

June 2016 Taiwan Non-Manufacturing Index

NMI at 51.7%

Business Activity Index at 51.7%

New Orders Index at 52.5%

Employment Index at 48.9%

NON-MANUFACTURING AT A GLANCE

June 2016

| Index | Series Index Jun | Series Index May | 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 | 51.7 | 47.9 | +3.8 | Growing | From Contracting | 1 | 46.2 | 44.4 | 56.7 | 50.2 | 53.3 | 54.2 | 55.4 | 54.2 |
| Business Activity | 51.7 | 44.3 | +7.4 | Growing | From Contracting | 1 | 50.0 | 38.7 | 62.5 | 50.9 | 52.6 | 52.3 | 59.5 | 55.0 |
| New Orders | 52.5 | 45.6 | +6.9 | Growing | From Contracting | 1 | 46.2 | 40.3 | 58.9 | 55.7 | 55.3 | 57.7 | 59.5 | 56.7 |
| Employment | 48.9 | 49.0 | -0.1 | Contracting | Faster | 5 | 38.5 | 43.5 | 48.2 | 43.4 | 55.3 | 59.1 | 50.0 | 46.7 |
| Supplier Deliveries | 53.8 | 52.9 | +0.9 | Slowing | Faster | 23 | 50.0 | 54.8 | 57.1 | 50.9 | 50.0 | 47.7 | 52.4 | 58.3 |
| Inventories | 51.0 | 50.8 | +0.2 | Growing | Faster | 4 | 26.9 | 58.1 | 50.0 | 53.8 | 44.7 | 45.5 | 47.6 | 55.0 |
| Prices | 52.8 | 56.1 | -3.3 | Increasing | Slower | 6 | 65.4 | 43.5 | 58.9 | 39.6 | 52.6 | 63.6 | 59.5 | 53.3 |
| Backlog of Orders | 40.5 | 36.6 | +3.9 | Contracting | Slower | 15 | 42.3 | 35.5 | 44.6 | 43.4 | 50.0 | 43.2 | 45.2 | 43.3 |
| New Export Orders | 42.2 | 42.1 | +0.1 | Contracting | Slower | 13 | 66.7 | 41.7 | 43.8 | 54.2 | 50.0 | 37.5 | 64.3 | 43.2 |
| Imports | 48.7 | 48.9 | -0.2 | Contracting | Faster | 7 | 34.6 | 38.2 | 43.8 | 50.0 | 50.0 | 38.9 | 56.3 | 60.0 |
| Service Charge | 44.6 | 42.3 | +2.3 | Decreasing | Slower | 14 | 42.3 | 37.1 | 51.9 | 48.1 | 52.6 | 50.0 | 54.8 | 40.0 |
| Inventory Sentiment | 56.4 | 55.1 | +1.3 | Too High | Faster | 23 | 53.8 | 56.5 | 53.6 | 49.1 | 50.0 | 59.1 | 52.4 | 63.3 |
| Six-month Outlook | 41.9 | 36.4 | +5.5 | Contracting | Slower | 13 | 42.3 | 27.4 | 44.6 | 46.2 | 50.0 | 43.2 | 52.4 | 53.3 |

Chart 1: Time Series of Taiwan NMI

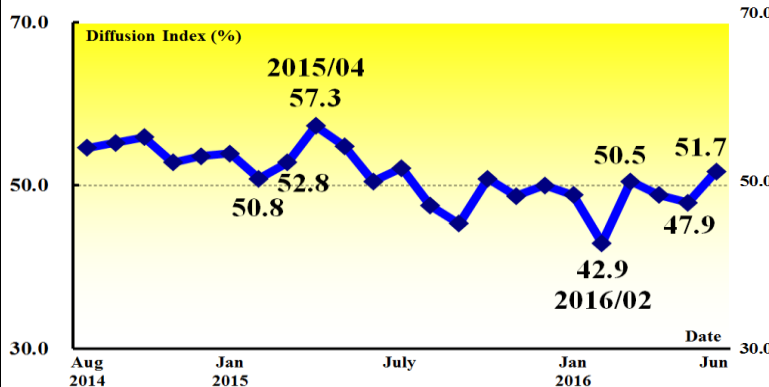
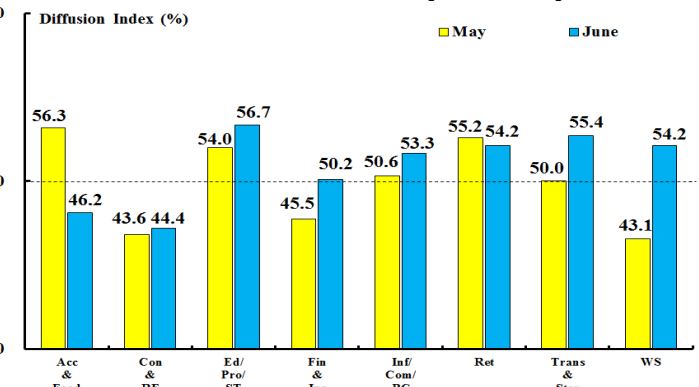


Chart 2: Performance by Industry



Summary

- The Taiwan NMI registered 51.7 percent in June, an increase of 3.8 percentage points, indicating expansion in the non-manufacturing sector turning from two months of contraction. The rising of NMI was driven by the increase in business activity and new orders.
- Both Business Activity and New Orders Indexes showed a promising improvement as they went up 7.4 and 6.9 percentage points to 51.7 and 52.5 percent, respectively.
- The Employment Index registered 48.9 percent in June and indicating contraction for the fifth consecutive month.
- The delivery performance of suppliers to the non-manufacturing sector was slower for twenty-three consecutive months as the Supplier Deliveries Index registered 53.8 percent.
- Non-manufacturers are experiencing higher prices of their purchases for six consecutive months while the Price Index further decreased 3.3 percentage points to 52.8 percent in June.
- Non-Manufacturers' Order backlogs contracted for the fifteenth consecutive month as the Backlog of Orders Index registered 3.9 percentage points higher than the 36.6 percent (the lowest reading since August 2014) reported in May.
- Non-manufacturers experienced inflationary pressure on their purchases, but priced lower service fees for the past fourteen months as the Service Charge Index registered 44.6 percent in June.
- The Six-month Outlook Index still fell below the middle point (50.0%) for thirteen consecutive months while the Six-month Outlook Index rose 5.5 percentage points to the 41.9 percent in June.
- Of the eight non-manufacturing industries categories, six are reporting growth in the following order: Ed/Pro/ST (56.7%); Trans & Stor (55.4%); Ret (54.2%); WS (54.2%); Inf/Com/BC (53.3%) and Fin & Ins (50.2%). Only Con & RE (44.4%) and Acc & Food (46.2%) industry reported contraction in June.

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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