

May 2015 Taiwan Non-Manufacturing Index

NMI at 54.8%

Business Activity Index at 57.7%

New Orders Index at 57.5%

Employment Index at 53.8%

NON-MANUFACTURING AT A GLANCE

May 2015

Index	Series Index May	Series Index Apr	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	54.8	57.3	-2.5	Growing	Slower	10	62.5	48.6	59.3	51.7	53.0	65.1	58.6	48.9
Business Activity	57.7	59.9	-2.2	Growing	Slower	3	69.2	48.6	61.3	51.9	57.1	79.2	60.5	45.7
New Orders	57.5	59.5	-2.0	Growing	Slower	3	73.1	50.0	61.3	51.9	54.8	70.8	57.9	51.4
Employment	53.8	55.9	-2.1	Growing	Slower	10	50.0	54.3	61.3	52.9	50.0	58.3	60.5	47.1
Supplier Deliveries	50.1	53.7	-3.6	Slowing	Slower	10	57.7	41.4	53.2	50.0	50.0	52.1	55.3	51.4
Inventories	53.8	55.0	-1.2	Growing	Slower	10	53.8	45.7	51.6	54.8	50.0	58.3	47.4	60.0
Prices	56.6	54.0	+2.6	Increasing	Faster	5	61.5	45.7	61.3	52.9	50.0	66.7	63.2	57.1
Backlog of Orders	46.1	49.0	-2.9	Contracting	Faster	2	65.4	38.6	45.2	51.9	52.4	56.3	57.9	37.1
New Export Orders	50.3	53.1	-2.8	Growing	Slower	3	50.0	50.0	45.0	68.2	50.0	66.7	50.0	42.3
Imports	53.1	53.4	-0.3	Growing	Slower	3	53.8	42.9	60.0	54.2	46.2	71.4	43.8	44.6
Service Charge	48.5	50.0	-1.5	Decreasing	From Unchanged	1	46.2	40.0	43.8	53.8	52.4	58.3	47.4	50.0
Inventory Sentiment	54.7	53.2	+1.5	Too High	Faster	10	50.0	51.4	50.0	52.9	52.4	60.4	52.6	62.9
Six-month Outlook	52.5	53.9	-1.4	Growing	Slower	6	61.5	25.7	56.5	55.8	61.9	75.0	55.3	50.0

Chart 1: Time Series of Taiwan NMI

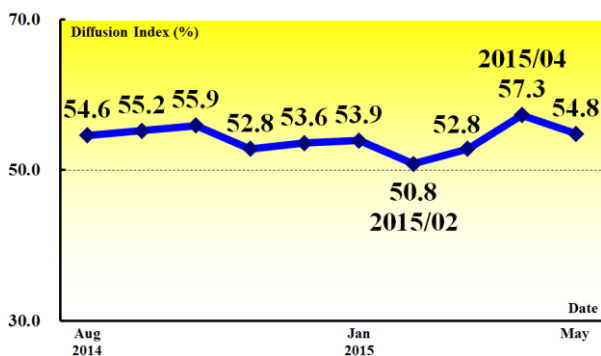
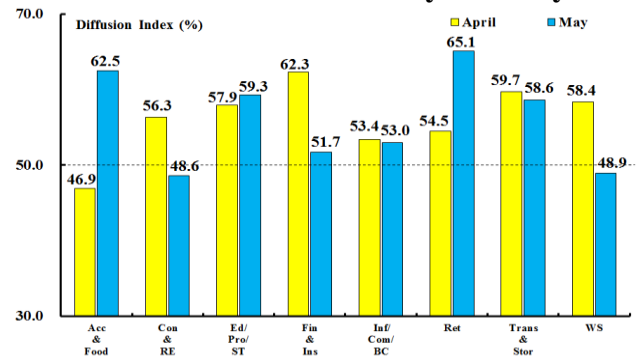


Chart 2: Performance by Industry



Summary

- The Taiwan NMI registered 54.8 percent in May, a decrease of 2.5 percentage points from April, indicating expansion in the non-manufacturing sector for the tenth consecutive month, however, at a slower rate.
- The Business Activity and New Orders Indexes dropped 2.2 and 2.0 percentage points to 57.7 and 57.5 percent respectively in May.
- Non-manufacturing Employment grew for the tenth consecutive month while the Employment Index decreased 2.1 percentage points to 53.8 percent in May.
- The Supplier Deliveries Index fell 3.6 percentage points to 50.1 percent in May and registered its lowest reading since August 2014.
- The Price Index is increased by 2.6 percentage points to 56.6 percent in May, indicating the prices paid by the non-manufacturing sector for purchased materials and services are keep increasing for the fifth consecutive month.
- Non-Manufacturers' Order backlogs contracted for the second consecutive month as the Backlog of orders Index registered at 46.1 percent, 2.9 percentage points lower than the 49.0 percent in April.
- The Service Charge Index decreased 1.5 percentage points to 48.5 percent in May, signaling non-manufacturers priced lower service fees following only one month of unchanged service prices.
- The Inventories Sentiment Index registered 54.7 percent in May, up from the 53.2 percent (the lowest reading since August 2014) reported in April.
- Non-manufacturers were little conservative about the future in May. The Six-month Outlook Index registered 1.4 percentage points below the April reading of 53.9%.
- Of the eight non-manufacturing industries categories, six are reporting growth in May in the following order: **Ret** (65.1%); **Acc & Food** (62.5%); **Ed/Pro/ST** (59.3%); **Trans & Stor** (58.6%); **Inf/Com/BC** (53.0%), and **Fin & Ins** (51.7%). While **Con & RE** (48.6%) and **WS** (48.9%) reported contraction in May.

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