

July 2020 Taiwan Non-Manufacturing Index

NMI at 57.3%

Business Activity Index at 63.0%

New Orders Index at 59.5%

Employment Index at 54.4%

NON-MANUFACTURING AT A GLANCE

July 2020

Index	Series Index Jul	Series Index Jun	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	57.3	54.0	+3.3	Growing	Faster	2	76.3	58.0	55.6	64.1	44.8	60.6	58.0	52.7
Business Activity	63.0	57.6	+5.4	Growing	Faster	2	85.0	57.1	56.9	78.1	41.7	73.7	64.3	59.8
New Orders	59.5	57.4	+2.1	Growing	Faster	2	85.0	55.4	55.2	77.1	50.0	63.6	64.3	48.8
Employment	54.4	49.8	+4.6	Growing	From Contracting	1	75.0	62.5	56.9	53.1	45.8	47.4	51.8	51.2
Supplier Deliveries	52.5	51.2	+1.3	Slowing	Faster	9	60.0	57.1	53.4	47.9	41.7	57.9	51.8	51.2
Inventories	51.2	48.8	+2.4	Growing	From Contracting	1	60.0	53.6	51.7	52.1	45.8	47.4	51.8	50.0
Prices	53.8	55.6	-1.8	Increasing	Slower	55	65.0	67.9	51.7	43.8	58.3	57.9	60.7	45.1
Backlog of Orders	49.7	43.2	+6.5	Contracting	Slower	15	55.0	57.1	39.7	57.3	41.7	55.3	51.8	46.3
New Export Orders	43.2	39.2	+4.0	Contracting	Slower	7	16.7	50.0	33.3	50.0	50.0	66.7	62.5	41.4
Imports	51.4	42.0	+9.4	Growing	From Contracting	1	45.0	46.4	45.5	54.5	60.0	57.1	83.3	53.2
Service Charge	52.0	50.5	+1.5	Increasing	Faster	2	60.0	55.6	50.0	62.5	50.0	52.6	46.4	47.6
Inventory Sentiment	51.5	51.6	-0.1	Too High	Slower	5	40.0	53.6	48.3	46.9	54.2	47.4	55.4	61.0
Future Outlooks	52.1	51.7	+0.4	Growing	Faster	2	55.0	58.9	53.4	44.8	58.3	63.2	53.6	47.6

Chart 1: Time Series of Taiwan NMI

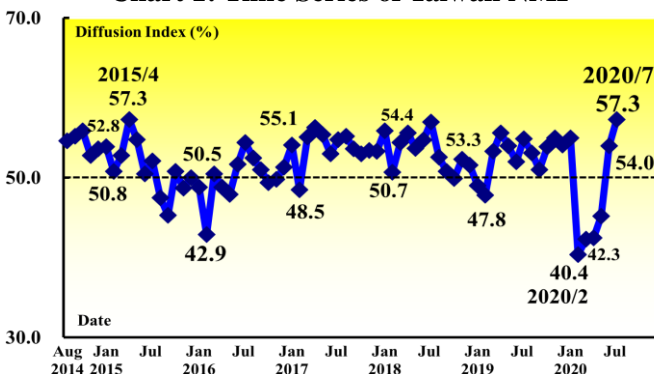
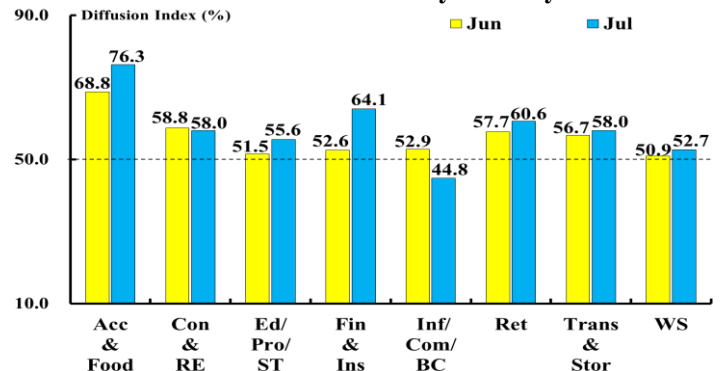


Chart 2: Performance by Industry



Summary

- The Taiwan NMI expanded at the fastest rate since August 2014, as the Taiwan NMI further rose 3.3 percentage points to 57.3 percent.
- Both Business Activity and New Orders Indexes presented continuous growth and increased 5.4 and 2.1 percentage points to 63.0 and 59.5 percent, respectively. The Business Activity Index grew at the fastest rate since August 2014.
- The Employment Index further increased 4.6 percentage points to 54.4 percent, clearly indicating growing for the first time since February 2020.
- The Inventories Index turned to growing following five months of contraction, as the index went up 2.4 percentage points to 51.2 percent.
- Non-manufacturers are continuously experiencing higher prices of their purchases for fifty-five consecutive months, as the Prices Index registered 53.8 percent in July.
- Non-manufacturers' backlog contracted for fifteen consecutive months while the Backlog of Orders Index further rose 6.5 percentage points to 49.7 percent and recorded the slowest rate of contraction since February 2020.
- The Imports Index reversed its recent trend of contraction and turned to growing for the first time since February 2020, as the index increased 9.4 percentage points to 51.4 percent.
- The Service Charge Index grew for two consecutive months and went up 1.5 percentage points to 52.0 percent.
- The Future Outlooks Index slightly increased to 52.1 percent, indicating growing for the second consecutive month.
- Of the eight non-manufacturing industries categories, seven are reporting growing in the following order: Acc & Food (76.3%), Fin & Ins (64.1%), Ret (60.6%), Con & RE (58.0%), Trans & Stor (58.0%), Ed/Pro/ST (55.6%) and WS (52.7%). Only Inf/Com/BC (44.8%) remained contraction in July.

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.

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