

July 2023 Taiwan Non-Manufacturing Index

NMI at 55.7%

Business Activity Index at 60.6%

New Orders Index at 55.7%

Employment Index at 54.7%

NON-MANUFACTURING AT A GLANCE

July 2023

| Index | Series Index July | Series Index June | 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 | 55.7 | 54.6 | +1.1 | Growing | Faster | 9 | 65.6 | 52.7 | 59.7 | 62.2 | 57.5 | 49.9 | 49.1 | 45.2 |
| Business Activity | 60.6 | 54.8 | +5.8 | Growing | Faster | 6 | 75.0 | 53.1 | 61.3 | 76.8 | 66.7 | 60.5 | 46.3 | 44.1 |
| New Orders | 55.7 | 54.8 | +0.9 | Growing | Faster | 5 | 66.7 | 53.1 | 62.9 | 62.2 | 63.3 | 41.7 | 46.3 | 40.4 |
| Employment | 54.7 | 55.9 | -1.2 | Growing | Slower | 5 | 66.7 | 50.0 | 58.1 | 58.5 | 50.0 | 52.6 | 53.7 | 49.0 |
| Supplier Deliveries | 51.8 | 52.7 | -0.9 | Slowing | Slower | 2 | 54.2 | 54.7 | 56.5 | 51.2 | 50.0 | 44.7 | 50.0 | 47.1 |
| Inventories | 51.6 | 53.2 | -1.6 | Growing | Slower | 3 | 54.2 | 53.1 | 53.2 | 53.7 | 56.7 | 47.4 | 46.3 | 44.1 |
| Prices | 62.3 | 58.8 | +3.5 | Increasing | Faster | 91 | 66.7 | 59.4 | 62.9 | 61.0 | 53.3 | 63.2 | 63.0 | 62.7 |
| Backlog of Orders | 48.2 | 47.4 | +0.8 | Contracting | Slower | 12 | 45.8 | 40.6 | 45.2 | 57.3 | 56.7 | 47.4 | 46.3 | 42.2 |
| New Export Orders | 51.3 | 41.1 | +10.2 | Growing | From Contracting | 1 | 60.0 | 50.0 | 55.0 | 70.0 | 41.7 | 37.5 | 38.5 | 42.1 |
| Imports | 51.9 | 46.4 | +5.5 | Growing | From Contracting | 1 | 62.5 | 40.6 | 50.0 | 58.3 | 57.1 | 43.8 | 53.6 | 43.2 |
| Service Charge | 54.8 | 55.6 | -0.8 | Increasing | Slower | 38 | 75.0 | 53.2 | 53.3 | 59.8 | 50.0 | 52.6 | 51.9 | 45.1 |
| Inventory Sentiment | 54.2 | 53.2 | +1.0 | Too High | Faster | 15 | 45.8 | 54.7 | 50.0 | 50.0 | 56.7 | 57.9 | 53.7 | 57.8 |
| Future Outlooks | 50.8 | 50.1 | +0.7 | Growing | Faster | 2 | 70.8 | 39.1 | 51.6 | 56.1 | 53.3 | 60.5 | 53.7 | 39.2 |

Chart 1: Time Series of Taiwan NMI

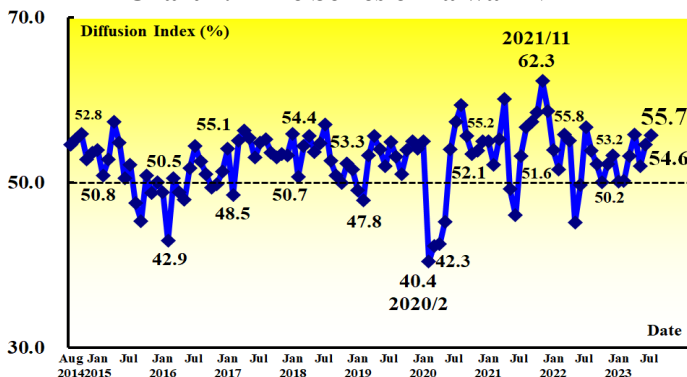
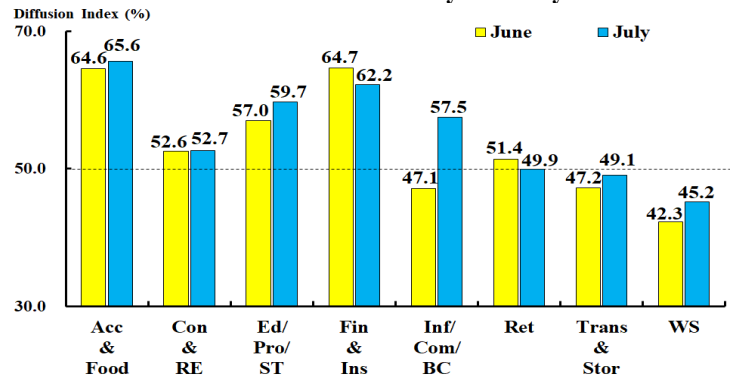


Chart 2: Performance by Industry



Summary

- The Taiwan non-manufacturing sector grew for nine consecutive months as the seasonally unadjusted Taiwan NMI further increased 1.1 percentage points to 55.7 percent in July.
- The seasonally unadjusted Business Activity Index further rose 5.8 percentage points to 60.6 percent, growing for the sixth consecutive month.
- Non-manufacturers' new orders grew for the fifth consecutive month as the seasonally unadjusted New Orders Index inched up 0.9 percentage point to 55.7 percent, recording the highest reading since August 2022.
- The Employment Index registered 54.7 percent in July, down 1.2 percentage points from the highest reading of 55.9 percent since January 2022.
- Non-manufacturers reported deliveries slowing for the second consecutive month as the Supplier Deliveries Index registered 51.8 percent, decreasing 0.9 percentage point from the previous reading.
- The Inventories Index declined 1.6 percentage points to 51.6 percent, growing for the third consecutive month.
- Non-manufacturers continuously experienced upward pressures on their purchasing or operation costs for ninety-one consecutive months. The Prices Index went up 3.5 percentage points to 62.3 percent, resuming the reading above 60.0 percent.
- The Backlog of Orders Index contracted for twelve consecutive months but inched up 0.8 percentage point to 48.2 percent.
- The New Export Orders Index turned to growth for the first time since November 2021 as the index sharply increased 10.2 percentage points to 51.3 percent in July.
- Non-manufacturers continued charging higher service prices for thirty-eight consecutive months as the Service Charge Index registered 54.8 percent.
- The Inventory Sentiment Index remained too high for fifteen consecutive months and registered 54.2 percent.
- The Future Outlooks Index grew for the second consecutive month as the index increased 0.7 percentage point to 50.8 percent, marking the fastest growth rate since April 2022.
- Five among eight non-manufacturing industries categories reported expansion in the following order: Acc & Food (65.6%), Fin & Ins (62.2%), Ed/Pro/ST (59.7%), Inf/Com/BC (57.5%) and Con & RE (52.7%). While WS (45.2%), Trans & Stor (49.1%) and Ret (49.9%) reported contraction compared to the previous month.

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, Division of Taiwan Economy Chung-Hua Institution for Economic Research

E-Mail: csh@cier.edu.tw

Tel: +(886) 2 27356006 ext. 623

www.cier.edu.tw

For industry comments, please contact:

Shu-Shin (Steve) Lai

Honorary Chairman

Supply Management Institute, Taiwan

E-Mail: shushin.lai@gmail.com

Tel: +(886) 2 27495889

www.smit.org.tw