

July 2017 Taiwan Non-Manufacturing Index

NMI at 54.8%

Business Activity Index at 54.8%

New Orders Index at 57.2%

Employment Index at 54.5%

NON-MANUFACTURING AT A GLANCE

July 2017

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	54.8	53.0	+1.8	Growing	Faster	5	50.0	51.1	55.2	56.7	42.6	48.8	59.4	59.9
Business Activity	54.8	52.7	+2.1	Growing	Faster	5	46.2	51.5	53.4	60.7	44.1	43.1	62.5	60.0
New Orders	57.2	53.6	+3.6	Growing	Faster	5	42.3	51.5	60.3	59.8	41.2	53.8	58.3	63.2
Employment	54.5	52.2	+2.3	Growing	Faster	5	65.4	50.0	53.4	55.4	41.2	50.0	62.5	57.5
Supplier Deliveries	52.8	53.4	-0.6	Slowing	Slower	36	46.2	51.5	53.4	50.9	44.1	48.3	54.2	58.8
Inventories	52.6	52.4	+0.2	Growing	Faster	5	50.0	54.5	48.3	50.0	44.1	62.1	41.7	52.5
Prices	57.7	56.8	+0.9	Increasing	Faster	19	65.4	56.1	62.1	52.7	52.9	58.6	60.4	56.3
Backlog of Orders	47.1	43.7	+3.4	Contracting	Slower	28	23.1	40.9	48.3	54.5	47.1	43.1	52.1	51.3
New Export Orders	47.8	51.1	-3.3	Contracting	From Growing	1	50.0	35.7	50.0	78.6	35.0	25.0	62.5	57.4
Imports	54.0	47.7	+6.3	Growing	From Contracting	1	46.2	40.5	50.0	62.5	70.0	50.0	65.4	56.3
Service Charge	51.6	48.5	+3.1	Increasing	From Decreasing	1	34.6	50.0	53.7	58.0	55.9	50.0	52.1	51.3
Inventory Sentiment	54.5	53.6	+0.9	Too High	Faster	36	50.0	57.6	50.0	47.3	55.9	58.6	54.2	56.3
Six-month Outlook	53.2	51.5	+1.7	Growing	Faster	6	42.3	45.5	56.9	53.6	64.7	51.7	66.7	56.3

Chart 1: Time Series of Taiwan NMI

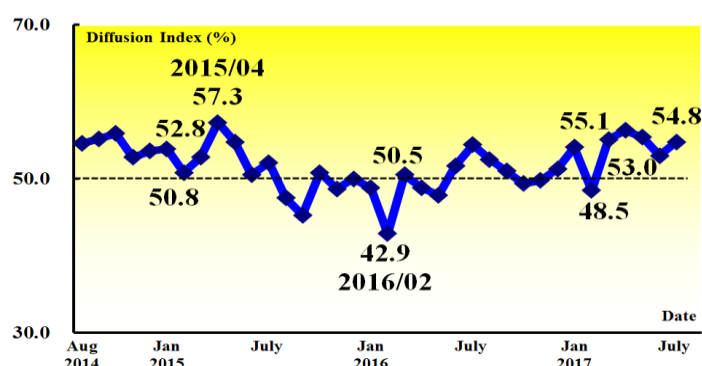
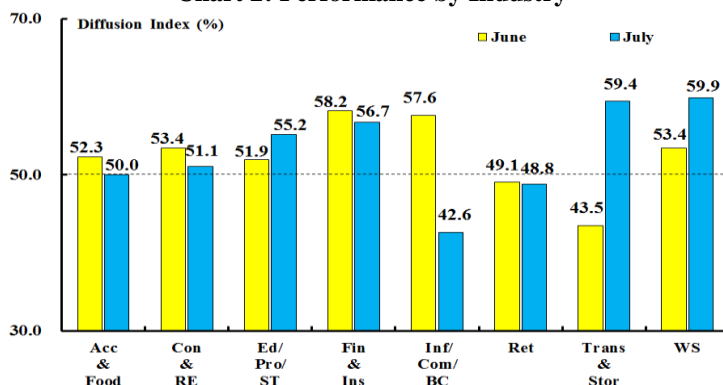


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector expanded for five consecutive months as the Taiwan NMI registered 54.8 percent, 1.8 percentage points higher than the 53.0 percent in June.
- Both Business Activity and New Orders Indexes accelerated and increased by 2.1 and 3.6 percentage points to 54.8 and 57.2 percent, respectively.
- The Employment Index increased by 2.3 percentage points to 54.5 percent and recorded its highest reading since February 2017.
- The Supplier Deliveries Index reflected slower deliveries for thirty-six consecutive months and registered 52.8 percent in July.
- The Prices Index increased up to 57.7 percent, signaling continuing upward pressure on non-manufacturers' costs.
- Non-manufacturers' backlogs contracted for twenty-eight consecutive months while the Backlog of Orders Index increased 3.4 percentage points to 47.1 percent.
- The Service Charge Index registered 51.6 percent in July, up from the 48.5 percent reported in June, indicating that non-manufacturers charged higher service prices for the first time in the past six months.
- The Six-month Outlook index continued its growth trend for six consecutive months and registered 53.2 percent.
- Of the eight non-manufacturing industries categories, five are reporting growth in the following order: WS (59.9%); Trans & Stor (59.4%); Fin & Ins (56.7%); Ed/Pro/ST (55.2%) and Con & RE (51.1%). While Inf/Com/BC (42.6%) Ret (48.8%) industries experienced contraction in July. Only Acc & Food industry reported unchanged from June.

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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