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中華經濟研究院 CHUNG-HUA INSTITUTION FOR ECONOMIC RESEARCH

February 2017 Taiwan Non-Manufacturing Index

NMI at 48.5%

Business Activity Index at 44.8%
New Orders Index at 47.4%
Employment Index at 48.9%

NON-MANUFACTURING AT A GLANCE
February 2017

Unit : %

Index	Series Index Feb	Series Index Jan	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	48.5	54.1	-5.6	Contracting	From Growing	1	22.7	49.6	57.5	56.5	48.0	39.0	42.0	51.1
Business Activity	44.8	54.3	-9.5	Contracting	From Growing	1	9.1	44.1	55.0	60.7	42.1	35.7	31.8	45.5
New Orders	47.4	51.5	-4.1	Contracting	From Growing	1	13.6	47.1	61.7	59.8	52.6	27.3	45.5	50.0
Employment	48.9	55.4	-6.5	Contracting	From Growing	1	40.9	50.0	58.3	51.8	42.1	47.6	40.9	53.0
Supplier Deliveries	52.9	55.4	-2.5	Slowing	Slower	31	27.3	57.4	55.0	53.6	55.3	45.2	50.0	56.1
Inventories	49.8	51.4	-1.6	Contracting	From Growing	1	18.2	47.1	56.7	49.1	47.4	59.5	40.9	54.5
Prices	62.0	65.7	-3.7	Increasing	Slower	14	63.6	66.2	58.3	48.2	52.6	64.3	68.2	63.6
Backlog of Orders	42.7	43.9	-1.2	Contracting	Faster	23	13.6	36.8	53.3	51.8	50.0	33.3	36.4	48.5
New Export Orders	48.6	47.7	+0.9	Contracting	Slower	2	50.0	50.0	50.0	57.7	50.0	50.0	21.4	50.0
Imports	47.0	49.8	-2.8	Contracting	Faster	3	31.8	44.7	38.9	45.0	62.5	50.0	50.0	57.1
Service Charge	48.3	53.3	-5.0	Decreasing	From Increasing	1	31.8	50.0	44.6	48.2	57.9	50.0	61.4	53.0
Inventory Sentiment	55.0	55.4	-0.4	Too High	Slower	31	59.1	55.9	50.0	46.4	50.0	59.5	54.5	59.1
Six-month Outlook	51.5	45.6	+5.9	Growing	From Contracting	1	36.4	47.1	61.7	61.6	50.0	40.5	47.7	59.1

Chart 1: Time Series of Taiwan NMI

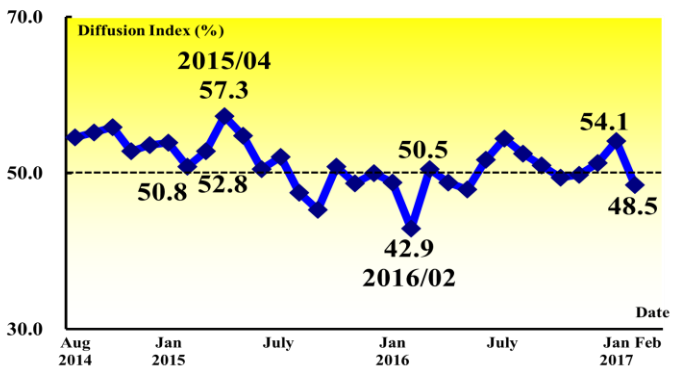
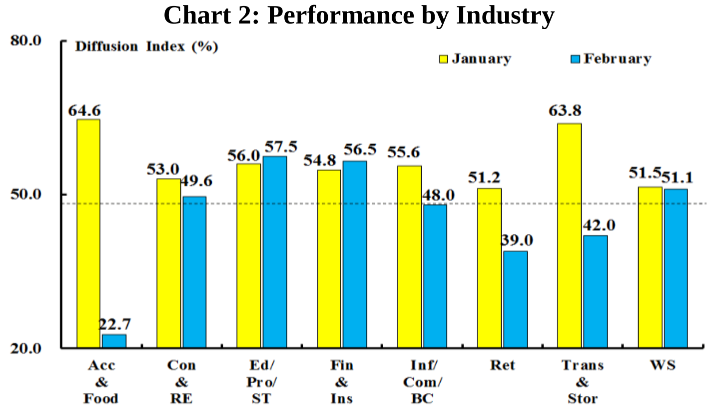


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector reversed its recent trend of growth and turned to contracting during February as the Taiwan NMI dropped 5.6 percentage points to 48.5 percent.
- Both Business Activity and New Orders Indexes failed to grow in February and fell 9.5 and 4.1 percentage points to 44.8 and 47.4 percent respectively.
- Non-manufacturers' employment contracted following four months of growth as the Employment Index decreased 6.5 percentage points to 48.9 percent in February.
- The Supplier Deliveries Index reflected slower deliveries for thirty-one consecutive months but registered 2.5 percentage points lower than the 55.4 percent in January.
- The Inventories Index registered 49.8 percent, indicating contraction in inventories following two months of growth.
- Non-manufacturers are experiencing higher prices of their purchases for fourteen consecutive months while the Price Index dropped 3.7 percentage points to 62.0 percent.
- The Backlog of Orders Index registered 42.7 percent and indicates contraction for twenty-three consecutive months.
- The Service Charge Index quite decreased by 5.0 percentage points to 48.3 percent in February, signaling that non-manufacturers priced lower service fees following only one month of relatively higher service prices.
- The Six-month Outlook Index registered 5.9 percent points higher than the 45.6 percent in January, indicating promising growth for the first time since June 2015.
- Of the eight non-manufacturing industries categories, three are reporting growth in the following order: **Ed/Pro/ST** (57.5%); **Fin & Ins** (56.5%) and **WS** (51.1%). While **Acc & Food** (22.7%); **Ret** (39.0%); **Trans & Stor** (42.0%); **Inf/Com/BC** (48.0%) and **Con & RE** (49.6%) reported contraction in February.

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