

## February 2016 Taiwan Non-Manufacturing Index

NMI at 42.9%

Business Activity Index at 35.1%

New Orders Index at 37.2%

Employment Index at 48.5%

### NON-MANUFACTURING AT A GLANCE

February 2016

Index	Series Index Feb	Series Index Jan	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	42.9	48.8	-5.9	Contracting	Faster	2	64.4	37.2	47.6	43.5	44.6	37.8	36.3	37.7
Business Activity	35.1	47.1	-12.0	Contracting	Faster	9	61.5	30.3	38.5	39.3	42.9	40.0	17.5	25.8
New Orders	37.2	45.8	-8.6	Contracting	Faster	7	69.2	31.6	53.8	36.6	40.5	19.2	30.0	26.7
Employment	48.5	50.1	-1.6	Contracting	From Growing	1	65.4	40.8	48.1	50.0	45.2	44.0	55.0	46.8
Supplier Deliveries	50.7	52.4	-1.7	Slowing	Slower	19	61.5	46.1	50.0	48.2	50.0	48.0	42.5	51.6
Inventories	48.1	49.3	-1.2	Contracting	Faster	3	69.2	44.7	46.2	49.1	52.4	46.0	55.0	41.9
Prices	51.4	50.8	+0.6	Increasing	Faster	2	84.6	42.1	57.7	33.9	50.0	54.0	47.5	51.6
Backlog of Orders	38.5	41.0	-2.5	Contracting	Faster	11	69.2	31.6	44.2	38.4	42.9	50.0	37.5	27.4
New Export Orders	39.7	39.6	+0.1	Contracting	Slower	9	66.7	41.7	42.9	40.6	38.9	41.7	16.7	31.3
Imports	41.6	45.2	-3.6	Contracting	Faster	3	57.7	34.8	42.9	42.3	57.1	40.9	21.4	40.0
Service Charge	44.4	45.2	-0.8	Decreasing	Faster	10	69.2	38.2	47.7	39.3	45.2	46.0	42.5	38.7
Inventory Sentiment	53.9	56.9	-3.0	Too High	Slower	19	61.5	51.3	42.3	47.3	52.4	64.0	57.5	59.7
Six-month Outlook	32.0	27.9	+4.1	Contracting	Slower	9	26.9	19.7	38.5	34.8	45.2	26.0	30.0	38.7

Chart 1: Time Series of Taiwan NMI

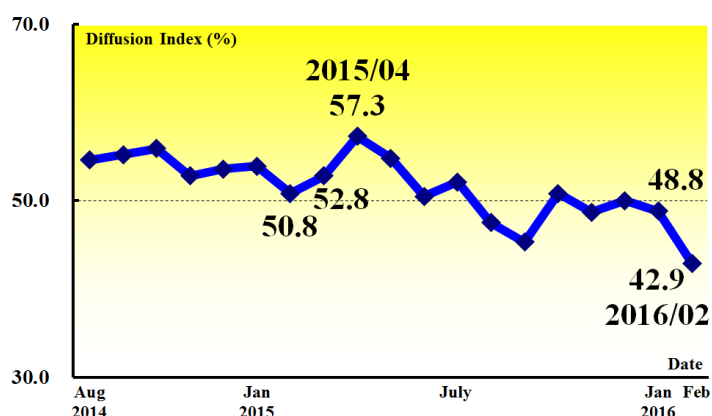
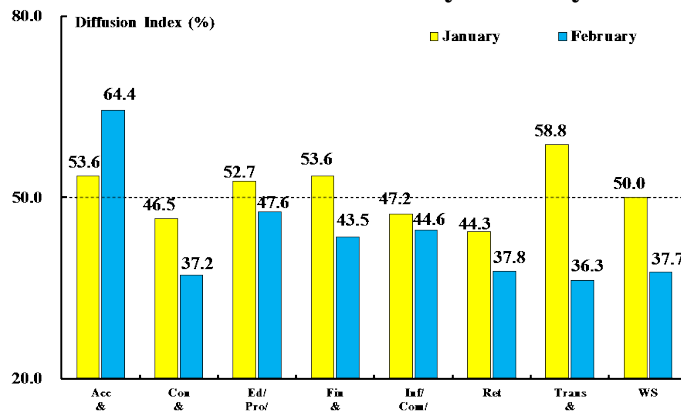


Chart 2: Performance by Industry



#### Summary

- The Taiwan NMI further decreased 5.9 percentage points to 42.9 percent and registered its lowest reading since August 2014. The faster contraction of NMI was driven by the big decline in business activity and new orders.
- The holiday break of nine consecutive days for the Chinese New Year and the Peace Memorial Day weekend slowing down the nation's business activities. The Business Activity and New Orders Indexes dropped 12.0 and 8.6 percentage points to 35.1 and 37.2 percent, respectively. Both Indexes registered their lowest indicating since August 2014.
- Non-manufacturing employment directs from growing to contracting for the first time as the Employment Index decreased by 1.6 percentage points to 48.5 percent.
- Non-manufacturing inventories contracted for the third consecutive month as the Inventories Index further decreased 1.2 percentage points to 48.1 percent and registered its lowest level since August 2014.
- The Prices Index increased 0.6 percentage point to 51.4 percent in February 2016, indicating that non-manufacturing paid the higher prices in their purchases for the second consecutive month.
- The Service Charge Index registered 44.4 percent in February, signaling non-manufacturing priced lower service fees for ten consecutive months.
- Non-manufacturing was still commenting concerns about the future while the Six-month Outlook Index registered 4.1 percent points higher than the 27.9 percent in January and is the highest indexing since August 2015.
- Of the eight non-manufacturing industries categories, seven are reporting contraction in February in the following order: Trans & Stor (36.3%); Con & RE (37.2%); WS (37.7%); Ret (37.8%); Fin & Ins (43.5%); Inf/Com/BC (44.6%) and Ed/Pro/ST (47.6%). Only Acc & Food (64.4%) industry reported growth in February.

## 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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