

March 2015 Taiwan Non-Manufacturing Index

NMI at 52.8%

Business Activity Index at 55.0%

New Orders Index at 53.1%

Employment Index at 52.3%

NON-MANUFACTURING AT A GLANCE

March 2015

Index	Series				Rate of Change	Trend (Months)	Industries							
	Index Mar	Index Feb	Percentage Point Change	Direction			Acc & Food	Con & RE	Ed/Pro/ST	Fin & Ins	Inf/Com/BC	Ret	Trans & Stor	WS
Taiwan NMI	52.8	50.8	+2.0	Growing	Faster	8	40.6	53.4	60.8	59.1	52.8	44.6	54.4	53.3
Business Activity	55.0	45.6	+9.4	Growing	From Contracting	1	33.3	58.6	69.0	56.7	50.0	42.6	57.5	54.8
New Orders	53.1	47.0	+6.1	Growing	From Contracting	1	33.3	53.4	63.8	67.3	54.5	35.7	55.0	56.7
Employment	52.3	56.2	-3.9	Growing	Slower	8	45.8	51.7	55.2	56.7	52.3	55.6	50.0	51.6
Supplier Deliveries	50.9	54.4	-3.5	Slowing	Slower	8	50.0	50.0	55.2	55.8	54.5	44.4	55.0	50.0
Inventories	53.7	56.1	-2.4	Growing	Slower	8	41.7	58.6	56.9	59.6	54.5	38.9	47.5	64.5
Prices	51.1	53.3	-2.2	Increasing	Slower	3	50.0	37.9	62.1	54.8	59.1	53.7	45.0	48.4
Backlog of Orders	50.8	48.5	+2.3	Growing	From Contracting	1	50.0	50.0	51.7	54.8	50.0	46.3	47.5	48.4
New Export Orders	52.7	45.7	+7.0	Growing	From Contracting	1	50.0	43.8	66.7	63.6	59.1	70.0	37.5	43.8
Imports	51.7	47.8	+3.9	Growing	From Contracting	1	45.8	47.5	62.5	53.8	56.7	45.0	50.0	53.7
Service Charge	49.4	50.8	-1.4	Decreasing	From Increasing	1	50.0	51.7	50.0	51.0	45.5	57.4	42.5	45.2
Inventory Sentiment	54.8	57.7	-2.9	Too High	Slower	8	50.0	56.9	50.0	51.9	50.0	55.6	52.5	62.9
Six-month Outlook	56.9	57.2	-0.3	Growing	Slower	4	83.3	31.0	62.1	64.4	63.6	64.8	52.5	56.5

Chart 1: Time Series of Taiwan NMI

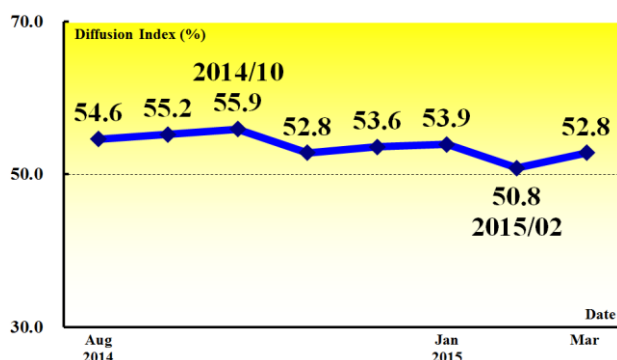
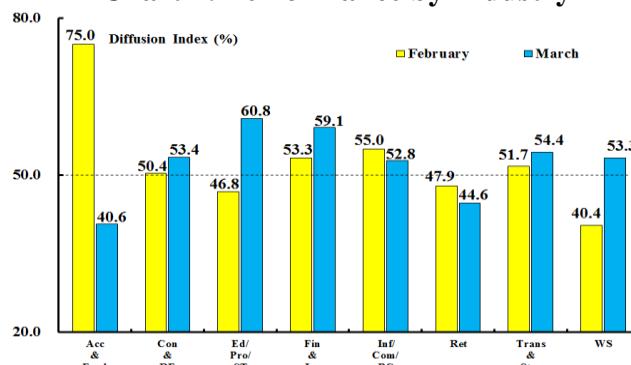


Chart 2: Performance by Industry



Summary

- The Non-Manufacturing sector continued its growth trend for the eighth consecutive month as the Taiwan NMI registered 2.0 percentage points higher than the 50.8 percent reported in February.
- The Business Activity and New Orders Indexes went up 9.4 and 6.1 percentage points to 55.0 and 53.1 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 still remains in growing at 52.3 percent, but registered its lowest reading since August 2014.
- The Supplier Deliveries Index registered 50.9 percent, which is 3.5 percentage points lower than the 54.4 percent reported in February.
- The Price Index registered 51.1 percent in March, indicating the prices paid by non-manufacturing sector for purchased materials and services are increasing for the third consecutive month.
- Non-manufacturers' order backlogs reported growth in March following six months of contraction as the Backlog of Orders Index is up 2.3 percentage points to 50.8 percent and registered its highest reading since August 2014.
- The Service Charge Index fell 1.4 percentage points to 49.4 in March, signaling that non-manufacturers priced lower service fees following only one month of higher service prices.
- The Inventories Sentiment Index registered 54.8 percent in March and indicated that the non-manufacturing respondents believe their inventories are still rather high for the eighth consecutive month.
- Non-manufacturers generally still remain optimistic about the future. The Six-month Outlook Index registered 56.9 percent, indicating a growth trend for the fourth consecutive month.
- Of the eight non-manufacturing industries categories, six are reporting growth in March in the following order: **Ed/Pro/ST (60.8%)**, **Fin & Ins (59.1%)**, **Trans & Stor (54.4%)**, **Con & RE (53.4%)**, **WS (53.3%)**, and **Inf/Com/BC (52.8%)**. Only **Acc & Food (40.6%)** and **Ret (44.6%)** reported contraction in March.

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.

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

Email: csh@cier.edu.tw

Tel: +(866) 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: +(866) 2 27495889 www.smit.org.tw