

August 2015 Taiwan Non-Manufacturing Index

NMI at 47.5%

Business Activity Index at 42.0%

New Orders Index at 45.7%

Employment Index at 51.4%

NON-MANUFACTURING AT A GLANCE

August 2015

Index	Series Index Aug	Series Index Jul	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	47.5	52.1	-4.6	Contracting	From Growing	1	55.4	38.9	50.9	49.8	52.6	51.3	43.1	45.7
Business Activity	42.0	49.6	-7.6	Contracting	Faster	3	50.0	27.1	42.9	46.4	52.6	53.8	37.5	42.2
New Orders	45.7	50.8	-5.1	Contracting	From Growing	1	50.0	34.3	55.4	51.8	60.5	40.0	45.0	43.8
Employment	51.4	56.4	-5.0	Growing	Slower	13	60.7	40.0	53.6	51.8	52.6	65.4	45.0	46.9
Supplier Deliveries	50.7	51.6	-0.9	Slowing	Slower	13	60.7	54.3	51.8	49.1	44.7	46.2	45.0	50.0
Inventories	53.0	53.4	-0.4	Growing	Slower	13	60.7	48.6	48.2	48.2	44.7	67.3	47.5	57.8
Prices	46.7	50.2	-3.5	Decreasing	From Increasing	1	64.3	31.4	55.4	45.5	47.4	46.2	42.5	45.3
Backlog of Orders	37.3	42.4	-5.1	Contracting	Faster	5	57.1	30.0	44.6	40.0	47.4	46.2	37.5	28.1
New Export Orders	46.4	48.5	-2.1	Contracting	Faster	3	50.0	37.5	50.0	54.2	44.4	50.0	35.7	44.0
Imports	45.8	52.1	-6.3	Contracting	From Growing	1	53.6	34.8	44.4	41.7	45.8	55.6	43.8	48.1
Service Charge	37.6	45.1	-7.5	Decreasing	Faster	4	50.0	27.1	46.2	42.7	42.1	38.5	42.5	32.3
Inventory Sentiment	56.5	56.3	+0.2	Too High	Faster	13	46.4	60.0	48.2	50.0	60.5	65.4	52.5	64.1
Six-month Outlook	24.9	39.3	-14.4	Contracting	Faster	3	50.0	20.0	32.1	22.7	23.7	26.9	22.5	21.9

Chart 1: Time Series of Taiwan NMI

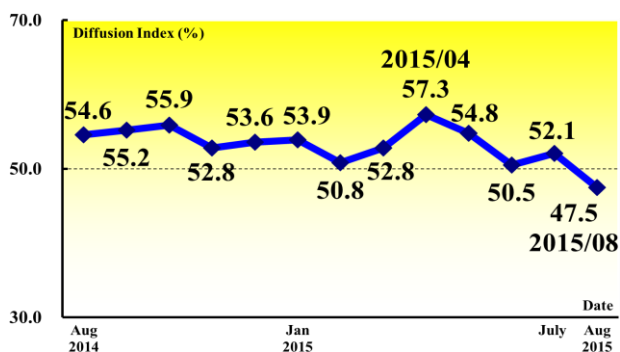
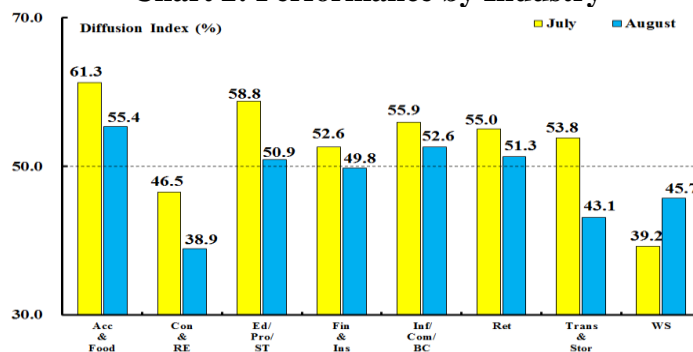


Chart 2: Performance by Industry



Summary

- The Taiwan NMI registered 4.6 percentage points below the July reading of 52.1 percent, and is the first reading below 50.0 percent since August 2014, as well as the lowest NMI reported for the past thirteen months.
- The dramatic decline in business activity and new orders are the primary reduction to the lower NMI reading. Both Business Activity and New Orders Indexes have been fallen to the lowest level since August 2014, dropping 7.6 and 5.1 percentage points to 42.0 and 45.7 percent respectively.
- Non-manufacturing Employment is still continuing its growth trend for the thirteenth consecutive month while the Employment Index decreased by 5.0 percentage points to 51.4 percent. This is the biggest drop since October 2014.
- The Supplier Deliveries Index represented slower deliveries for the thirteenth consecutive month and registered 50.7 percent in August.
- The Prices Index registered 46.7 percent, a decrease of 3.5 percentage points from July and also the lowest level recorded by the index since August 2014.
- Non-Manufacturers' Order backlogs contracted for the fifth consecutive month as the Backlog of orders Index decreased 5.1 percentage points to 37.3 percent and registered its lowest reading since August 2014.
- Non-manufacturers priced lower service fees for the fourth consecutive month as the Service Charge Index dropped 7.5 percentage points to 37.6 percent in August and has been fallen to the lowest level since August 2014.
- The Six-month Outlook Index fell below the middle point (50.0%) for the third consecutive month, 24.9 percent, registering 14.4 percentage points lower than the 39.3 percent reported in July. This is the biggest month-to-month decline since August 2014.
- Of the eight non-manufacturing industries categories, four are reporting contraction in August in the following order: **Con & RE** (38.9%); **Trans & Stor** (43.1%); **WS** (45.7%) and **Fin & Ins** (49.8%). While **Acc & Food** (55.4%), **Inf/Com/BC** (52.6%), **Ret** (51.3%) and **Ed/Pro/ST** (50.9%) industries continued their growth trend in August.

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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