

# January 2016 Taiwan Non-Manufacturing Index

**NMI at 48.8%**

**Business Activity Index at 47.1%**

**New Orders Index at 45.8%**

**Employment Index at 50.1%**

## NON-MANUFACTURING AT A GLANCE

January 2016

Index	Series Index Jan	Series Index Dec	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	48.8	50.0	-1.2	Contracting	From Unchanged	1	53.6	46.5	52.7	53.6	47.2	44.3	58.8	50.0
Business Activity	47.1	47.4	-0.3	Contracting	Faster	8	60.7	38.9	53.6	51.8	40.9	37.0	67.5	53.3
New Orders	45.8	49.4	-3.6	Contracting	Faster	6	50.0	37.5	50.0	53.6	43.2	42.3	65.0	48.3
Employment	50.1	50.7	-0.6	Growing	Slower	18	46.4	45.8	55.4	59.1	52.3	50.0	55.0	51.7
Supplier Deliveries	52.4	52.4	+0.0	Slowing	Same	18	57.1	63.9	51.8	50.0	52.3	47.8	47.5	46.7
Inventories	49.3	49.9	-0.6	Contracting	Faster	2	67.9	55.6	55.4	48.2	50.0	45.7	60.0	36.7
Prices	50.8	47.2	+3.6	Increasing	From Decreasing	1	71.4	37.5	57.1	33.6	56.8	52.2	47.5	56.7
Backlog of Orders	41.0	42.1	-1.1	Contracting	Faster	10	60.7	33.3	42.9	43.6	45.5	50.0	47.5	40.0
New Export Orders	39.6	40.7	-1.1	Contracting	Faster	8	75.0	35.7	42.9	50.0	45.5	40.0	30.0	34.8
Imports	45.2	47.1	-1.9	Contracting	Faster	2	67.9	32.6	50.0	65.0	50.0	45.0	25.0	42.3
Service Charge	45.2	45.3	-0.1	Decreasing	Faster	9	50.0	36.1	51.9	44.5	52.3	45.7	37.5	53.3
Inventory Sentiment	56.9	56.1	+0.8	Too High	Faster	18	57.1	56.9	46.4	50.0	54.5	58.7	60.0	66.7
Six-month Outlook	27.9	29.1	-1.2	Contracting	Faster	8	39.3	18.1	37.5	30.9	31.8	37.0	20.0	25.0

Chart 1: Time Series of Taiwan NMI

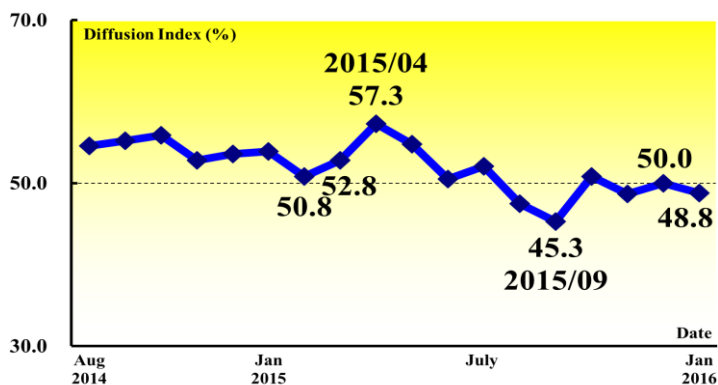
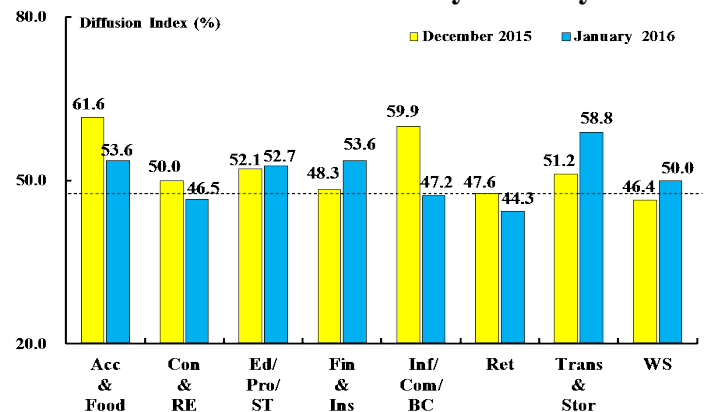


Chart 2: Performance by Industry



### Summary

- The non-manufacturing sector turns from unchanged to contracting as the Taiwan NMI fell 1.2 percentage points to 48.8 percent in January.
- Both Business Activity and New Orders Indexes still remain in contraction and went down 0.3 and 3.6 percentage points to 47.1 and 45.8 percent, respectively.
- The Employment Index continued to grow for the eighteenth consecutive month. However, it further decreased by 0.6 percentage point to 50.1 percent and registered its lowest reading since August 2014.
- The Supplier Deliveries Index registered 52.4 percent, indicating the deliveries from suppliers to non-manufacturing organizations was still keeping slower pace for the eighteenth consecutive month.
- Non-manufacturing inventories contracted for the second consecutive month as the Inventories Index decreased by 0.6 percentage point to 49.3 percent and registered its lowest level since August 2014.
- The Prices Index increased 3.6 percentage points to 50.8 percent in January 2016, indicating that non-manufacturers once again suffered the higher prices in their purchases for the first time in the past four months.
- Non-manufacturers' order backlogs contracted for the tenth consecutive month while the Backlog of Orders Index further decreased 1.1 percentage points to 41.0 percent.
- Non-manufacturers were generally commenting their concerns about the future as the Six-month Outlook Index dropped 1.2 percent points to 27.9 percent.
- Of the 8 non-manufacturing industries categories, four are reporting growth in January in the following order: Trans & Stor (58.8%); Acc & Food (53.6%); Fin & Ins (53.6%) and Ed/Pro/ST (52.7%). While Ret (44.3%), Con & RE (46.5%) and Inf/Com/BC (47.2%) industries reported contraction. Only WS (50.0%) industries reported unchanged in January 2016.

## 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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