

May 2016 Taiwan Non-Manufacturing Index

NMI at 47.9%

Business Activity Index at 44.3%

New Orders Index at 45.6%

Employment Index at 49.0%

NON-MANUFACTURING AT A GLANCE

May 2016

Index	Series Index May	Series Index Apr	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	47.9	48.8	-0.9	Contracting	Faster	2	56.3	43.6	54.0	45.5	50.6	55.2	50.0	43.1
Business Activity	44.3	47.8	-3.5	Contracting	Faster	2	53.6	41.4	58.9	42.7	52.4	52.0	52.5	29.0
New Orders	45.6	47.0	-1.4	Contracting	Faster	2	57.1	31.4	57.1	42.7	47.6	56.7	52.5	40.3
Employment	49.0	48.6	+0.4	Contracting	Slower	4	60.7	42.9	48.2	47.3	52.4	58.0	47.5	51.6
Supplier Deliveries	52.9	51.9	+1.0	Slowing	Faster	22	53.6	58.6	51.8	49.1	50.0	54.0	47.5	51.6
Inventories	50.8	51.7	-0.9	Growing	Slower	3	46.4	47.1	53.6	52.7	47.6	58.0	47.5	54.8
Prices	56.1	56.9	-0.8	Increasing	Slower	5	53.6	51.4	66.1	37.3	64.3	60.0	65.0	58.1
Backlog of Orders	36.6	41.5	-4.9	Contracting	Faster	14	35.7	24.3	51.8	40.9	40.5	40.0	50.0	37.1
New Export Orders	42.1	45.7	-3.6	Contracting	Faster	12	66.7	41.7	50.0	50.0	40.0	37.5	58.3	40.5
Imports	48.9	44.8	+4.1	Contracting	Slower	6	39.3	42.9	62.5	56.7	50.0	40.0	42.9	46.2
Service Charge	42.3	46.8	-4.5	Decreasing	Faster	13	39.3	40.0	44.6	43.6	45.2	52.0	55.0	38.7
Inventory Sentiment	55.1	56.9	-1.8	Too High	Slower	22	50.0	52.9	51.8	48.2	54.8	60.0	52.5	66.1
Six-month Outlook	36.4	40.5	-4.1	Contracting	Faster	12	32.1	21.4	53.6	43.6	40.5	42.0	30.0	38.7

Chart 1: Time Series of Taiwan NMI

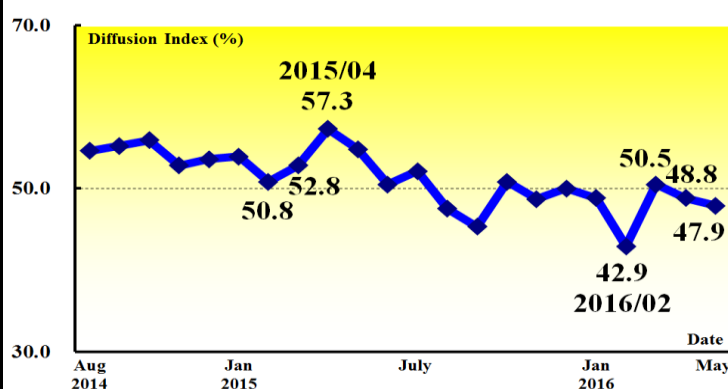
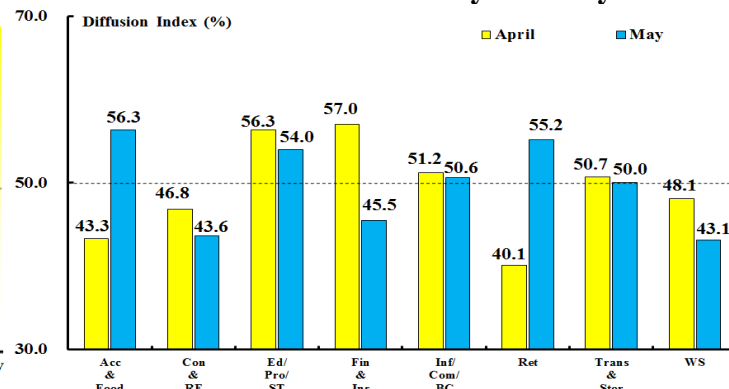


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector continued to perform and remain in contraction for the second consecutive month as the Taiwan NMI further decreased 0.9 percentage point to 47.9 percent in May.
- Both Business Activity and New Orders Indexes contracted for the second consecutive month and decreased 3.5 and 1.4 percentage points to 44.3 and 45.6 percent, respectively.
- Non-manufacturing employment contracted for the fourth consecutive month while the Employment Index registered 0.4 percentage point increase, a slightly higher than 48.6 percent in April.
- The delivery performance of suppliers to the non-manufacturing sector was slower for twenty-two consecutive months as the Supplier Deliveries Index registered 52.9 percent in May.
- Non-manufacturers continue to pay the higher prices in their purchases for the fifth consecutive month as the Prices Index registered 56.1 percent in May.
- The Backlog of Orders Index registered 36.6 percent, a rather disappointed reading since August 2014, indicating Non-manufacturers' order backlogs contracted continuously for fourteen consecutive months.
- Non-manufacturers experienced inflationary pressure on their purchases but priced lower service fees for the past thirteen months as the Service Charge Index registered 42.3 percent in May.
- The Six-month Outlook Index still fell below the middle point (50.0%) for twelve consecutive months as the Six-month Outlook Index fell 4.1 percentage points to the pessimistic reading of 36.4 percent.
- Of the eight non-manufacturing industries categories, four are reporting growth in the following order: Acc & Food (56.3%); Ret (55.2%); Ed/Pro/ST (54.0%) and Inf/Com/BC (50.6%). Three are reporting contraction in the following order: WS (43.1%); Con & RE (43.6%) and Fin & Ins (45.5%). Only Trans & Stor industry reported unchanged from April.

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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