46.8
Inventory Sentiment	49.1	52.1	-3.0	Too Low	From Too High	1	35.7	51.8	48.3	46.9	45.8	40.9	57.7	50.0
Future Outlooks	26.6	56.7	-30.1	Contracting	From Growing	1	0.0	44.6	41.7	28.6	16.7	13.6	25.0	20.2

Chart 1: Time Series of Taiwan NMI

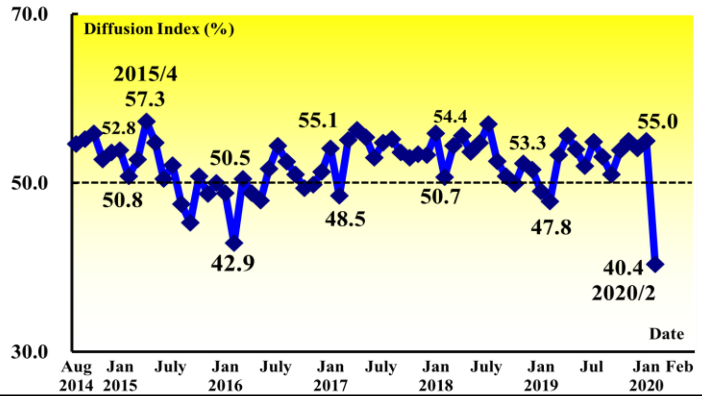
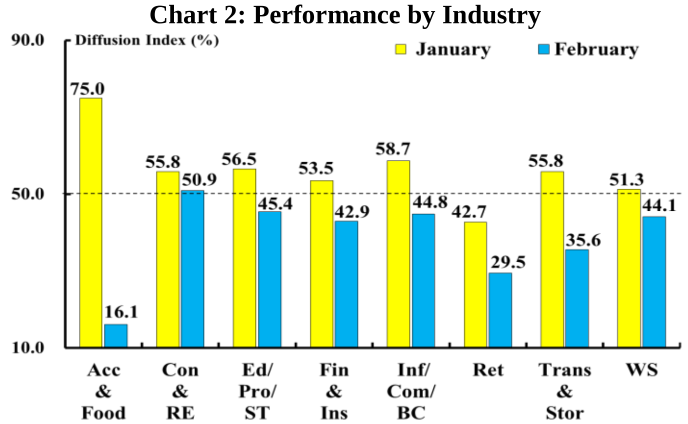


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector faced serious impact from Novel Coronavirus Pneumonia (COVID-19) and turned to contraction for the first time since March 2019. The Taiwan NMI dropped 14.6 percentage points to 40.4 percent in February, with the fastest contraction rate and also the biggest month-to-month decrease since August 2014.
- Both Business Activity and New Orders Indexes contracted at the fastest pace since August 2014, as the indexes dramatically declined 26.1 and 20.1 percentage points to 30.5 and 34.7 percent respectively.
- Non-Manufacturers' employment contracted for the first time since March 2017 with the Employment Index went down 9.3 percentage points to 46.0 percent.
- Non-manufacturers' inventories dramatically contracted following only one month of growth. The Inventories Index fell 14.7 percentage points to 40.3 percent and registered its lowest reading since August 2014.
- Non-manufacturers' backlogs still remained in contraction for the tenth consecutive month as the Backlog of Orders Index fell 13.9 percentage points to 34.6 percent. This is also the biggest percentage change since August 2014.
- The Service Charge Index in February recorded 44.6 percent, down from the 54.2 percent reported in January and registered its lowest reading since July 2016.
- The Future Outlooks Index dropped 30.1 percentage points to 26.6 percent and contracted at the fastest pace since November 2015. This is also the historic month-to-month decrease since August 2014.
- Of the eight non-manufacturing industries categories, seven are reporting contracting in the following order: Acc & Food (16.1%), Ret (29.5%), Trans & Stor (35.6%), Fin & Ins (42.9%), WS (44.1%), Inf/Com/BC (44.8%) and Ed/Pro/ST (45.4%). Only Con & RE (50.9%) NMI remained in growth in February.

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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