

December 2016 Taiwan Non-Manufacturing Index

NMI at 51.3%

Business Activity Index at 49.3%

New Orders Index at 52.2%

Employment Index at 52.0%

NON-MANUFACTURING AT A GLANCE

December 2016

Index	Series Index Dec	Series Index Nov	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	51.3	49.8	+1.5	Growing	From Contracting	1	52.3	49.2	53.8	52.7	58.3	54.7	56.5	48.5
Business Activity	49.3	48.9	+0.4	Contracting	Slower	4	54.5	45.0	55.0	45.5	64.3	56.3	61.9	43.9
New Orders	52.2	47.7	+4.5	Growing	From Contracting	1	45.5	43.3	58.3	58.0	59.5	62.5	57.1	50.0
Employment	52.0	50.2	+1.8	Growing	Faster	3	59.1	53.3	50.0	58.0	52.4	45.8	57.1	50.0
Supplier Deliveries	51.7	52.3	-0.6	Slowing	Slower	29	50.0	55.0	51.7	49.1	57.1	54.2	50.0	50.0
Inventories	50.4	49.4	+1.0	Growing	From Contracting	1	50.0	55.0	55.0	50.9	50.0	39.6	52.4	50.0
Prices	59.7	57.8	+1.9	Increasing	Faster	12	72.7	68.3	58.3	50.9	52.4	62.5	59.5	56.1
Backlog of Orders	43.0	41.1	+1.9	Contracting	Slower	21	40.9	33.3	48.3	44.6	57.1	43.8	47.6	47.0
New Export Orders	51.7	51.1	+0.6	Growing	Faster	2	100.0	40.0	66.7	53.3	62.5	50.0	58.3	39.1
Imports	48.6	50.5	-1.9	Contracting	From Growing	1	45.5	41.7	55.0	50.0	53.6	50.0	85.7	48.0
Service Charge	47.1	46.9	+0.2	Decreasing	Slower	20	45.5	41.7	48.0	44.6	52.4	47.9	52.4	53.0
Inventory Sentiment	54.4	55.5	-1.1	Too High	Slower	29	54.5	55.0	48.3	48.2	52.4	52.1	42.9	66.7
Six-month Outlook	47.0	34.5	+12.5	Contracting	Slower	19	31.8	33.3	50.0	55.4	52.4	62.5	47.6	51.5

Chart 1: Time Series of Taiwan NMI

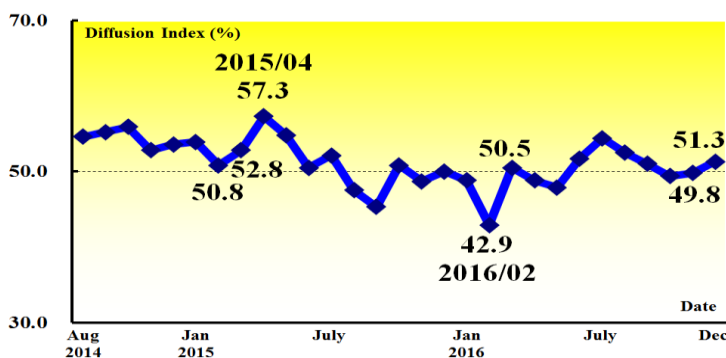
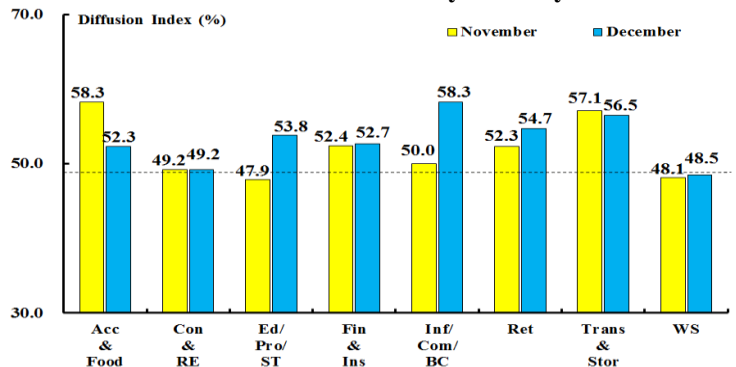


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector reversed its recent trend of contraction and expanded during December for the first time in the past three months while the Taiwan NMI registered 1.5 percentage points higher than the 49.8 percent reported in November.
- The Business Activity Index still remains in contraction, but at slower rates, increasing 0.4 percentage point to 49.3 percent.
- The New Orders Index went up 4.5 percentage points to 52.2 percent, signaling a resumption of growth following two months of contraction.
- Non-manufacturing Employment grew for the third consecutive month as the Employment Index increased 1.8 percentage points to 52.0 percent in December.
- Non-manufacturers are still experiencing higher prices of their purchases for twelve consecutive months as the Price Index further increased 1.9 percentage points to 59.7 percent and registered its highest reading since October 2014.
- Non-Manufacturers' order backlogs contracted for twenty-one consecutive months as the Backlog of Orders Index registered 43.0 percent in December.
- Non-manufacturers experienced inflationary pressure on their purchases, however, it has to be priced lower service fees for the past twenty months as the Service Charge Index registered 47.1 percent in December.
- The Six-month Outlook Index contracted for nineteen consecutive months, but the index rose 12.5 percent points to 47.0 percent and also the highest level recorded by the index since June 2015.
- Of the eight non-manufacturing industries categories, six are reporting growth in the following order: Inf/Com/BC (58.3%); Trans & Stor (56.5%); Ret (54.7%); Ed/Pro/ST (53.8%); Fin & Ins (52.7%) and Acc & Food (52.3%). Only WS (48.5%) and Con & RE (49.2%) reported contraction in December.

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/BC)** 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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