

# July 2016 Taiwan Non-Manufacturing Index

NMI at 54.4%

Business Activity Index at 55.2%

New Orders Index at 56.9%

Employment Index at 53.0%

## NON-MANUFACTURING AT A GLANCE

July 2016

Index	Series Index Jul	Series Index Jun	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	54.4	51.7	+2.7	Growing	Faster	2	57.5	51.6	52.1	54.8	59.1	56.7	52.0	54.3
Business Activity	55.2	51.7	+3.5	Growing	Faster	2	55.0	50.0	53.3	64.5	56.8	55.8	52.6	51.7
New Orders	56.9	52.5	+4.4	Growing	Faster	2	55.0	54.8	51.7	60.0	61.4	61.5	55.3	55.2
Employment	53.0	48.9	+4.1	Growing	From Contracting	1	60.0	45.2	50.0	48.2	59.1	59.6	52.6	56.9
Supplier Deliveries	52.5	53.8	-1.3	Slowing	Slower	24	60.0	56.5	53.3	46.4	59.1	50.0	47.4	53.4
Inventories	52.7	51.0	+1.7	Growing	Faster	5	50.0	51.6	51.7	50.0	38.6	65.4	44.7	51.7
Prices	53.6	52.8	+0.8	Increasing	Faster	7	75.0	45.2	56.7	30.0	50.0	67.3	63.2	58.6
Backlog of Orders	44.1	40.5	+3.6	Contracting	Slower	16	40.0	37.1	45.0	41.8	54.5	57.7	55.3	48.3
New Export Orders	47.9	42.2	+5.7	Contracting	Slower	14	75.0	41.7	56.3	57.7	60.0	37.5	75.0	40.0
Imports	46.9	48.7	-1.8	Contracting	Faster	8	40.0	44.7	50.0	38.9	53.3	54.5	42.9	50.0
Service Charge	47.0	44.6	+2.4	Decreasing	Slower	15	55.0	38.7	52.0	49.1	52.3	53.8	47.4	48.3
Inventory Sentiment	54.5	56.4	-1.9	Too High	Slower	24	50.0	58.1	48.3	48.2	47.7	59.6	47.4	62.1
Six-month Outlook	43.5	41.9	+1.6	Contracting	Slower	14	30.0	27.4	41.7	50.0	56.8	55.8	55.3	56.9

Chart 1: Time Series of Taiwan NMI

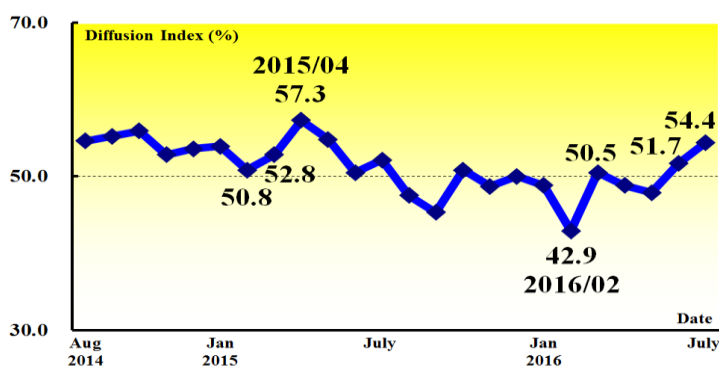
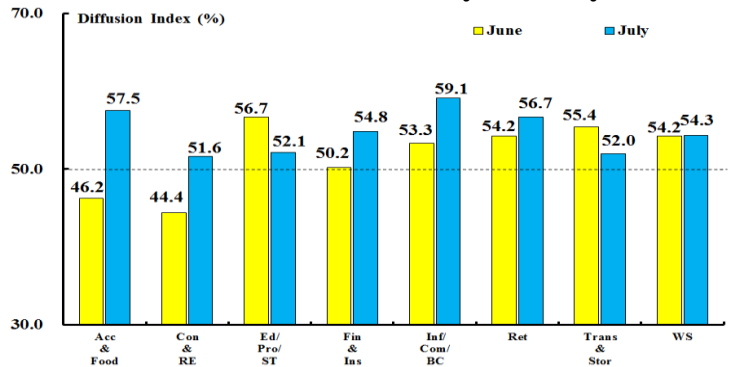


Chart 2: Performance by Industry



### Summary

- The non-manufacturing sector continued its growth trend for the second consecutive month as the Taiwan NMI registered 54.4 percent in July and reported its highest reading since June 2015.
- Both Business Activity and New Orders Indexes accelerated in July as they went up 3.5 and 4.4 percentage points to 55.2 and 56.9 percent, respectively.
- The past trend of employment contraction reversed its direction during July for the first time in the last six months, as the Inventories Index is up 4.1 percentage points to 53.0 percent and recorded its highest reading since August 2015.
- The delivery performance of suppliers to the non-manufacturing sector was slower for twenty-four consecutive months as the Supplier Deliveries Index registered 52.5 percent in July.
- Non-manufacturers are experiencing higher prices of their purchases for the seventh consecutive month with the Price Index rose 0.8 percentage point to 53.6 percent in July.
- The Backlog of Orders Index rose 3.6 percentage points from the lowest reading since August 2014 reported in May to 44.1 percent.
- Non-manufacturers experienced inflationary pressure on their purchases, but priced lower service fees for the past fifteen months as the Service Charge Index registered 47.0 percent in July.
- The Six-month Outlook Index still fell below the middle point (50.0%) while the Six-month Outlook Index increased 1.6 percentage points to the 43.5 percent and recorded its highest reading since July 2015.
- All the Non-manufacturing industries categories reporting growth in July in the following order: Inf/Com/BC (59.1%); Acc & Food (57.5%); Ret (56.7%); Fin & Ins (54.8%); WS (54.3%); Ed/Pro/ST (52.1%); Trans & Stor (52.0%) and Con & RE (51.6%).

## 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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