

# July 2015 Taiwan Non-Manufacturing Index

NMI at 52.1%

Business Activity Index at 49.6%

New Orders Index at 50.8%

Employment Index at 56.4%

## NON-MANUFACTURING AT A GLANCE

July 2015

Index	Series Index Jul	Series Index Jun	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	52.1	50.5	+1.6	Growing	Slower	12	61.3	46.5	58.8	52.6	55.9	55.0	53.8	39.2
Business Activity	49.6	48.3	+1.3	Contracting	From Growing	2	70.0	45.8	58.3	46.5	55.9	48.3	55.0	29.4
New Orders	50.8	47.3	+3.5	Growing	From Growing	1	65.0	45.8	61.7	53.5	52.9	56.7	50.0	31.8
Employment	56.4	54.1	+2.3	Growing	Faster	12	60.0	48.6	56.7	57.9	58.8	63.3	57.5	48.5
Supplier Deliveries	51.6	52.4	-0.8	Slowing	Faster	12	50.0	45.8	58.3	52.6	55.9	51.7	52.5	47.1
Inventories	53.4	56.1	-2.7	Growing	Faster	12	55.0	44.4	55.0	51.8	58.8	60.0	40.0	54.4
Prices	50.2	53.8	-3.6	Increasing	Slower	7	60.0	33.3	60.0	52.6	55.9	61.7	42.5	50.0
Backlog of Orders	42.4	41.4	+1.0	Contracting	Faster	4	60.0	38.9	46.7	45.6	47.1	50.0	47.5	29.4
New Export Orders	48.5	41.7	+6.8	Contracting	From Growing	2	100.0	41.7	50.0	60.7	38.9	40.0	64.3	41.1
Imports	52.1	46.7	+5.4	Growing	From Growing	1	60.0	50.0	50.0	53.8	54.2	53.8	64.3	40.0
Service Charge	45.1	46.4	-1.3	Decreasing	Faster	3	40.0	34.7	51.9	54.4	47.1	55.0	42.5	36.8
Inventory Sentiment	56.3	57.6	-1.3	Too High	Faster	12	45.0	52.8	48.3	49.1	58.8	60.0	50.0	72.1
Six-month Outlook	39.3	45.1	-5.8	Contracting	From Growing	2	60.0	25.0	43.3	41.2	52.9	46.7	50.0	29.4

Chart 1: Time Series of Taiwan NMI

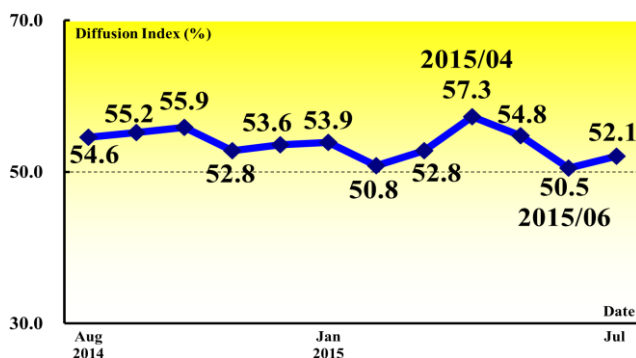
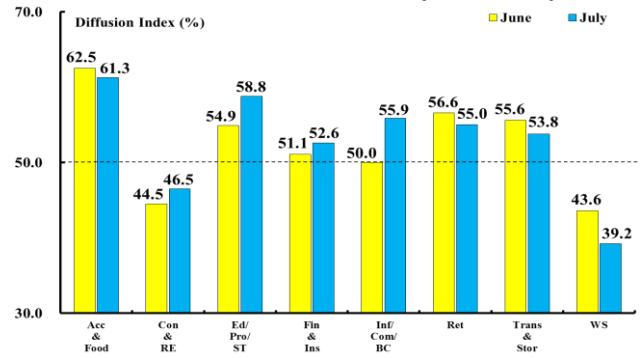


Chart 2: Performance by Industry



### Summary

- The Taiwan NMI registered 52.1 percent in July, slightly up from the 50.5 percent, (but, the lowest reading since August 2014) reported in June.
- The non-manufacturing business activity still contracted for two consecutive months as the Business Activity Index registered 49.6 percent in July.
- The New Orders Index registered 50.8 percent, an increase of 3.5 percentage points, indicating a resumption of growth in orders following only one month of contraction.
- Non-manufacturing employment continuously shows promising by comparison, as the Employment Index registered 56.4 percent and continued its growth trend for the twelfth consecutive month.
- The Supplier Deliveries Index registered 51.6 percent in July, down from the 52.4 percent reported in June.
- The prices paid by the non-manufacturing sector for purchased materials and services are keep increasing for the seventh consecutive month while the Price Index decreased 3.6 percentage points to 50.2 percent in July.
- The Backlog of Orders Index registered 42.4 percent, up from the 41.4 percent (the lowest reading since August 2014) reported in June, indicating non-manufacturers' order backlogs contracted for the fourth consecutive month.
- The Service Charge Index has fallen to the lowest level since August 2014 and registered 45.1 percent in July, signaling non-manufacturers priced lower service fees for three consecutive months.
- Non-manufacturers were generally forecasting pessimistic about the future as the Six-month Outlook Index decreased 5.8 percentage points to 39.3 percent in July, and registered its lowest reading since August 2014.
- Of the eight non-manufacturing industries categories, six are reporting growth in July in the following order: **Acc & Food**(61.3%); **Ed/Pro/ST**(58.8%); **Inf/Com/BC**(55.9%); **Ret**(55.0%); **Trans & Stor**(53.8%) and **Fin & Ins** (52.6%). While **WS**(39.2%) and **Con & RE**(46.5%) reported contraction.

## 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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