

Taiwan Business Indicators in January 2004

Press Release

Council for Economic Planning and Development

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In January 2004 Taiwan's business indicators showed continued improvement 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 increased 0.5% and 0.7%, respectively. The monitoring indicators continued to flash "yellow-red" for the second time in four years, after flashing "green" for the previous five consecutive months. With global economy and trade remaining on the up side, and both domestic and foreign demand encouragingly buoyant, the outlook for the economy has become significantly brighter.

1. **Leading Indicators.** The leading index stood at 106.1 (1996=100), based on revised data, increasing 0.5% from December 2003. The gain came as five out of seven components of the index improved last month, which were money supply M1B*, stock price*, customs-cleared exports*, wholesale price change from six months earlier, and floor area of building construction permits. The components contributing negatively to the index's movement were manufacturers' new orders* 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 108.0 (1996=100), based on revised data, increasing 0.7% from December. Among the six indicators that make up the coincident index, four indicators contributing positively were industrial production*, manufacturing production*, manufacturing sales, and bank clearings*. Only average monthly wage of manufacturing workers* made marginally negative contribution to the index. Domestic freight was not included due to data availability.
3. **The Monitoring Indicators.** The total score of the monitoring indicators gained one points to 35 points in January. Among the nine indicators,

direct and indirect finance showed robust improvement and its one-point gain changed its individual light signal from "blue" to "yellow-blue." The light signals for M1B money supply, bank clearings and remittances, stock prices, customs-cleared exports, industrial production, manufacturing new orders, manufacturing inventory and non-agricultural employment remained unchanged.

4. Business Expectations. A survey of manufacturers in January indicated that 34% of manufacturing businesses expected the economy to be better over the next three months, significantly up from 24% a month earlier, while 8% held a negative view, down from 10% last month; 58% of the manufacturers surveyed expected the economy's performance to remain unchanged, down from 66% in December.

Leading Indicators

| | Seasonally adjusted | | | | | | |
|--------------------------------------------------------------------|---------------------|--------------------|-------|--------------------|--------------------|--------------------|--------------------|
| | 2003 | | | | | | 2004 |
| | July | Aug | Sep | Oct | Nov | Dec | Jan |
| Composite index(1996=100) | 100.8 | 101.2 | 102.0 | 103.9 _r | 103.8 _r | 105.6 _r | 106.1 _p |
| Change from prior month (%) | 1.6 | 0.4 | 0.8 | 1.9 _r | -0.1 _r | 1.7 _r | 0.5 _p |
| Indicators : | | | | | | | |
| Manufacturing new orders (yoy %) | 11.0 | 10.0 | 7.4 | 9.9 | 8.8 | 12.3 _r | 10.7 _p |
| Manufacturing work hours (monthly average) | 188.4 | 185.8 | 188.7 | 190.4 | 186.4 | 193.5 _r | 190.6 _p |
| Customs-cleared exports (yoy %) | 7.6 | 15.3 | 11.6 | 10.4 _r | 13.0 _r | 17.2 _r | 21.0 _p |
| Money supply M1B (yoy %) | 10.9 | 13.6 | 16.0 | 18.6 | 18.9 | 18.0 | 19.2 |
| Wholesale price (% change from 6 month earlier) | -0.7 | -2.0 | -3.0 | -1.5 | 0.4 | 2.0 | 2.7 _p |
| Stock price (yoy %) | 2.7 | 12.5 | 27.3 | 39.0 | 27.3 | 26.7 | 27.5 |
| Floor area of building construction permits (1000 m ²) | 2,560 | 2,528 _r | 2,651 | 2,636 _r | 2,629 _r | 3,019 _r | 3,264 _p |

p: Preliminary. r: Revised.

Coincident Indicators

| | Seasonally adjusted | | | | | | |
|--------------------------------------------|---------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| | 2003 | | | | | | 2004 |
| | July | Aug | Sep | Oct | Nov | Dec | Jan |
| Composite index(1996=100) | 103.5 | 104.0 | 104.5 | 105.1 | 105.2 | 107.3 _r | 108.0 _p |
| Change from prior month (%) | 2.6 | 0.5 | 0.5 | 0.6 | 0.1 | 2.0 _r | 0.7 _p |
| Indicators : | | | | | | | |
| Industrial production (yoy %) | 6.2 _r | 5.9 _r | 7.3 _r | 8.9 _r | 8.0 | 12.1 _r | 12.7 _p |
| Manufacturing production (yoy %) | 6.1 | 6.1 _r | 6.0 | 8.6 _r | 8.5 _r | 12.2 _r | 13.7 _p |
| Manufacturing sales (NT\$ billion) | 6,617 | 6,554 | 6,587 | 6,705 | 6,652 | 6,865 _r | 7,067 _p |
| Manufacturing average monthly wage (yoy %) | 1.2 | 3.8 | 2.7 | 2.4 | 4.3 | 8.2 _r | 8.2 _p |
| Bank clearings (yoy %) | -16.9 | -16.9 | -3.2 | -1.9 | -3.9 | -2.7 | -0.1 |
| Domestic freight (million t-km) | 1,619 | 1,637 | 1,643 | 1,642 | - | - | - |

