

January 2017 Taiwan Non-Manufacturing Index

NMI at 54.1%

Business Activity Index at 54.3%

New Orders Index at 51.5%

Employment Index at 55.4%

NON-MANUFACTURING AT A GLANCE

January 2017

Index	Series Index Jan	Series Index Dec	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	54.1	51.3	+2.8	Growing	Faster	2	64.6	53.0	56.0	54.8	55.6	51.2	63.8	51.5
Business Activity	54.3	49.3	+5.0	Growing	From Contracting	1	62.5	47.0	63.8	61.8	55.0	55.8	68.4	48.5
New Orders	51.5	52.2	-0.7	Growing	Slower	2	66.7	45.5	60.3	56.4	55.0	39.3	63.2	50.0
Employment	55.4	52.0	+3.4	Growing	Faster	4	70.8	56.1	53.4	50.0	55.0	61.5	57.9	54.5
Supplier Deliveries	55.4	51.7	+3.7	Slowing	Faster	30	58.3	63.6	46.6	50.9	57.5	48.1	65.8	53.0
Inventories	51.4	50.4	+1.0	Growing	Faster	2	83.3	50.0	53.4	44.5	55.0	50.0	47.4	45.5
Prices	65.7	59.7	+6.0	Increasing	Faster	13	83.3	77.3	62.1	46.4	52.5	67.3	73.7	68.2
Backlog of Orders	43.9	43.0	+0.9	Contracting	Slower	22	41.7	37.9	55.2	47.3	52.5	38.5	44.7	40.9
New Export Orders	47.7	51.7	-4.0	Contracting	From Growing	1	33.3	60.0	50.0	43.3	61.1	33.3	75.0	45.7
Imports	49.8	48.6	+1.2	Contracting	Slower	2	66.7	50.0	55.6	45.5	64.3	50.0	57.1	38.0
Service Charge	53.3	47.1	+6.2	Increasing	From Decreasing	1	75.0	50.0	42.6	48.2	55.0	59.6	60.5	57.6
Inventory Sentiment	55.4	54.4	+1.0	Too High	Faster	30	70.8	59.1	50.0	49.1	50.0	53.8	52.6	60.6
Six-month Outlook	45.6	47.0	-1.4	Contracting	Faster	20	29.2	39.4	58.6	49.1	55.0	48.1	44.7	48.5

Chart 1: Time Series of Taiwan NMI

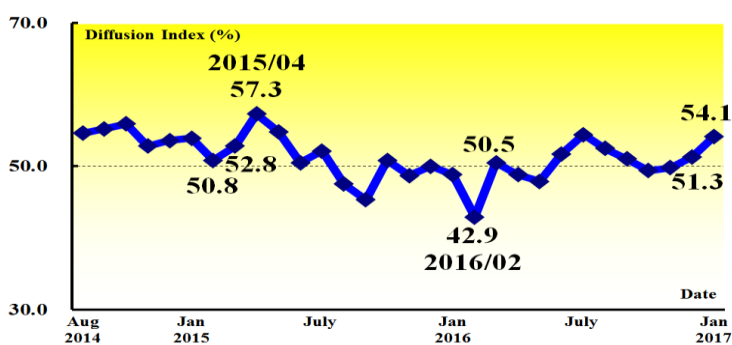
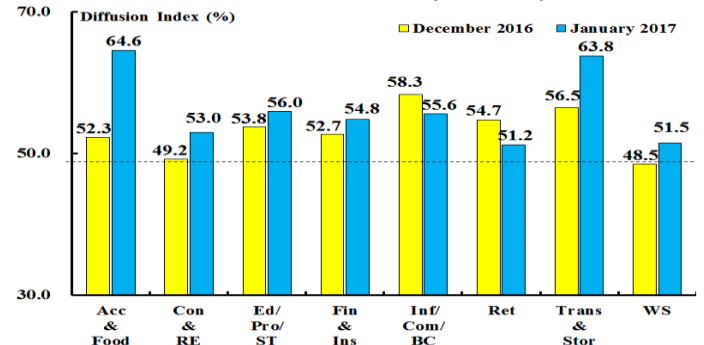


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector continued its growth trend for two consecutive months as the Taiwan NMI further increased 2.8 percentage points to 54.1 percent in January 2017.
- The Business Activity Index registered 54.3 percent, an increase of 5.0 percentage points, indicating a resumption of growth following four consecutive months of contraction.
- Non-manufacturers' new orders continued to grow for the second consecutive month while the New Orders Index slightly decreased 0.7 percentage point to 51.5 percent in January 2017.
- The Employment Index increased 3.4 percentage points to 55.4 percent, indicating growth in non-manufacturing employment for four consecutive months.
- The Supplier Deliveries registered 55.4 percent and recorded its second highest reading since August 2014.
- The Prices Index rose 6.0 percentage points to 65.7 percent in January 2017, signaling more inflationary pressure on non-manufacturers' costs. This is also the highest level recorded by the index since August 2014.
- Non-Manufacturers' order backlogs still contracted for twenty-two consecutive months as the Backlog of Orders Index registered 43.9 percent in January 2017.
- The Service Charge Index registered 53.3 percent in January 2017, up from the 47.1 percent reported in December 2016, indicating that non-manufacturers charged higher service prices for the first time in the past twenty-one months.
- The Six-month Outlook Index contracted for twenty consecutive months as the index dropped 1.4 percent points to 45.6 percent in January 2017.
- All the non-manufacturing industries' categories reporting growth in January in the following order: Acc & Food (64.6%), Trans & Stor (63.8%); Ed/Pro/ST (56.0%); Inf/Com/BC (55.6%); Fin & Ins (54.8%); Con & RE (53.0%); WS (51.5%) and Ret (51.2%).

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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