

May 2017 Taiwan Non-Manufacturing Index

NMI at 55.4%

Business Activity Index at 54.8%

New Orders Index at 57.9%

Employment Index at 54.2%

NON-MANUFACTURING AT A GLANCE

May 2017

Index	Series Index May	Series Index Apr	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	55.4	56.3	-0.9	Growing	Slower	3	46.9	49.6	57.8	57.0	52.2	55.6	49.0	59.3
Business Activity	54.8	58.4	-3.6	Growing	Slower	3	50.0	38.6	58.6	57.6	47.1	57.7	60.0	60.3
New Orders	57.9	59.0	-1.1	Growing	Slower	3	41.7	47.1	63.8	61.9	50.0	57.1	46.0	66.7
Employment	54.2	53.1	+1.1	Growing	Faster	3	50.0	51.4	53.4	55.9	52.9	55.8	42.0	56.4
Supplier Deliveries	54.7	54.6	+0.1	Slowing	Faster	34	45.8	61.4	55.2	52.5	58.8	51.9	48.0	53.8
Inventories	52.7	54.8	-2.1	Growing	Slower	3	50.0	50.0	53.4	55.9	41.2	61.5	44.0	51.3
Prices	55.6	58.3	-2.7	Increasing	Slower	17	66.7	42.9	56.9	45.8	58.8	63.5	60.0	64.1
Backlog of Orders	46.6	49.9	-3.3	Contracting	Faster	26	33.3	44.3	51.7	50.0	47.1	42.3	36.0	50.0
New Export Orders	47.6	48.0	-0.4	Contracting	Faster	2	75.0	50.0	57.1	53.1	61.1	0.0	22.2	59.6
Imports	55.6	51.4	+4.2	Growing	Faster	3	58.3	50.0	56.3	46.2	66.7	63.6	45.0	51.7
Service Charge	46.5	49.1	-2.6	Decreasing	Faster	2	33.3	32.9	52.0	51.7	64.7	50.0	48.0	50.0
Inventory Sentiment	56.5	54.5	+2.0	Too High	Faster	34	58.3	57.1	58.6	50.0	47.1	65.4	52.0	60.3
Six-month Outlook	53.1	54.9	-1.8	Growing	Slower	4	37.5	45.7	60.3	61.0	50.0	55.8	46.0	60.3

Chart 1: Time Series of Taiwan NMI

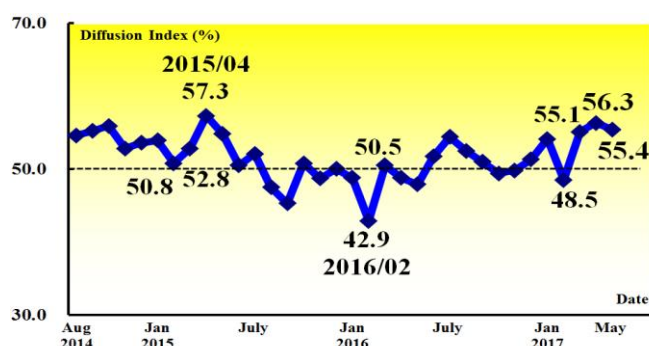
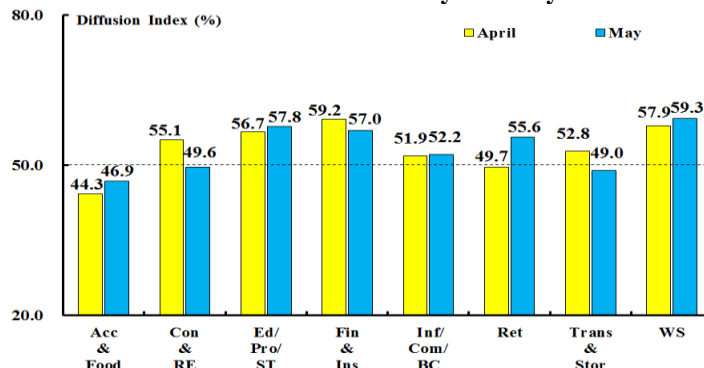


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector expanded for the third consecutive month while the Taiwan NMI registered 0.9 percentage point lower than the 56.3 percent in April.
- Both Business Activity and Production Indexes showed continue growth in May, but at slower rates than in April, dropping 3.6 and 1.1 percentage points to 54.8 and 57.9 percent, respectively.
- The Employment Index accelerated and registered 1.1 percentage points higher than the 53.1 percent in April.
- The Supplier Deliveries Index reflected slower deliveries for thirty-four consecutive months and registered 54.7%.
- Non-manufacturing inventories decelerated as the Inventory Index dropped 2.1 percentage points to 52.7 percent.
- Non-manufacturers are still experiencing higher price level of their purchases for seventeen consecutive months while the Price Index further decreased 2.7 percentage points to 55.6 percent in May.
- Non-manufacturers' backlogs contracted for twenty-six consecutive months as the Backlog of Orders Index registered 46.6 percent in May, down from the highest recorded level of 49.9 percent since April 2015.
- Non-manufacturers experienced inflationary pressure on their purchases, but priced lower service fees for the past two months as the Service Charge Index registered 2.6 percentage points lower than the 49.1 percent in April.
- The Six-month Outlook index continued its growth trend for four consecutive months but registered 1.8 percentage points lower than the 54.9 percent in April.
- Of the eight non-manufacturing industries categories, five are reporting growth in the following order: **WS** (59.3%); **Ed/Pro/ST** (57.8%); **Fin & Ins** (57.0%); **Ret** (55.6%) and **Inf/Com/BC** (52.2%). While **Acc & Food** (46.9%), **Trans & Stor** (49.0%) and **Con & RE** (49.6%) industries failed to grow in May.

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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