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March 2016 Taiwan Non-Manufacturing Index

NMI at 50.5%

Business Activity Index at 50.6%
New Orders Index at 51.9%
Employment Index at 45.6%

NON-MANUFACTURING AT A GLANCE
March 2016

Unit : %							Industries							
Index	Series Index Mar	Series Index Feb	Percentage Point Change	Direction	Rate of Change	Trend (Months)	Acc & Food	Con & RE	Ed/ Pro/ ST	Fin & Ins	Inf/ Com/ BC	Ret	Trans & Stor	WS
Taiwan NMI	50.5	42.9	+7.6	Growing	From Contracting	1	32.7	48.6	54.0	53.7	60.1	51.1	52.1	54.5
Business Activity	50.6	35.1	+15.5	Growing	From Contracting	1	26.9	37.5	53.2	56.9	61.9	56.8	61.1	56.5
New Orders	51.9	37.2	+14.7	Growing	From Contracting	1	26.9	45.8	56.5	56.0	64.3	50.0	52.8	61.7
Employment	45.6	48.5	-2.9	Contracting	Faster	2	26.9	45.8	50.0	51.7	59.5	40.9	47.2	46.8
Supplier Deliveries	54.1	50.7	+3.4	Slowing	Faster	20	50.0	65.3	56.5	50.0	54.8	56.8	47.2	53.2
Inventories	51.9	48.1	+3.8	Growing	From Contracting	1	38.5	61.1	50.0	51.7	50.0	45.5	50.0	58.1
Prices	51.6	51.4	+0.2	Increasing	Faster	3	53.8	52.8	51.6	33.6	57.1	52.3	61.1	53.2
Backlog of Orders	41.6	38.5	+3.1	Contracting	Slower	12	34.6	29.2	48.4	47.4	54.8	54.5	38.9	38.7
New Export Orders	47.1	39.7	+7.4	Contracting	Slower	10	16.7	40.0	50.0	46.2	55.6	58.3	50.0	52.3
Imports	49.1	41.6	+7.5	Contracting	Slower	4	34.6	47.7	44.4	50.0	53.6	56.3	42.9	52.0
Service Charge	43.8	44.4	-0.6	Decreasing	Faster	11	46.2	38.9	40.7	42.2	45.2	52.3	44.4	45.2
Inventory Sentiment	55.4	53.9	+1.5	Too High	Faster	20	46.2	58.3	45.2	51.7	47.6	59.1	52.8	64.5
Six-month Outlook	38.1	32.0	+6.1	Contracting	Slower	10	30.8	23.6	45.2	50.0	57.1	45.5	27.8	43.5

Chart 1: Time Series of Taiwan NMI

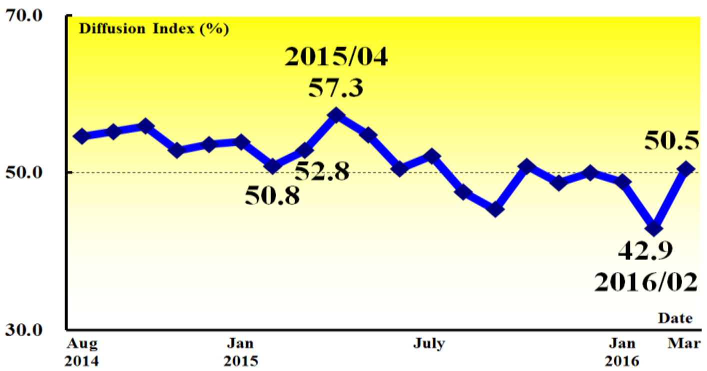
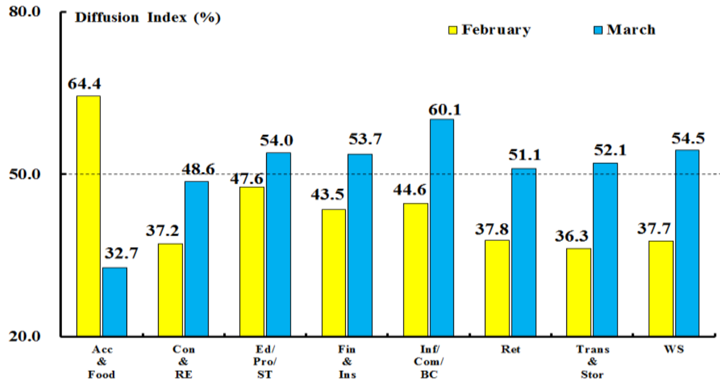


Chart 2: Performance by Industry



Summary

- The Taiwan NMI registered 50.5 percent in March, which is 7.6 percentage points higher than the 42.9 percent reported in February. The rising of NMI was driven by an increase in Business Activity and New Orders Indexes.
- Both Business Activity and New Orders Indexes performed the promising improvement as they went up 15.5 and 14.7 percentage points to 50.6 and 51.9 percent, respectively. The strong growth in business activity and new orders was mainly caused by more working days comparing to the previous month.
- The Employment Index further decreased by 2.9 percentage points to 45.6 percent, and however, registered its lowest level since August 2014.
- Non-manufacturing inventories turned from contracting to growing, while the Inventories Index raised from the lowest reading of 48.1 percent since August 2014 to 51.9 percent in March.
- The Prices Index registered 51.6 percent in March, indicating that the prices paid by the non-manufacturing sector for purchased materials and services are keep increasing for the third consecutive month.
- Non-manufacturers experienced inflationary pressure on their purchases but priced lower service fees for the past eleven months. The Service Charge Index further decreased by 0.6 percentage point to 43.8 percent in March.
- Non-manufacturers' order backlogs contracted for twelve consecutive months while the Backlog of Orders Index rose by 3.1 percentage points to 41.6 percent.
- Non-manufacturing was still commenting concerns about the future although the Six-month Outlook Index increased 6.1 percentage points to 38.1 percent and is the highest indexing since August 2015.
- Of the eight non-manufacturing industries categories, both Acc & Food (32.7%) and Con & RE (48.6%) industries reported contraction in March. While others are reporting growth in the following order: Inf/Com/BC (60.1%); WS (54.5%); Ed/Pro/ST (54.0%); Fin & Ins (53.7%); Trans & Stor (52.1%) and Ret (51.1%).

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/BS)** 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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