

## September 2016 Taiwan Non-Manufacturing Index

NMI at 51.0%

Business Activity Index at 47.6%

New Orders Index at 51.7%

Employment Index at 49.3%

### NON-MANUFACTURING AT A GLANCE

September 2016

Index	Series Index Sep	Series Index Aug	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	51.0	52.5	-1.5	Growing	Slower	4	46.9	53.6	55.1	53.9	54.2	57.4	50.0	50.4
Business Activity	47.6	51.8	-4.2	Contracting	From Growing	1	37.5	46.8	50.0	48.1	57.1	61.1	52.4	46.7
New Orders	51.7	52.0	-0.3	Growing	Slower	4	50.0	50.0	55.6	63.9	54.8	66.7	45.2	48.3
Employment	49.3	53.2	-3.9	Contracting	From Growing	1	37.5	48.4	55.6	54.6	52.4	50.0	47.6	53.3
Supplier Deliveries	55.5	53.3	+2.2	Slowing	Faster	26	62.5	69.4	59.3	49.1	52.4	51.9	54.8	53.3
Inventories	49.6	48.8	+0.8	Contracting	Slower	2	54.2	45.2	51.9	51.9	52.4	59.3	50.0	43.3
Prices	52.0	58.2	-6.2	Increasing	Slower	9	79.2	41.9	57.4	40.7	52.4	57.4	57.1	53.3
Backlog of Orders	42.8	42.4	+0.4	Contracting	Slower	18	33.3	37.1	48.1	45.4	50.0	48.1	42.9	46.7
New Export Orders	46.2	46.9	-0.7	Contracting	Faster	16	83.3	50.0	50.0	50.0	45.0	50.0	58.3	45.5
Imports	47.6	49.3	-1.7	Contracting	Faster	10	45.8	42.5	56.3	40.9	54.2	45.5	56.3	56.3
Service Charge	47.4	46.7	+0.7	Decreasing	Slower	17	54.2	41.9	52.1	49.1	57.1	46.3	54.8	50.0
Inventory Sentiment	53.3	55.7	-2.4	Too High	Slower	26	58.3	59.7	51.9	49.1	50.0	53.7	52.4	53.3
Six-month Outlook	40.9	43.0	-2.1	Contracting	Faster	16	33.3	25.8	50.0	51.9	47.6	48.1	38.1	45.0

Chart 1: Time Series of Taiwan NMI

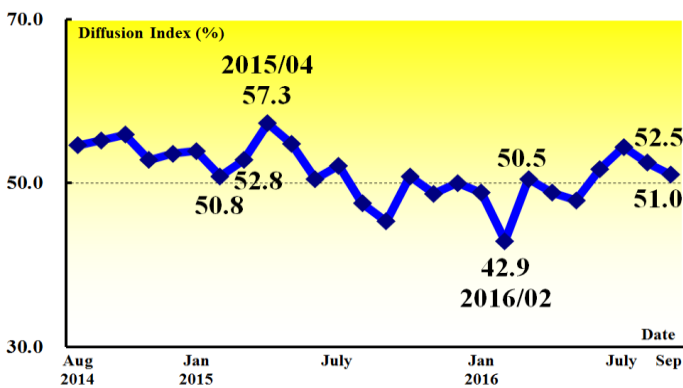
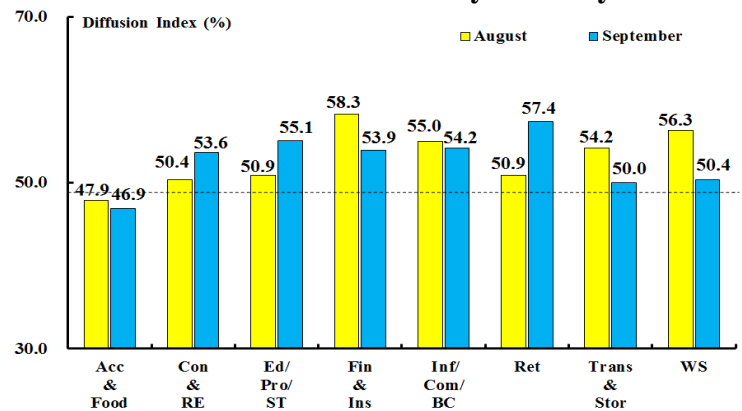


Chart 2: Performance by Industry



### Summary

- The non-manufacturing sector expanded at the slowest pace since June 2016 as the Taiwan NMI further fell 1.5 percentage points to 51.0 percent in September.
- Non-manufacturing Business activity contracted following three months of growth as the Business Activity Index decreased 4.2 percentage points and registered 47.6 percent in September.
- The New Orders Index still remained in growing at 51.7 percent but decelerated for two consecutive months.
- Non-manufacturing employment turns from growing to contracting as the Employment Index registered 49.3 percent in September, down from the highest recorded level of 53.2 percent since August 2015.
- The Supplier Deliveries Index registered 55.5 percent, an increase of 2.2 percentage points from August and also the highest level recorded by this index since August 2014.
- Non-manufacturers are still experiencing higher prices of their purchases for the ninth consecutive month although the Price Index decreased 6.2 percentage points to 52.0 percent in September.
- Non-Manufacturers' Order backlogs contracted for eighteen consecutive months as the Backlog of Orders Index registered 42.8 percent.
- The Six-month Outlook Index further fell 2.1 percent points to 40.9 percent in September.
- Of the eight non-manufacturing industries categories, six are reporting growth in the following order: Ret (57.4%); Ed/Pro/ST (55.1%); Inf/Com/BC (54.2%); Fin & Ins (53.9%); Con & RE (53.6%) and WS (50.4%). While Acc & Food industry remained in contraction at 46.9 percent. Only Trans & Stor industry reported unchanged from 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.

## 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: +(886) 2 27356006 ext. 424 [www.cier.edu.tw](http://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: +(886) 2 27495889 [www.smit.org.tw](http://www.smit.org.tw)