

Taiwan Business Indicators in June 2004

Press Release

Council for Economic Planning and Development

July 27, 2004

In June 2004, Taiwan's business indicators displayed a noticeable softening on the financial side of the economy. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading index and the coincident index decreased 1.5% and 0.9%, respectively. The monitoring indicators returned to the "yellow-red" light after flashing "red" in May for the first time in nine and a half years. With the global economy and world trade remaining favorable, and both domestic and foreign demand encouragingly buoyant, the outlook for the economy remains bright.

1. **Leading Indicators.** The leading index stood at 108.2 (1996=100), slipping 1.5% from May, based on revised data. The loss came as four out of seven components of the index declined from the preceding month, which were money supply M1B*, stock prices*, wholesale price change from six months earlier, and floor area of building construction permits. The components contributing positively to the index's movement were manufacturers' new orders*, customs-cleared exports* and average work hours in the manufacturing sector.

(Note: components marked with an asterisk indicate year-on-year change rate)

2. **Coincident Indicators.** The coincident index stood at 111.9 (1996=100), based on revised data, decreasing 0.9% from May. Among the six indicators that make up the coincident index, three that made negative contribution were industrial production*, manufacturing production*, and bank clearings*. Two components that made positive contribution were manufacturing sales and average monthly wage of manufacturing workers*. Domestic freight was not included due to data availability.

3. The Monitoring Indicators. The total score of the monitoring indicators lost three points to 36 points in June. The fall is attributable to slower growth in direct and indirect finance, bank clearings and remittances, and stock prices. The light signals for M1B money supply, manufacturing new orders, industrial production, customs-cleared exports, manufacturing inventory, and non-agricultural employment, remained unchanged.
4. Business Expectations. A survey of manufacturers for June indicated that 13% of manufacturing businesses expected the economy to be better over the next three months, down from 14% a month earlier, while another 15% held a negative view, down from 17% last month; 72% of the manufacturers surveyed expected the economy's performance to remain unchanged, up from 69% in the May survey.

Leading Indicators

	Seasonally adjusted						
	2003	2004					
	Dec	Jan	Feb	Mar	Apr	May	June
Composite index(1996=100)	106.2	107.1	108.2	109.3	110.7 _r	109.9 _r	108.2 _p
Change from prior month (%)	1.5	0.8	1.0	1.0	1.3 _r	-0.7 _r	-1.5 _p
Indicators :							
Manufacturing new orders (yoy %)	11.9	7.9	10.1	9.5	13.9	14.1	16.0 _p
Manufacturing work hours (monthly average)	192.2	189.6	188.7	190.1	192.1	189.7 _r	190.7 _p
Customs-cleared exports (yoy %)	16.7	27.2	19.6	12.2 _r	22.5 _r	23.8	23.9 _p
Money supply M1B (yoy %)	18.1	18.8	22.4	24.0	24.6	23.6	20.2
Wholesale price (% change from 6 month earlier)	1.8	2.8	3.3	4.8	5.4 _r	5.7 _r	5.3 _p
Stock price (yoy %)	26.7	27.5	42.1	49.6	49.8	36.9	18.2
Floor area of building construction permits (1000 m ²)	3,030	3,449	3,332	3,394	3,329	3,407 _r	3,179 _p

p: Preliminary. r: Revised.

Coincident Indicators

Seasonally adjusted

	2003	2004					
	Dec	Jan	Feb	Mar	Apr	May	June
Composite index(1996=100)	109.5	110.1	109.4	111.2 _r	111.2 _r	112.9 _r	111.9 _p
Change from prior month (%)	0.8	0.6	-0.6	1.6 _r	0.0	1.5 _r	-0.9 _p
Indicators :							
Industrial production (yoy %)	15.1	13.6	13.3	14.1	13.0	17.7 _r	14.8 _p
Manufacturing production (yoy %)	16.4	15.5	15.0	15.3	14.1	18.7 _r	16.1 _p
Manufacturing sales (NT\$ billion)	682.7	701.2	696.9	702.9	730.9	757.2	763.4 _p
Manufacturing average monthly wage (yoy %)	0.6	1.2	1.5	3.1	3.2	0.4 _r	2.4 _p
Bank clearings (yoy %)	-4.9	6.8	-6.4	7.0	3.9	3.6	-5.0
Domestic freight (million t-km)	1,674	1,669	1,674	1,707	1,707	-	-

p: Preliminary. r: Revised.

Monitoring Indications

		2003						2004							
		6	7	8	9	10	11	12	1	2	3	4	5	6	
Total Scores															
		20	24	26	29	31	30	34	35	34	36	37	39	36	
Financial Sector	Monetary Aggregates M1B, yoy %														20.2
	Direct and Indirect Finance, yoy %														9.8 _p
	Bank Clearings and Remittance, yoy %														7.9
	Stock Price Index, 1966=100, yoy%														18.2
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy %													7.6 _p	
	Exports, 2001\$, yoy %													23.0 _p	
	Industrial Production Index, 1996=100, yoy%													14.8 _p	
	Manufacturing Inventory-to-Sales ratio, %													50.7 _p	
	Nonagricultural Employment, yoy%												3.4		

Overheating
 Transition in need of watching
 Steadily moving forward
 Transition in need of watching
 Recession

Note: All data, except stock price index, have been seasonally adjusted.

Business Expectations

		Business conditions 3 months later (% of manufacturing firms surveyed)				Capacity utilization (%)	Profit rate (%)
		Better (1)	Same (2)	Worse (3)	Net change (1)-(3)		
2002	Oct	10	69	21	-11	78.5	5.1
	Nov	13	68	19	-6	77.8	5.1
	Dec	21	66	13	8	78.0	4.9
2003	Jan	25	65	10	15	78.0	5.0
	Feb	26	61	13	13	73.4	4.5
	Mar	19	65	16	3	78.4	4.8
	Apr	13	61	26	-13	77.7	4.6
	May	16	69	15	1	78.1	4.5
	Jun	17	75	8	9	77.5	4.5
	Jul	17	70	13	4	79.2	4.9
	Aug	22	65	13	9	78.7	4.8
	Sep	22	65	13	9	78.7	4.8
	Oct	18	69	13	5	80.2	5.0
	Nov	20	65	15	5	79.5	4.9
	Dec	24	66	10	14	80.4	5.1
2004	Jan	34	59	7	27	77.1	4.7
	Feb	32	58	10	22	79.3	5.0
	Mar	19	70	11	8	81.0	5.2
	Apr	13	74	13	0	80.5	5.1
	May _r	14	69	17	-3	80.3	5.1
	June _p	13	72	15	-2	80.3	5.0

p: Preliminary. r: Revised.

~~ The next release is scheduled for August 27, 2004 ~~