

September 2015 Taiwan Non-Manufacturing Index

NMI at 45.3%

Business Activity Index at 40.6%

New Orders Index at 39.7%

Employment Index at 50.6%

NON-MANUFACTURING AT A GLANCE

September 2015

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	45.3	47.5	-2.2	Contracting	Faster	2	42.0	41.1	49.5	49.8	43.8	47.9	40.5	47.7	
Business Activity	40.6	42.0	-1.4	Contracting	Faster	4	35.7	32.9	42.6	47.5	32.5	48.4	33.3	46.1	
New Orders	39.7	45.7	-6.0	Contracting	Faster	2	39.3	27.6	53.7	45.8	45.0	38.2	35.7	42.1	
Employment	50.6	51.4	-0.8	Growing	Slower	14	50.0	50.0	53.7	56.8	47.5	50.0	45.2	52.6	
Supplier Deliveries	50.3	50.7	-0.4	Slowing	Slower	14	42.9	53.9	48.1	49.2	50.0	54.8	47.6	50.0	
Inventories	51.2	53.0	-1.8	Growing	Slower	14	46.4	56.6	44.4	53.4	42.5	53.2	57.1	52.6	
Prices	50.6	46.7	+3.9	Increasing	From Decreasing	1	64.3	35.5	59.3	44.1	50.0	59.7	54.8	47.4	
Backlog of Orders	37.9	37.3	+0.6	Contracting	Slower	6	50.0	28.9	35.2	41.5	40.0	51.6	33.3	39.5	
New Export Orders	41.7	46.4	-4.7	Contracting	Faster	4	100.0	41.7	43.8	50.0	34.6	37.5	21.4	33.3	
Imports	44.4	45.8	-1.4	Contracting	Faster	2	42.9	47.8	50.0	46.2	39.3	50.0	18.8	48.4	
Service Charge	41.3	37.6	+3.7	Decreasing	Slower	5	39.3	35.5	45.7	47.5	42.5	43.5	42.9	36.8	
Inventory Sentiment	56.4	56.5	-0.1	Too High	Slower	14	50.0	56.6	50.0	50.8	52.5	64.5	54.8	65.8	
Six-month Outlook	24.8	24.9	-0.1	Contracting	Faster	4	32.1	11.8	31.5	28.0	32.5	32.3	21.4	23.7	

Chart 1: Time Series of Taiwan NMI

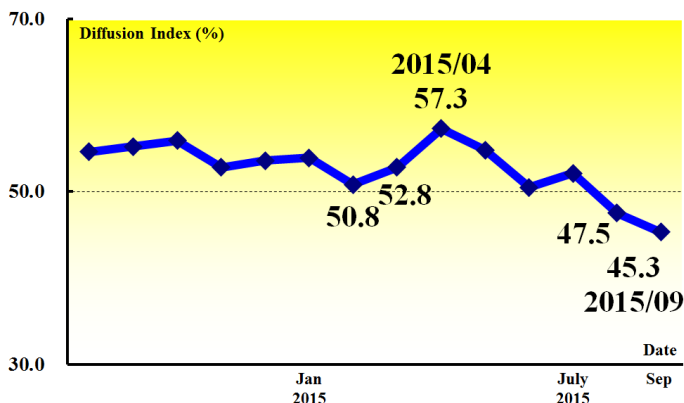
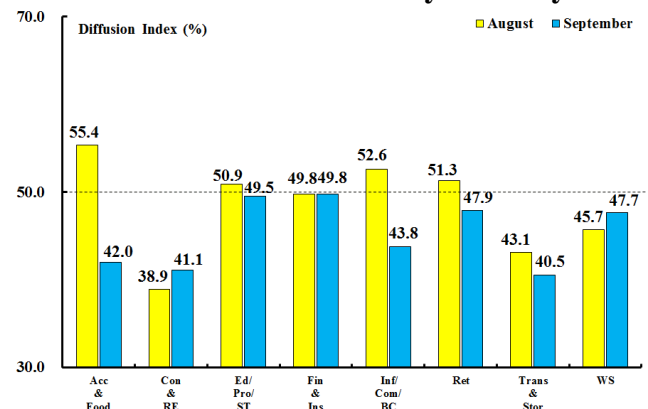


Chart 2: Performance by Industry



Summary

- The Taiwan NMI plunged to 45.3 percent in September, a decrease of 2.2 percentage points from August and also the lowest reading since August 2014.
- Both Business Activity and New Orders Indexes further declined 1.4 and 6.0 percentage points to 40.6 and 39.7 percent, respectively, and also fallen to their lowest level since August 2014.
- The Employment Index still remains in growing at 50.6 percent, but dropped 0.8 percentage point and registered its lowest figure in the past fourteen months.
- The Supplier Deliveries Index registered 50.3 percent, indicating the delivery performance from suppliers to non-manufacturing organizations was keeping slower pace for the fourteenth consecutive month.
- The Inventories Index fell 1.8 percentage points to 51.2 percent and registered its lowest reading since August 2014.
- The Prices Index registered 50.6 percent, up from the lowest level of 46.7 percent reported in August.
- Non-manufacturers' order backlogs contracted for the sixth consecutive month while the Backlog of orders Index registered 37.9 percent in September, which is 0.6 percentage point higher from its lowest figure of 37.3 percent.
- The Service Charge Index increased 3.7 percentage points to 41.3 percent, up from the 37.6 percent reported in August, indicating that non-manufacturers priced lower service fees for the fifth consecutive month.
- The Six-month Outlook Index only inched down to 24.8 percent in September, dropping 0.1 percentage point from 24.9 percent reported in August, which is the lowest figure in the past fourteen months.
- All the non-manufacturing industries categories reporting contraction in September in the following order: **Trans & Stor** (40.5%); **Con & RE** (41.1%); **Acc & Food** (42.0%); **Inf/Com/BC** (43.8%); **WS** (47.7%); **Ret** (47.9%); **Ed/Pro/ST** (49.5%) and **Fin & Ins** (49.8%).

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/BS)** 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

Email: csh@cier.edu.tw

Tel: +(866) 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: +(866) 2 27495889 www.smit.org.tw