

Taiwan Business Indicators in December 2004

Press Release

Council for Economic Planning and Development

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In December 2004, Taiwan's business indicators displayed a continued softening of the economy. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading and the coincident index decreased by 1.1% and 2.4%, respectively. The monitoring indicators flashed "green" for the third successive month, signaling the economy's shift to a slower pace of expansion after the ten-month period in which they continuously flashed either "yellow-red" or "red". With the global economy and world trade remaining favorable, and both domestic and foreign demand buoyant, the outlook for the economy remains bright.

1. **Leading Indicators.** The leading index stood at 104.2 (1996=100), down 1.1% from November, based on revised data. Three out of seven components of the index increased from the preceding month, which were money supply M1B*, stock prices*, and floor area of building construction permits. The components that declined are wholesale price change from six months earlier, manufacturers' new orders*, average work hours in the manufacturing sector and customs-cleared exports*.

(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, slipping 2.4% from November. Among the six indicators that make up the coincident index, four that made negative contribution were industrial production*, manufacturing production*, bank clearings* and manufacturing sales. The component that made positive contribution was 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 in November was revised downward to 28 points and fell three points to 25 points in December. Among the nine indicators, six showed changes in their individual light signals, two with gains and four with losses. The improvement was recorded in monetary aggregates M1B and stock prices, while bank clearings and remittance, manufacturing new orders and exports each fell one point, and industrial production fell two points. The light signals for direct and indirect finance, manufacturing inventory ratio and non-agricultural employment remained unchanged.
4. **Business Expectations.** A survey of manufacturers for December indicated that 11% of manufacturing businesses expected the economy to be better over the next three months, declining from 12% a month earlier, while another 17% held a negative view, declining from 20% last month; 72% of the manufacturers surveyed expected the economy's performance to remain unchanged, up from 68% of the November survey.

Leading Indicators

	Seasonally adjusted						
	2004						
	June	July	Aug	Sep	Oct	Nov	Dec
Composite index(1996=100)	108.3	108.5	107.7	108.0	106.8	105.4 _r	104.2 _p
Change from prior month (%)	-1.5	0.2	-0.7	0.3	-1.1	-1.3 _r	-1.1 _p
Indicators :							
Manufacturing new orders (yoy %)	16.0	20.4	20.5	24.1	21.4	20.2 _r	14.4 _p
Manufacturing work hours (monthly average)	189.8	188.5	188.5	189.2	190.7	192.1 _r	189.6 _p
Customs-cleared exports (yoy %)	23.8	25.4	17.0	21.1	15.1 _r	10.4	5.9 _p
Money supply M1B (yoy %)	20.2	18.9	18.0	16.6	14.4	13.8	14.4
Wholesale price (% change from 6 month earlier)	5.4	6.2	6.8	6.2	6.2	3.2 _r	1.4 _p
Stock price (yoy %)	18.2	5.0	0.9	3.3	-0.9	-1.1	1.9
Floor area of building construction permits (1000 m ²)	3,278	3,776	3,598	3,686	3,521	3,683 _r	3,908 _p

p: Preliminary. r: Revised.

Coincident Indicators

Seasonally adjusted

	2004						
	June	July	Aug	Sep	Oct	Nov	Dec
Composite index(1996=100)	113.1	112.2	111.6	111.3 _r	110.7 _r	110.6 _r	108.0 _p
Change from prior month (%)	0.0	-0.8	-0.5	-0.3 _r	-0.5 _r	-0.1 _r	-2.4 _p
Indicators :							
Industrial production (yoy %)	15.1	9.5	8.8	7.1	5.4	4.4 _r	-1.8 _p
Manufacturing production (yoy %)	16.4	10.6	9.9	8.1	5.6	3.6 _r	-2.7 _p
Manufacturing sales (NT\$ billion)	763.4	779.1	802.5	802.4	806.8	802.5 _r	783.0 _p
Manufacturing average monthly wage (yoy %)	3.2	4.4	-0.1	2.6	2.6	1.4 _r	4.6 _p
Bank clearings (yoy %)	-5.0	-11.5	-6.5	-15.6	-17.6	-4.5	-15.4
Domestic freight (million t-km)	1,772	1,817	1,798	1,813	1,818	-	-

p: Preliminary. r: Revised.

Monitoring Indications

		2003	2004											
		12	1	2	3	4	5	6	7	8	9	10	11	12
Total Scores		34	35	34	36	37	39	36	35	33	32	29	28 _r	25
Financial Sector	Monetary Aggregates M1B, yoy%													14.4
	Direct and Indirect Finance, yoy%													8.7 _p
	Bank Clearings and Remittance, yoy%													2.9
	Stock Price Index, 1966=100, yoy%													1.9
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy%													4.8 _p
	Exports, 2001\$, yoy%													3.8 _p
	Industrial Production Index, 1996=100, yoy%													-1.8 _p
	Manufacturing Inventory-to-Sales ratio, %												_r	65.3 _p
	Nonagricultural Employment, yoy%													3.0

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	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	5.2
	Mar	19	70	11	8	81.0	5.4
	Apr	13	74	13	0	80.5	5.2
	May	14	69	17	-3	80.3	5.2
	Jun	12	73	15	-3	80.3	5.0
	Jul	12	71	17	-5	80.7	5.1
	Aug	16	71	13	3	80.5	5.0
	Sep	14	68	18	-4	80.4	5.0
	Oct	13	72	15	-2	80.4	5.0
	Nov _r	12	68	20	-8	80.1	4.9
	Dec _p	11	72	17	-6	80.3	4.8

p: Preliminary. r: Revised.

~~ The next release is scheduled for March 1, 2005 ~~