

Taiwan Business Indicators in July 2004

Press Release

Council for Economic Planning and Development

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In July 2004, Taiwan's business indicators continued to display a 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 0.4% and 2.0%, respectively. The monitoring indicators flashed "yellow-red" for the second consecutive month. 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 107.9 (1996=100), slipping 0.4% from June, based on revised data. The loss came as three out of seven components of the index declined from the preceding month, which were money supply M1B*, stock prices*, and average work hours in the manufacturing sector. The components contributing positively to the index's movement were manufacturers' new orders*, customs-cleared exports* wholesale price change from six months earlier, and floor area of building construction permits.

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

2. **Coincident Indicators.** The coincident index stood at 109.9 (1996=100), based on revised data, decreasing 2.0% from June. Among the six indicators that make up the coincident index, four that made negative contribution were industrial production*, manufacturing production*, bank clearings* and average monthly wage of manufacturing workers*. The component that made positive contribution was manufacturing sales. Domestic freight was not included due to data availability.

3. The Monitoring Indicators. The total score of the monitoring indicators lost one point to 35 points in July. The fall is attributable to slower growth in industrial production. The light signals for M1B money supply, direct and indirect finance, bank clearings and remittances, stock prices, manufacturing new orders, customs-cleared exports, manufacturing inventory, and non-agricultural employment, remained unchanged.
4. Business Expectations. A survey of manufacturers for July indicated that 10% of manufacturing businesses expected the economy to be better over the next three months, down from 12% a month earlier, while another 18% held a negative view, up from 15% last month; 72% of the manufacturers surveyed expected the economy's performance to remain unchanged, down from 73% in the June survey.

Leading Indicators

Seasonally adjusted

	2004						
	Jan	Feb	Mar	Apr	May	June	July
Composite index(1996=100)	107.1	108.2	109.3	110.7	109.9	108.3 _r	107.9 _p
Change from prior month (%)	0.8	1.0	1.0	1.3	-0.7	-1.5	-0.4 _p
Indicators :							
Manufacturing new orders (yoy %)	7.9	10.1	9.5	13.9	14.1	16.0	20.9 _p
Manufacturing work hours (monthly average)	189.6	188.7	190.1	192.1	189.7	189.8 _r	184.1 _p
Customs-cleared exports (yoy %)	27.2	19.6	12.2	22.5	24.0	23.9	25.4 _p
Money supply M1B (yoy %)	18.8	22.4	24.0	24.6	23.6	20.2	18.9
Wholesale price (% change from 6 month earlier)	2.8	3.3	4.8	5.4	5.7	5.4 _r	6.1 _p
Stock price (yoy %)	27.5	42.1	49.6	49.8	36.9	18.2	5.0
Floor area of building construction permits (1000 m ²)	3,449	3,332	3,394	3,329	3,407	3,278 _r	3,746 _p

p: Preliminary. r: Revised.

Coincident Indicators

Seasonally adjusted

	2004						
	Jan	Feb	Mar	Apr	May	June	July
Composite index(1996=100)	110.1	109.4	111.2	111.2	112.9	112.1 _r	109.9 _p
Change from prior month (%)	0.6	-0.6	1.6	0.0	1.5	-0.7 _r	-2.0 _p
Indicators :							
Industrial production (yoy %)	13.6	13.3	14.1	13.0	17.7	15.1	9.8 _p
Manufacturing production (yoy %)	15.5	15.0	15.3	14.1	18.7	16.4 _r	10.7 _p
Manufacturing sales (NT\$ billion)	701.2	696.9	702.9	730.9	757.2	763.4	779.1 _p
Manufacturing average monthly wage (yoy %)	1.2	1.5	3.1	3.2	0.4	3.2 _r	2.5 _p
Bank clearings (yoy %)	6.8	-6.4	7.0	3.9	3.6	-5.0	-11.5
Domestic freight (million t-km)	1,669	1,674	1,707	1,707	-	-	-

p: Preliminary. r: Revised.

Monitoring Indications

		2003						2004						
		7	8	9	10	11	12	1	2	3	4	5	6	7
Total Scores														
		24	26	29	31	30	34	35	34	36	37	39	36	35
Financial Sector	Monetary Aggregates M1B, yoy%													18.9
	Direct and Indirect Finance, yoy%													9.8 _p
	Bank Clearings and Remittance, yoy%													5.6
	Stock Price Index, 1966=100, yoy%													5.0
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy%													10.6 _p
	Exports, 2001\$, yoy%													23.1 _p
	Industrial Production Index, 1996=100, yoy%													9.8 _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)			
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	14	69	17	-3	80.3	5.1
	Jun _r	12	73	15	-3	80.3	5.0
	Jul _p	10	72	18	-8	80.7	5.0

p: Preliminary. r: Revised.

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