

August 2017 Taiwan Non-Manufacturing Index

NMI at 55.2%

Business Activity Index at 57.0%

New Orders Index at 55.9%

Employment Index at 53.4%

NON-MANUFACTURING AT A GLANCE

August 2017

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	55.2	54.8	+0.4	Growing	Faster	6	47.7	49.6	57.3	59.6	60.2	55.5	56.3	57.1
Business Activity	57.0	54.8	+2.2	Growing	Faster	6	45.5	45.3	59.7	64.3	65.6	62.0	59.6	57.3
New Orders	55.9	57.2	-1.3	Growing	Slower	6	45.5	45.3	58.1	66.1	71.9	53.8	57.7	56.3
Employment	53.4	54.5	-1.1	Growing	Slower	6	45.5	51.6	54.8	57.1	53.1	54.0	55.8	57.3
Supplier Deliveries	54.4	52.8	+1.6	Slowing	Faster	37	54.5	56.3	56.5	50.9	50.0	52.0	51.9	57.3
Inventories	48.8	52.6	-3.8	Contracting	From Growing	1	50.0	43.8	50.0	53.6	46.9	50.0	46.2	51.2
Prices	60.9	57.7	+3.2	Increasing	Faster	20	72.7	75.0	58.1	53.6	50.0	60.0	61.5	58.5
Backlog of Orders	49.4	47.1	+2.3	Contracting	Slower	29	27.3	37.5	61.3	52.7	56.3	52.0	46.2	52.4
New Export Orders	46.4	47.8	-1.4	Contracting	Faster	2	0.0	50.0	57.1	68.8	61.1	25.0	45.5	39.7
Imports	52.8	54.0	-1.2	Growing	Slower	2	45.5	50.0	56.3	53.8	55.6	56.3	54.2	50.0
Service Charge	50.7	51.6	-0.9	Increasing	Slower	2	36.4	46.9	53.6	56.3	59.4	48.0	46.2	51.2
Inventory Sentiment	52.1	54.5	-2.4	Too High	Slower	37	45.5	48.4	48.4	48.2	53.1	66.0	48.1	54.9
Six-month Outlook	49.8	53.2	-3.4	Contracting	From Growing	1	31.8	43.8	58.1	49.1	50.0	58.0	59.6	51.2

Chart 1: Time Series of Taiwan NMI

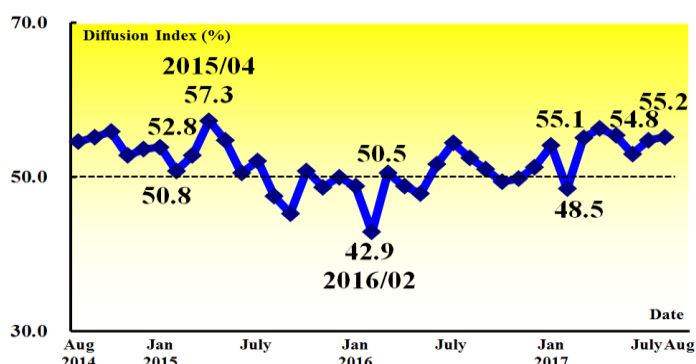
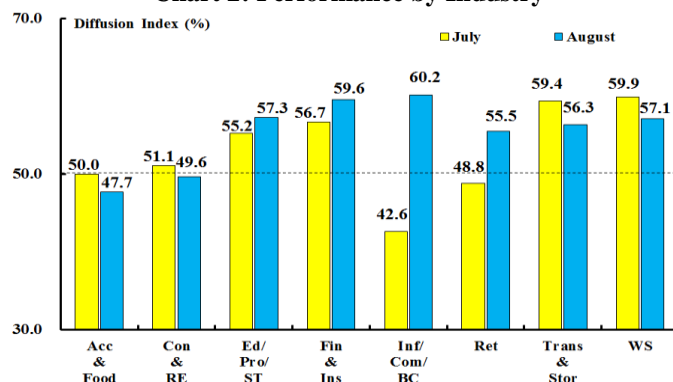


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector expanded for six consecutive months as the Taiwan NMI registered 55.2 percent in August.
- The Business Activity Index went up 2.2 percentage points to 57.0 percent, indicating growing for the sixth consecutive month.
- The New Orders Indexes decelerated and decreased by 1.3 percentage points to 55.9 percent.
- Non-manufacturers' Employment showed continuous growing direction in August, but at the slower pace, dropping 1.1 percentage points to 53.4 percent in August.
- Non-manufacturers' inventories contracted following five months of growth as the Inventory Index decreased 3.8 percentage points to 48.8 percent in August.
- The price Index increased up to 60.9 percent, signaling continuing upward pressure on non-manufacturers' costs.
- The Service Charge Index registered 50.7 percent in August, indicating that non-manufacturers charged rather higher service prices for two consecutive months.
- The Six-month Outlook index reversed its trend of growth in the past six months and turned to contracting during August, registering 3.4 percentage points lower than the 53.2 percent reported in July.
- Of the eight non-manufacturing industries categories, six are reporting growth in the following order: Inf/Com/BC (60.2%); Fin & Ins (59.6%); Ed/Pro/ST (57.3%); WS (57.1%); Trans & Stor (56.3%) and Ret (55.5%). While Acc & Food (47.7 %) and Con & RE (49.6%) industries failed to grow 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/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.

Contact Information:

For economics comments, data and technical queries, please contact:

Shin-Hui Chen, Ph.D.

Assistant Research Fellow, Center for Economic Forecasting Chung-Hua Institution for Economic Research

E-Mail: csh@cier.edu.tw

Tel: +(886) 2 27356006 ext. 424 www.cier.edu.tw

For industry comments, please contact:

Steve Lai

Executive Director, Center for Purchasing and Supply Studies Supply Management Institute, Taiwan

E-Mail: stevelai@smit.org.tw

Tel: +(886) 2 27495889 www.smit.org.tw