

August 2016 Taiwan Non-Manufacturing Index

NMI at 52.5%

Business Activity Index at 51.8%

New Orders Index at 52.0%

Employment Index at 53.2%

NON-MANUFACTURING AT A GLANCE

August 2016

Index	Series Index Aug	Series Index Jul	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	52.5	54.4	-1.9	Growing	Slower	3	47.9	50.4	50.9	58.3	55.0	50.9	54.2	56.3
Business Activity	51.8	55.2	-3.4	Growing	Slower	3	41.7	46.7	48.3	61.6	55.0	55.8	54.8	56.7
New Orders	52.0	56.9	-4.9	Growing	Slower	3	50.0	48.3	50.0	64.3	57.5	53.6	54.8	51.7
Employment	53.2	53.0	+0.2	Growing	Faster	2	45.8	48.3	50.0	58.9	50.0	51.9	52.4	60.0
Supplier Deliveries	53.3	52.5	+0.8	Slowing	Faster	25	54.2	58.3	55.2	48.2	57.5	42.3	54.8	56.7
Inventories	48.8	52.7	-3.9	Contracting	From Growing	1	50.0	46.7	46.6	51.8	40.0	59.6	42.9	43.3
Prices	58.2	53.6	+4.6	Increasing	Faster	8	70.8	51.7	60.3	43.8	65.0	69.2	61.9	60.0
Backlog of Orders	42.4	44.1	-1.7	Contracting	Faster	17	37.5	38.3	41.4	55.4	50.0	48.1	47.6	41.7
New Export Orders	46.9	47.9	-1.0	Contracting	Faster	15	66.7	35.7	61.1	53.3	59.1	50.0	42.9	47.8
Imports	49.3	46.9	+2.4	Contracting	Slower	9	45.8	41.7	44.4	62.5	50.0	50.0	50.0	52.0
Service Charge	46.7	47.0	-0.3	Decreasing	Faster	16	33.3	45.0	50.0	50.9	50.0	51.9	50.0	41.7
Inventory Sentiment	55.7	54.5	+1.2	Too High	Faster	25	50.0	63.3	46.6	49.1	50.0	61.5	52.4	60.0
Six-month Outlook	43.0	43.5	-0.5	Contracting	Faster	15	33.3	23.3	50.0	56.3	52.5	59.6	35.7	55.0

Chart 1: Time Series of Taiwan NMI

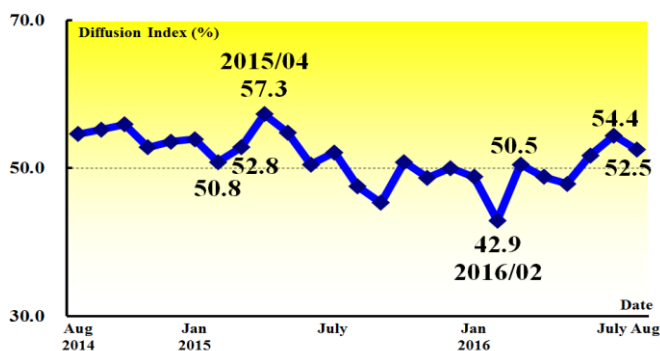
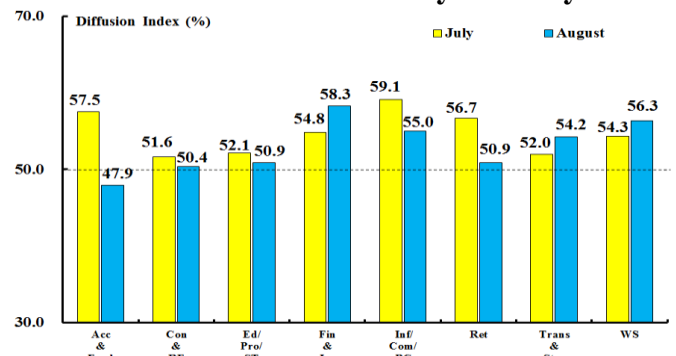


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector continued its growth trend for the third consecutive month while the Taiwan NMI fell 1.9 percentage points to 52.5 percent in August.
- Both Business Activity and New Orders Indexes decelerated for three consecutive months and decreased 3.4 and 4.9 percentage points to 51.8 and 52.0 percent in August, respectively.
- The Employment Index rose 0.2 percentage point to 53.2 percent and registered its highest point since August 2015.
- Non-manufacturing inventories contracted for the first time following past five months of growth. The Inventories Index fell 3.9 percentage points to 48.8 percent and registered its second lowest reading since August 2014.
- Non-manufacturers are experiencing higher prices of their purchases for the eighth consecutive month as the Price Index further increased 4.6 percentage points to 58.2 percent in August. This is also the highest level recorded by this index since October 2014.
- Non-Manufacturers' Order backlogs contracted for seventeen consecutive months as the Backlog of orders Index fell 1.7 percentage points to 42.4 percent.
- Non-manufacturers experienced inflationary pressure on their purchases, but it has to be priced lower service fees for the past sixteen months as the Service Charge Index registered 46.7 percent in August.
- Non-manufacturers feel conservative about the future for the fifteenth consecutive month as the Six-month Outlook Index registered 43.0 percent in August, down from the highest recorded level of 43.5 percent since July 2015.
- Of the eight non-manufacturing industries categories, seven are reporting growth in the following order: Fin & Ins (58.3%); WS (56.3%); Inf/Com/BC (55.0%); Trans & Stor (54.2%); Ed/Pro/ST (50.9%); Ret (50.9%) and Con & RE (50.4%). Only Acc & Food (47.9%) industry reported contraction in August.

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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