

January 2015 Taiwan Non-Manufacturing Index

NMI at 53.9%

Business Activity Index at 52.8%

New Orders Index at 51.5%

Employment Index at 56.9%

NON-MANUFACTURING AT A GLANCE

January 2015

Index	Series				Rate of Change	Trend (Months)	Industries							
	Index Jan	Index Dec	Percentage Point Change	Direction			Acc & Food	Con & RE	Ed/Pro/ST	Fin & Ins	Inf/Com/BC	Ret	Trans & Stor	WS
Taiwan NMI	53.9	53.6	+0.3	Growing	Faster	6	45.2	49.2	54.2	63.4	50.0	48.5	63.6	54.7
Business Activity	52.8	54.5	-1.7	Growing	Slower	6	38.5	48.3	53.3	73.1	40.5	46.4	68.2	53.4
New Orders	51.5	52.9	-1.4	Growing	Slower	6	42.3	51.7	53.3	66.7	47.6	36.7	65.9	48.2
Employment	56.9	56.9	+0.0	Growing	Same	6	57.7	46.7	55.0	59.3	61.9	57.1	63.6	58.6
Supplier Deliveries	54.6	50.3	+4.3	Slowing	Faster	6	42.3	50.0	55.0	54.6	50.0	53.6	56.8	58.6
Inventories	53.1	53.3	-0.2	Growing	Slower	6	69.2	48.3	48.3	60.2	57.1	50.0	59.1	50.0
Prices	54.3	49.6	+4.7	Increasing	From Decreasing	1	69.2	48.3	60.0	50.9	47.6	55.4	54.5	51.7
Backlog of Orders	47.8	46.3	+1.5	Contracting	Slower	5	42.3	45.0	45.0	56.5	47.6	46.4	56.8	51.7
New Export Orders	50.1	48.4	+1.7	Growing	From Contracting	1	50.0	42.9	50.0	66.7	42.3	33.3	62.5	43.8
Imports	52.0	52.6	-0.6	Growing	Slower	5	61.5	50.0	56.3	55.9	46.7	25.0	55.6	53.8
Service Charge	49.2	45.7	+3.5	Decreasing	Slower	3	38.5	50.0	44.8	53.7	52.4	53.6	43.2	41.4
Inventory Sentiment	54.0	54.0	+0.0	Too High	Same	6	57.7	50.0	51.7	51.9	54.8	58.9	63.6	55.2
Six-month Outlook	52.1	55.0	-2.9	Growing	Slower	2	61.5	38.3	55.0	57.4	64.3	57.1	56.8	44.8

Chart 1: Time Series of Taiwan NMI

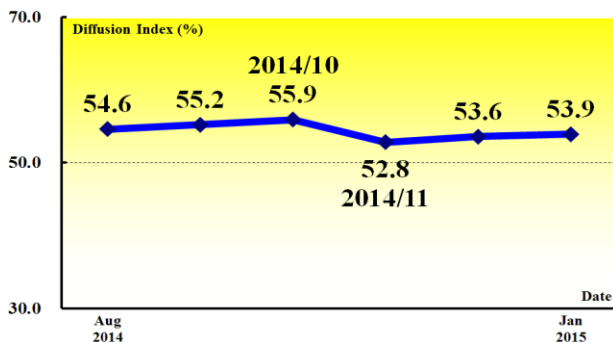
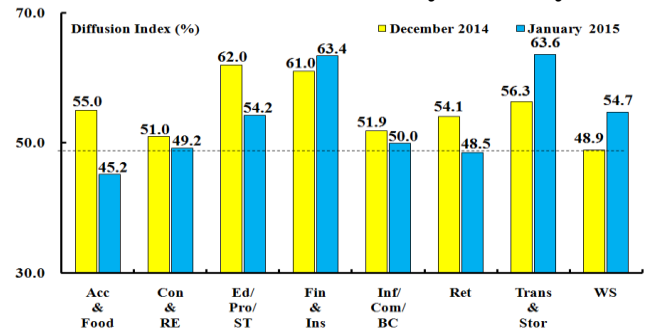


Chart 2: Performance by Industry



Summary

- Taiwan NMI registered 53.9 percent in January 2015, which is 0.3 percentage point higher than the 53.6 percent in December 2014, indicating growth in non-manufacturing sector for the sixth consecutive month.
- The Non-Manufacturing Business Activity Index registered 52.8 percent in January 2015, down from the 54.5 percent in December 2014.
- New orders grew for the sixth consecutive month, however, at the lowest level on record going back to August 2014. The New orders index dropped 1.4 percentage points and registered 51.1 percent in January.
- The Employment Index registered 56.9 percent, same as in December 2014, and it keeps the momentum of growth for sixth consecutive months.
- The Supplier Deliveries Index registered 54.6 percent, an increase of 4.3 percentage points from December 2014 and also the highest record by this index since August 2014.
- The Price Index increased 4.7 percentage points to 54.3 percent in January, indicating the prices paid by non-manufacturing sector for purchased materials and services are increasing following one month of decreasing.
- Non-Manufacturers' Order backlogs contracted for the fifth consecutive month as the Backlog of orders Index registered 47.8 percent in January.
- The January NMI report is indicating the first sign of higher Service Charge as the Service Charge Index increased 3.5 percentage points to 49.2 percent, though still at a deflationary level.
- The Six-month Outlook Index registered 52.1 percent, 2.9 percentage points lower compares to December 2014.
- Of the eight non-manufacturing industries categories, four are reporting growth in January in the following order: **Trans & Stor** (63.6%); **Fin & Ins** (63.4%); **WS** (54.7%) and **Ed/Pro/ST** (54.2%). Other four non-manufacturing industries, three turn from growth to contraction in February in the following order: **Acc & Food** (45.2%), **Ret** (48.5%) and **Con & RE** (49.2%). Only **Inf/Com/BS** industry reporting conditions are unchanged from 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/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.

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