p: Preliminary. r: Revised.

Monitoring Indications

| | | 2003 | | | | | | | | | | | | 2004 | | | | | | | | | | | | | | | |
|----------------------------------|---------------------------------------------------------|------|---|---|---|---|---|---|---|---|----|----|----|------|----|----|----|----|----|----|----|----|----|----|----|----|------------------|-------------------------|--------------------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | | | | | | | | | | | | | | | |
| Total Scores | | | | | | | | | | | | | | | 20 | 22 | 17 | 14 | 14 | 20 | 24 | 26 | 29 | 31 | 30 | 34 | 35 | | |
| Financial Sector | Monetary Aggregates M1B, yoy% | | | | | | | | | | | | | | | | | | | | | | | | | | | 19.2 | Overheating |
| | Direct and Indirect Finance, yoy% | | | | | | | | | | | | | | | | | | | | | | | | | | | 7.7 _p | Transition in need of watching |
| | Bank Clearings and Remittance, yoy% | | | | | | | | | | | | | | | | | | | | | | | | | | | 10.3 | Transition in need of watching |
| | Stock Price Index, 1966=100, yoy% | | | | | | | | | | | | | | | | | | | | | | | | | | | 27.5 | Transition in need of watching |
| Real Sector | Manufacturing New Order Index, 1996\$, 1976.1=100, yoy% | | | | | | | | | | | | | | | | | | | | | | | | | | 8.0 _p | Steadily moving forward | |
| | Exports, yoy% | | | | | | | | | | | | | | | | | | | | | | | | | | | 23.2 _p | Overheating |
| | Industrial Production Index, 1996=100, yoy% | | | | | | | | | | | | | | | | | | | | | | | | | | | 12.7 _p | Transition in need of watching |
| | Manufacturing Inventory-to-Sales ratio, % | | | | | | | | | | | | | | | | | | | | | | | | | | | 55.4 _p | Transition in need of watching |
| Nonagricultural Employment, yoy% | | | | | | | | | | | | | | | | | | | | | | | | | | | 2.7 | Recession | |

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

Source: Council for Economic Planning and Development.

Business Expectations

% of manufacturing firms surveyed

| | | Business conditions 3 months later | | | | |
|------------------|------|------------------------------------|----------|-----------|--------------------|-----|
| | | Better (1) | Same (2) | Worse (3) | Net change (1)-(3) | |
| 2002 | May | 25 | 61 | 14 | 11 | |
| | Jun | 15 | 63 | 22 | -7 | |
| | Jul | 20 | 57 | 23 | -3 | |
| | Aug | 21 | 59 | 20 | 1 | |
| | Sep | 14 | 68 | 18 | -4 | |
| | Oct | 10 | 69 | 21 | -11 | |
| | Nov | 13 | 68 | 19 | -6 | |
| | Dec | 21 | 66 | 13 | 8 | |
| | 2003 | Jan | 25 | 65 | 10 | 15 |
| | | Feb | 26 | 61 | 13 | 13 |
| | | Mar | 19 | 65 | 16 | 3 |
| | | Apr | 13 | 61 | 26 | -13 |
| May | | 16 | 69 | 15 | 1 | |
| Jun | | 17 | 75 | 8 | 9 | |
| Jul | | 17 | 70 | 13 | 4 | |
| Aug | | 22 | 65 | 13 | 9 | |
| Sep | | 22 | 65 | 13 | 9 | |
| Oct | | 18 | 69 | 13 | 5 | |
| Nov _r | | 20 | 65 | 15 | 5 | |
| Dec _p | | 24 | 66 | 10 | 14 | |
| 2004 | Jan | 34 | 58 | 8 | 26 | |

Preliminary. r: Revised.

~~ The next release is scheduled for March 26, 2004 ~~