

January 2020 Taiwan Non-Manufacturing Index

NMI at 55.0%

Business Activity Index at 56.6%

New Orders Index at 54.8%

Employment Index at 55.3%

NON-MANUFACTURING AT A GLANCE

January 2020

| Index | Series Index Jan | Series Index Dec | 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 | 55.0 | 54.1 | +0.9 | Growing | Faster | 11 | 75.0 | 55.8 | 56.5 | 53.5 | 58.7 | 42.7 | 55.8 | 51.3 |
| Business Activity | 56.6 | 55.1 | +1.5 | Growing | Faster | 4 | 81.3 | 61.5 | 60.0 | 55.0 | 57.7 | 45.7 | 57.1 | 47.5 |
| New Orders | 54.8 | 56.9 | -2.1 | Growing | Slower | 4 | 87.5 | 53.8 | 56.0 | 59.0 | 61.5 | 27.3 | 55.4 | 52.6 |
| Employment | 55.3 | 54.0 | +1.3 | Growing | Faster | 35 | 62.5 | 55.8 | 54.0 | 51.0 | 65.4 | 45.7 | 60.7 | 52.5 |
| Supplier Deliveries | 53.2 | 50.2 | +3.0 | Slowing | Faster | 3 | 68.8 | 51.9 | 56.0 | 49.0 | 50.0 | 52.2 | 50.0 | 52.5 |
| Inventories | 55.0 | 48.9 | +6.1 | Growing | From Contracting | 1 | 87.5 | 50.0 | 54.0 | 51.0 | 53.8 | 63.0 | 46.4 | 51.3 |
| Prices | 60.1 | 58.1 | +2.0 | Increasing | Faster | 49 | 81.3 | 67.3 | 60.0 | 46.0 | 61.5 | 56.5 | 67.9 | 55.0 |
| Backlog of Orders | 48.5 | 48.5 | +0.0 | Contracting | Same | 9 | 56.3 | 50.0 | 52.0 | 48.0 | 53.8 | 45.7 | 55.4 | 42.5 |
| New Export Orders | 48.3 | 50.6 | -2.3 | Contracting | From Growing | 1 | 50.0 | 40.0 | 61.1 | 50.0 | 60.0 | 25.0 | 53.8 | 45.2 |
| Imports | 53.3 | 52.7 | +0.6 | Growing | Faster | 2 | 81.3 | 43.3 | 55.0 | 57.1 | 50.0 | 56.3 | 50.0 | 50.0 |
| Service Charge | 54.2 | 52.5 | +1.7 | Increasing | Faster | 2 | 81.3 | 59.6 | 52.2 | 49.0 | 53.8 | 45.7 | 55.4 | 47.5 |
| Inventory Sentiment | 52.1 | 52.0 | +0.1 | Too High | Faster | 66 | 62.5 | 51.9 | 46.0 | 49.0 | 50.0 | 56.5 | 44.6 | 56.3 |
| Future Outlooks | 56.7 | 54.0 | +2.7 | Growing | Faster | 3 | 37.5 | 63.5 | 68.0 | 55.0 | 53.8 | 56.5 | 57.1 | 56.3 |

Chart 1: Time Series of Taiwan NMI

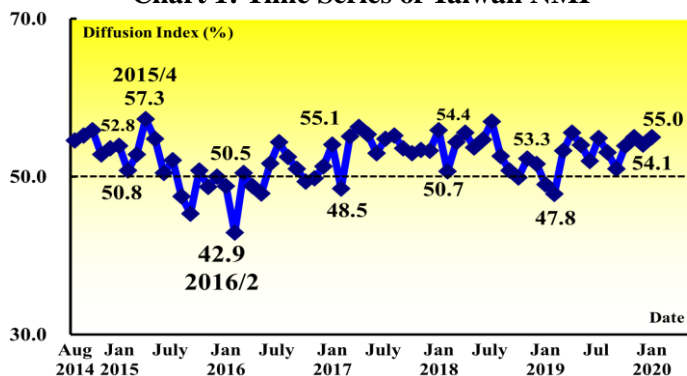
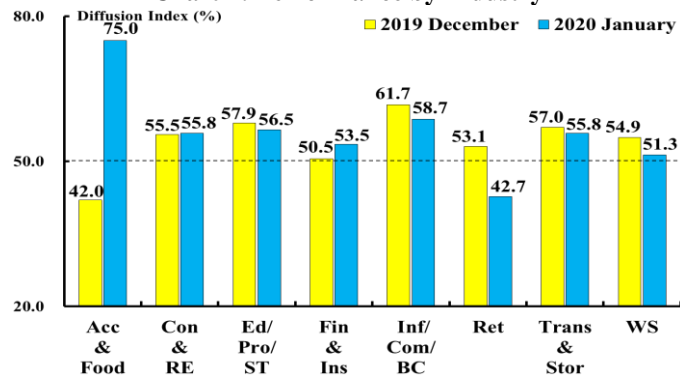


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector expanded for eleven consecutive months as the Taiwan NMI increased 0.9 percentage point to 55.0 percent in January 2020.
- The Business Activity Index accelerated and went up 1.5 percentage points to 56.6 percent in January.
- Non-manufacturers reported slower deliveries for three consecutive months. The Supplier Deliveries Index registered 53.2 percent, an increase of 3.0 percentage points from December 2019 and also the highest level recorded by this diffusion index since September 2018.
- Non-manufacturers' inventories moved up to grow following only one month of contraction. The Inventories Index increased 6.1 percentage points to 55.0 percent and registered its highest reading since June 2018.
- Non-manufacturers are still experiencing higher prices of their purchases for forty-nine consecutive months as the Prices Index went up 2.0 percentage points to 60.1 percent.
- Non-manufacturers priced higher service fees for two consecutive months as the Service Charge Index went up 1.7 percentage points to 54.2 percent and registered its highest reading since May 2018.
- The Future Outlooks Index is up 2.7 percentage points to 56.7 percent and performed its highest reading since March 2018.
- Of the eight non-manufacturing industries categories, seven are reporting growing in the following order: Acc & Food (75.0%), Inf/Com/BC (58.7%), Ed/Pro/ST (56.5%), Con & RE (55.8%), Trans & Stor (55.8%), Fin & Ins (53.5%) and WS (51.3%). Only Ret (42.7%) industry reported contraction in January.

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: stvelai@smit.org.tw

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