

April 2020 Taiwan Non-Manufacturing Index

NMI at 42.5%

Business Activity Index at 33.4%

New Orders Index at 35.5%

Employment Index at 48.4%

NON-MANUFACTURING AT A GLANCE

April 2020

Index	Series Index Apr	Series Index Mar	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	42.5	42.3	+0.2	Contracting	Slower	3	20.5	47.3	48.1	44.8	41.9	37.3	41.8	52.3
Business Activity	33.4	33.5	-0.1	Contracting	Faster	3	9.1	34.4	40.7	39.0	38.2	21.7	34.5	44.2
New Orders	35.5	35.8	-0.3	Contracting	Faster	3	13.6	34.4	50.0	40.0	38.2	31.8	37.9	41.7
Employment	48.4	46.9	+1.5	Contracting	Slower	3	9.1	54.7	55.6	53.0	47.1	45.7	56.9	53.5
Supplier Deliveries	52.8	53.0	-0.2	Slowing	Slower	6	50.0	65.6	46.3	47.0	44.1	50.0	37.9	69.8
Inventories	46.8	41.8	+5.0	Contracting	Slower	3	40.9	53.1	46.3	45.0	50.0	39.1	63.8	51.2
Prices	50.3	50.4	-0.1	Increasing	Slower	52	50.0	54.7	51.9	29.0	61.8	60.9	48.3	52.3
Backlog of Orders	31.9	34.8	-2.9	Contracting	Faster	12	9.1	31.3	31.5	37.0	35.3	34.8	27.6	50.0
New Export Orders	29.4	30.4	-1.0	Contracting	Faster	4	33.3	33.3	16.7	40.6	21.4	50.0	21.4	36.7
Imports	31.3	36.9	-5.6	Contracting	Faster	3	18.2	29.4	27.3	46.2	28.6	25.0	36.7	41.2
Service Charge	40.7	42.2	-1.5	Decreasing	Faster	3	9.1	48.4	48.1	35.0	47.1	50.0	43.1	41.9
Inventory Sentiment	52.4	50.1	+2.3	Too High	Faster	2	50.0	50.0	51.9	45.0	52.9	58.7	58.6	60.5
Future Outlooks	17.8	13.7	+4.1	Contracting	Slower	3	4.5	18.8	33.3	16.0	20.6	13.0	17.2	19.8

Chart 1: Time Series of Taiwan NMI

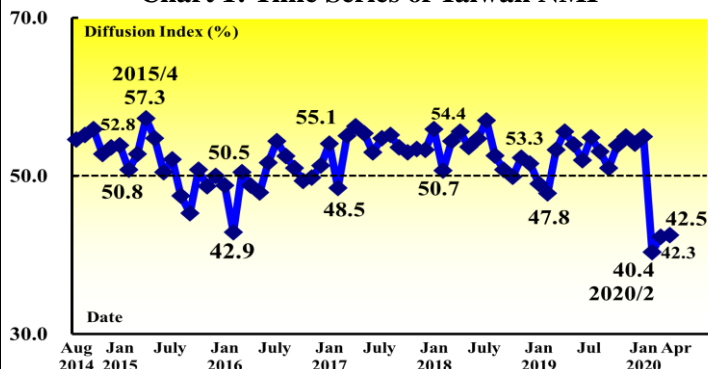
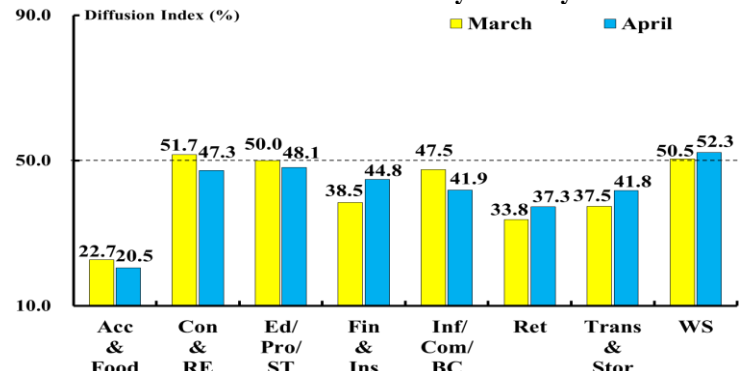


Chart 2: Performance by Industry



Summary

- The non-manufacturing sector continued to struggle and remained in contraction for three consecutive months, as the Taiwan NMI Index increased slightly of 0.2 percentage point to 42.5 percent.
- Both Business Activity and New Orders Indexes contracted for three consecutive months and remained around 30.0 percent, registering 33.4 and 35.5 percent respectively.
- Non-manufactures' employment contracted for three consecutive months as the Employment Index increased 1.5 percentage points to 48.4 percent and recorded its longest contraction period since July 2016.
- Non-manufacturers are still experiencing higher prices of their purchases for fifty-two consecutive months, while the Prices Index went down 0.1 percentage point to 50.3 percent and recorded its lowest reading since January 2016.
- Non-manufacturers' backlogs remained in contraction for twelve consecutive months, as the Backlog of Orders Index decreased 2.9 percentage points to 31.9 percent and contracted at its fastest rate since August 2014.
- The non-manufacturers priced lower service fees for the third consecutive month. The Service Charge Index further fell 1.5 percentage points to 40.7 percent in April and recorded its lowest reading since September 2015.
- Non-manufacturers were generally projecting pessimistic about the future. The Future Outlooks Index increased 4.1 percentage points to 17.8 percent in April and remained below 20.0 percent for the second consecutive month.
- Of the eight non-manufacturing industries categories, seven are reporting contracting in the following order: Acc & Food (20.5%), Ret (37.3%), Trans & Stor (41.8%), Inf/Com/BC (41.9%), Fin & Ins (44.8%), Con & RE (47.3%) and Ed/Pro/ST (48.1%). Only WS (52.3%) remained in growth in April.

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:-CS

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: stvelai@smit.org.tw

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