

February 2015 Taiwan Non-Manufacturing Index

NMI at 50.8%

Business Activity Index at 45.6%

New Orders Index at 47.0%

Employment Index at 56.2%

NON-MANUFACTURING AT A GLANCE

February 2015

Index	Series Index		Percentage Point Change	Direction	Rate of Change	Trend (Months)	Industries							
	Feb	Jan					Acc & Food	Con & RE	Ed/Pro/ST	Fin & Ins	Inf/Com/BC	Ret	Trans & Stor	WS
Taiwan NMI	50.8	53.9	-3.1	Growing	Slower	7	75.0	50.4	46.8	53.3	55.0	47.9	51.7	40.4
Business Activity	45.6	52.8	-7.2	Contracting	From Growing	1	85.7	48.3	42.6	44.3	52.5	44.6	54.5	25.0
New Orders	47.0	51.5	-4.5	Contracting	From Growing	1	82.1	46.7	50.0	53.3	52.5	36.4	50.0	26.7
Employment	56.2	56.9	-0.7	Growing	Slower	7	60.7	56.7	50.0	60.7	57.5	57.1	54.5	55.0
Supplier Deliveries	54.4	54.6	-0.2	Slowing	Slower	7	71.4	50.0	44.4	54.9	57.5	53.6	47.7	55.0
Inventories	56.1	53.1	+3.0	Growing	Faster	7	85.7	50.0	42.6	61.5	52.5	57.1	54.5	56.7
Prices	53.3	54.3	-1.0	Increasing	Slower	2	78.6	41.7	55.6	50.8	60.0	62.5	54.5	46.7
Backlog of Orders	48.5	47.8	+0.7	Contracting	Slower	6	82.1	45.0	48.1	51.6	47.5	44.6	54.5	38.3
New Export Orders	45.7	50.1	-4.4	Contracting	From Growing	1	50.0	50.0	42.9	44.1	40.9	35.7	61.1	40.0
Imports	47.8	52.0	-4.2	Contracting	From Growing	1	78.6	55.0	50.0	43.8	53.6	43.8	45.0	26.8
Service Charge	50.8	49.2	+1.6	Increasing	From Decreasing	1	71.4	46.7	47.9	46.7	45.0	53.6	47.7	48.3
Inventory Sentiment	57.7	54.0	+3.7	Too High	Faster	7	67.9	53.3	51.9	52.5	57.5	64.3	50.0	66.7
Six-month Outlook	57.2	52.1	+5.1	Growing	Faster	3	85.7	40.0	55.6	64.8	72.5	58.9	52.3	56.7

Chart 1: Time Series of Taiwan NMI

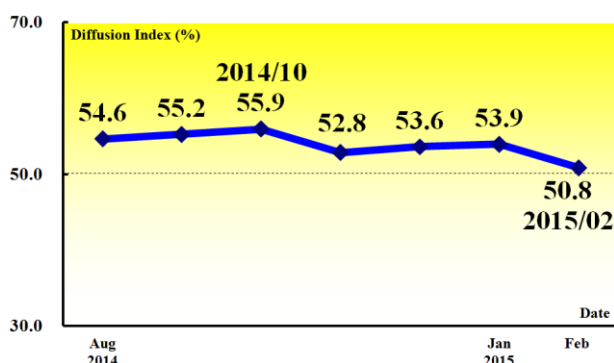
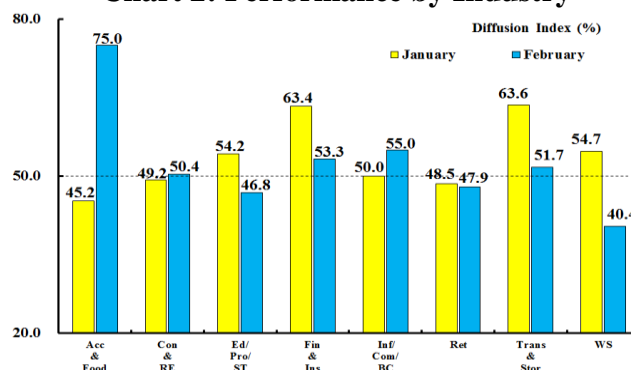


Chart 2: Performance by Industry



Summary

- Taiwan NMI registered 50.8 percent in February, which is 3.1 percentage points lower than the 53.9 percent in January. The slower growth of non-manufacturing sector was driven by the dramatic decline in business activity and new orders.
- The holiday break of nine days for the Chinese New Year and the Peace Memorial Day influenced the nation's non-manufacturing activities. The Business Activity and New Orders Indexes dropped 7.2 and 4.5 percentage points to 45.6 and 47.0 percent, respectively.
- Non-Manufacturing employment still shows promising by comparison, as the Employment Index registered 56.2 percent and continued its growth trend for the seventh consecutive month.
- The Price Index registered 53.3 percent in February, indicating the prices paid by non-manufacturing sector for purchased materials and services are increasing for the second consecutive month.
- Non-Manufacturers' Order backlogs contracted at a slowest rate in the past four months as the Backlog of Orders Index registered 0.7 percent point higher than 47.8 percent reported in January.
- The Inventories Sentiment Index registered 57.7 percent, indicating the non-manufacturing respondents believe their inventories are still too high for the past seven months.
- The Service Charge Index in February is 50.8 percent, up from the 49.2 percent reported in January, indicating that non-manufacturers charged higher service prices for the first time in the past four months.
- The Six-month Outlook Index registered 57.2 percent, an increase of 5.1 percentage points from January and also the highest level recorded by the index since September 2014.
- Of the eight non-manufacturing industries categories, five are reporting growth in February in the following order: **Acc & Food** (75.0%); **Inf/Com/BC** (55.0%); **Fin & Ins** (53.3%); **Trans & Stor** (51.7%) and **Con & RE** (50.4%). Only **WS** (40.4%), **Ed/Pro/ST** (46.8%) and **Ret** (47.9%) reported contraction 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.

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