

December 2015 Taiwan Non-Manufacturing Index

NMI at 50.0%

Business Activity Index at 47.4%

New Orders Index at 49.4%

Employment Index at 50.7%

NON-MANUFACTURING AT A GLANCE

December 2015

Index	Series Index Dec	Series Index Nov	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	50.0	48.7	+1.3	Unchanged	From Contracting	1	61.6	50.0	52.1	48.3	59.9	47.6	51.2	46.4
Business Activity	47.4	45.1	+2.3	Contracting	Slower	7	67.9	45.6	51.7	43.4	68.4	46.2	47.6	42.9
New Orders	49.4	46.4	+3.0	Contracting	Slower	5	67.9	47.1	51.7	52.8	60.5	50.0	50.0	44.3
Employment	50.7	52.0	-1.3	Growing	Slower	17	57.1	50.0	53.3	48.1	52.6	42.3	57.1	50.0
Supplier Deliveries	52.4	51.4	+1.0	Slowing	Faster	17	53.6	57.4	51.7	49.1	57.9	51.9	50.0	48.6
Inventories	49.9	52.4	-2.5	Contracting	From Growing	1	57.1	51.5	45.0	50.0	55.3	55.8	50.0	45.7
Prices	47.2	47.2	+0.0	Decreasing	Same	3	75.0	35.3	58.3	34.9	55.3	53.8	35.7	47.1
Backlog of Orders	42.1	43.2	-1.1	Contracting	Faster	9	57.1	35.3	50.0	45.3	57.9	46.2	40.5	34.3
New Export Orders	40.7	48.1	-7.4	Contracting	Faster	7	66.7	33.3	42.9	41.7	54.5	66.7	25.0	33.9
Imports	47.1	50.1	-3.0	Contracting	From Growing	1	53.6	45.0	50.0	60.0	50.0	50.0	28.6	51.6
Service Charge	45.3	43.8	+1.5	Decreasing	Slower	8	50.0	38.2	51.9	50.0	52.6	51.9	35.7	41.4
Inventory Sentiment	56.1	55.7	+0.4	Too High	Faster	17	57.1	54.4	45.0	52.8	55.3	67.3	54.8	64.3
Six-month Outlook	29.1	27.4	+1.7	Contracting	Slower	7	32.1	22.1	38.3	35.8	39.5	23.1	23.8	34.3

Chart 1: Time Series of Taiwan NMI

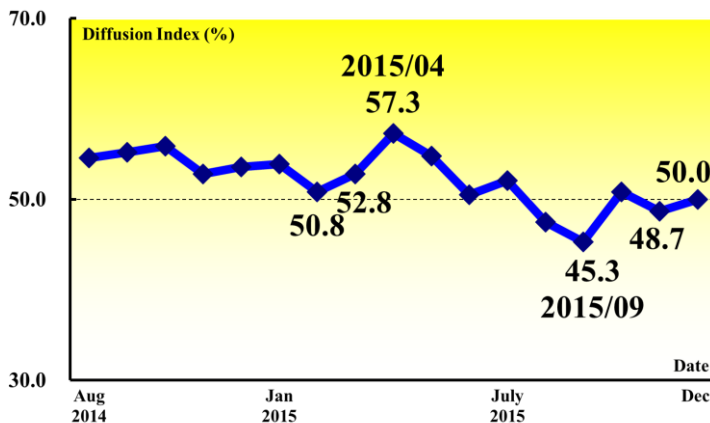
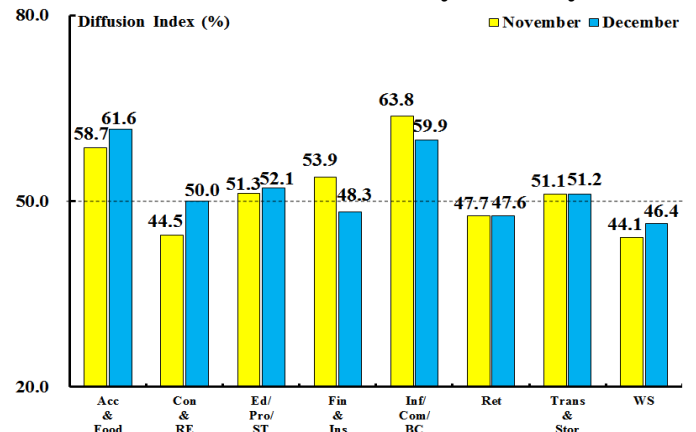


Chart 2: Performance by Industry



Summary

- The Taiwan NMI increased 1.3 percentage points to 50.0 percent in December, signaling that respondents are reporting conditions in the non-manufacturing economy are unchanged from November.
- Both Business Activity and New Orders Indexes showed the continuous contraction in December, but at slower rates, increasing 2.3 and 3.0 percentage points to 47.4 and 49.4 percent, respectively.
- The Employment Index decreased 1.3 percentage points to 50.7 percent in December, which is the second bottom low record index since August 2014.
- Non-manufacturing inventories contracted for the first time since August 2014 as the Inventories Index fell 2.5 percentage points to 49.9 percent.
- The Price Index registered 47.2 percent, indicating that raw materials prices decreased for third consecutive month.
- Non-manufacturers' order backlogs contracted for the ninth consecutive month with the Backlog of Orders Index decreased 1.1 percentage points to 42.1 percent.
- The Inventories Sentiment Index registered 56.1 percent, indicating the non-manufacturing respondents believe their inventories are still rather high for the past seventeenth month.
- Non-manufacturers were generally commenting rather pessimistic about the future while the Six-month Outlook Index only marginally grew up to 29.1 percent against the November reading of 27.4 percent.
- Of the 8 non-manufacturing industries categories, four are reporting growth in December in the following order: Acc & Food (61.6%); Inf/Com/BC (59.9%); Ed/Pro/ST (52.1%) and Trans & Stor (51.2%). While WS (46.4%); Ret (47.6%) and Fin & Ins (48.3%) reported contraction. Only Con & RE (50.0%) reported unchanged in December.

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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