

October 2016 Taiwan Non-Manufacturing Index

NMI at 49.4%

Business Activity Index at 46.5%

New Orders Index at 46.6%

Employment Index at 51.5%

NON-MANUFACTURING AT A GLANCE

October 2016

Index	Series Index Oct	Series Index Sep	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	49.4	51.0	-1.6	Contracting	From Growing	1	53.8	48.0	54.5	48.4	55.6	43.9	49.4	47.3
Business Activity	46.5	47.6	-1.1	Contracting	Faster	2	61.5	40.3	53.6	44.5	60.0	42.0	50.0	40.6
New Orders	46.6	51.7	-5.1	Contracting	From Growing	1	61.5	37.1	57.1	46.4	60.0	37.5	42.9	46.9
Employment	51.5	49.3	+2.2	Growing	From Contracting	1	42.3	48.4	55.4	52.7	52.5	50.0	54.8	51.6
Supplier Deliveries	53.0	55.5	-2.5	Slowing	Slower	27	50.0	66.1	51.8	50.0	50.0	46.0	50.0	50.0
Inventories	50.8	49.6	+1.2	Growing	From Contracting	1	50.0	51.6	51.8	52.7	47.5	54.0	47.6	51.6
Prices	54.6	52.0	+2.6	Increasing	Faster	10	76.9	43.5	58.9	40.9	57.5	62.0	57.1	57.8
Backlog of Orders	41.8	42.8	-1.0	Contracting	Faster	19	38.5	43.5	42.9	40.9	62.5	36.0	42.9	43.8
New Export Orders	48.7	46.2	+2.5	Contracting	Slower	17	83.3	50.0	50.0	60.0	54.5	40.0	66.7	39.6
Imports	48.5	47.6	+0.9	Contracting	Slower	11	61.5	41.7	50.0	63.6	65.4	44.4	57.1	48.1
Service Charge	46.1	47.4	-1.3	Decreasing	Faster	18	50.0	43.5	48.1	40.0	55.0	50.0	50.0	51.6
Inventory Sentiment	54.5	53.3	+1.2	Too High	Faster	27	53.8	56.5	50.0	44.5	52.5	60.0	52.4	60.9
Six-month Outlook	39.4	40.9	-1.5	Contracting	Faster	17	46.2	21.0	42.9	45.5	60.0	40.0	45.2	46.9

Chart 1: Time Series of Taiwan NMI

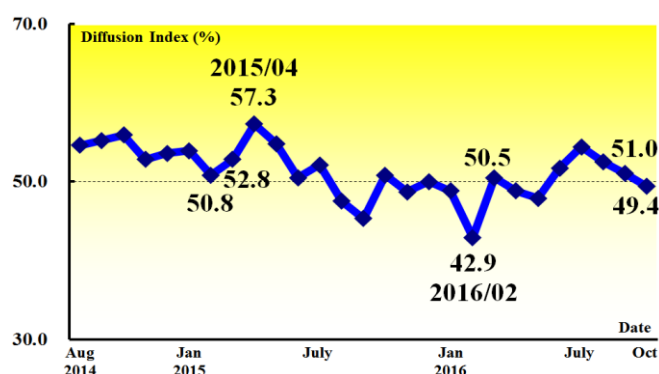
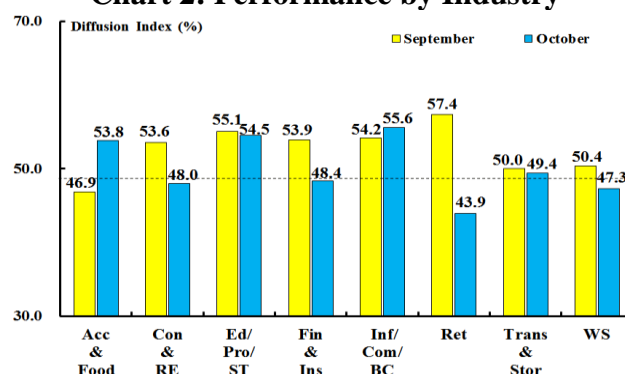


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector reversed its recent trend of growth and turned to contracting in October for the first time in the past five months as the Taiwan NMI fell 1.6 percentage points to 49.4 percent.
- The Business Activity Index registered 46.5 percent in October, indicating contraction for two consecutive months.
- Non-manufacturers' new orders contracted following four months of growth as the New Order Index dropped 5.1 percentage points to 46.6 percent in October.
- The Employment Index registered 51.5 percent, an increase of 2.2 percentage points, indicating a resumption of growth in employment following only one month of contraction.
- The Inventories Index turns from contraction to growth, increasing 1.2 percentage points to 50.8 percent in October.
- Non-manufacturers are still experiencing higher prices of their purchases for ten consecutive months as the Price Index registered 2.6 percentage points higher than the 52.0 percent in September.
- Non-Manufacturers' order backlogs contracted for the nineteenth consecutive month as the Backlog of Orders Index registered 41.8 percent in October.
- Non-manufacturers experienced inflationary pressure on their purchases, but it has to be priced lower service fees for the past eighteen months as the Service Charge Index registered 46.1 percent in October.
- The Six-month Outlook Index contracted for seventeen consecutive months and further fell 1.5 percent points to 39.4 percent, it represents low consumer confidence level.
- Of the eight non-manufacturing industries categories, five are reporting contraction in the following order: Ret (43.9%); WS (47.3%); Con & RE (48.0%); Fin & Ins (48.4%) and Trans & Stor (49.4%). Only Inf/Com/BC (55.6%), Ed/Pro/ST (54.5%) and Acc & Food (53.8%) industry reported growing in October.

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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