

Taiwan Business Indicators in August 2004

Press Release

Council for Economic Planning and Development

September 27, 2004

In August 2004, Taiwan's business indicators continued to display a softening on the financial and real sides of the economy. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading index decreased 0.8% and the coincident index remained the same as July. The monitoring indicators flashed "yellow-red" for the third 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 107.6 (1996=100), slipping 0.8% from July, based on revised data. The loss came as two out of seven components of the index declined from the preceding month, which were money supply M1B*, stock prices*, customs-cleared exports*, average work hours in the manufacturing sector, and floor area of building construction permits. The components contributing positively to the index's movement were manufacturers' new orders* and wholesale price change from six months earlier.

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

2. **Coincident Indicators.** The coincident index stood at 111.2 (1996=100), based on revised data, unchanged from July. Among the six indicators that make up the coincident index, three that made negative contribution were industrial production*, manufacturing production*, and average monthly wage of manufacturing workers*. The components that made positive contribution were bank clearings* and manufacturing sales. Domestic freight was not included due to data availability.

3. The Monitoring Indicators. The total score of the monitoring indicators lost two points to 33 points in August. The fall is attributable to slower growth in customs-cleared exports and bank clearings and remittances. The light signals for M1B money supply, direct and indirect finance, stock prices, manufacturing new orders, industrial production, manufacturing inventory, and non-agricultural employment remained unchanged.
4. Business Expectations. A survey of manufacturers for August indicated that 18% of manufacturing businesses expected the economy to be better over the next three months, up from 12% a month earlier, while another 10% held a negative view, down from 10% last month; 72% of the manufacturers surveyed expected the economy's performance to remain unchanged, up from 71% in the July survey.

Leading Indicators

Seasonally adjusted

	2004						
	Feb	Mar	Apr	May	June	July	Aug
Composite index(1996=100)	108.2	109.3	110.7	109.9	108.3	108.5 _r	107.6 _p
Change from prior month (%)	1.0	1.0	1.3	-0.7	-1.5	0.2 _r	-0.8 _p
Indicators :							
Manufacturing new orders (yoy %)	10.1	9.5	13.9	14.1	16.0	20.4 _r	21.4 _p
Manufacturing work hours (monthly average)	188.7	190.1	192.1	189.7	189.8	188.5 _r	187.0 _p
Customs-cleared exports (yoy %)	19.6	12.2	22.5	24.0	23.8 _r	25.4	17.3 _p
Money supply M1B (yoy %)	22.4	24.0	24.6	23.6	20.2	18.9	18.0
Wholesale price (% change from 6 month earlier)	3.3	4.8	5.4	5.7	5.4	6.3 _r	6.7 _p
Stock price (yoy %)	42.1	49.6	49.8	36.9	18.2	5.0	0.9
Floor area of building construction permits (1000 m ²)	3,332	3,394	3,329	3,407	3,278	3,776 _r	3,604 _p

p: Preliminary. r: Revised.

Coincident Indicators

Seasonally adjusted

	2004						
	Feb	Mar	Apr	May	June	July	Aug
Composite index(1996=100)	109.4	111.2	111.2	113.1 _r	113.1 _r	111.2 _r	111.2 _p
Change from prior month (%)	-0.6	1.6	0.0	1.7 _r	0.0 _r	-1.7 _r	0.0 _p
Indicators :							
Industrial production (yoy %)	13.3	14.1	13.0	17.7	15.1	9.5 _r	8.9 _p
Manufacturing production (yoy %)	15.0	15.3	14.1	18.7	16.4	10.6 _r	10.1 _p
Manufacturing sales (NT\$ billion)	696.9	702.9	730.9	757.2	763.4	779.1	790.2 _p
Manufacturing average monthly wage (yoy %)	1.5	3.1	3.2	0.4	3.2	4.3 _r	3.0 _p
Bank clearings (yoy %)	-6.4	7.0	3.9	3.6	-5.0	-11.5	-6.5
Domestic freight (million t-km)	1,674	1,707	1,707	1,732	1,772	-	-

p: Preliminary. r: Revised.

Monitoring Indications

		2003					2004							
		8	9	10	11	12	1	2	3	4	5	6	7	8
Total Scores		26	29	31	30	34	35	34	36	37	39	36	35	33
Financial Sector	Monetary Aggregates M1B, yoy%													18.0
	Direct and Indirect Finance, yoy%													9.7 _p
	Bank Clearings and Remittance, yoy %													2.5
	Stock Price Index, 1966=100, yoy%													0.9
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy %													9.7 _p
	Exports, 2001\$, yoy %													12.7 _p
	Industrial Production Index, 1996=100, yoy%													8.9 _p
	Manufacturing Inventory-to-Sales ratio, %													49.9 _p
	Nonagricultural Employment, yoy%													3.2

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	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
Feb		32	58	10	22	79.3	5.2 _r
Mar		19	70	11	8	81.0	5.4 _r
Apr		13	74	13	0	80.5	5.2 _r
May		14	69	17	-3	80.3	5.2 _r
Jun		12	73	15	-3	80.3	5.0
Jul _r		12	71	17	-5	80.7	5.1
Aug _p		18	72	10	8	80.5	5.0

p: Preliminary. r: Revised.

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