

## Taiwan Business Indicators in January 2005

Press Release

Council for Economic Planning and Development

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In January 2005, most of 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 index decreased by 2.1% and the coincident index increased 0.8%. The monitoring indicators flashed "green" for the fourth 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".

1. **Leading Indicators.** The leading index stood at 102.1 (1996=100), down 2.1% from December, based on revised data. Only one component of the index increased from the preceding month, which was average work hours in the manufacturing sector. The components that declined are wholesale price change from six months earlier, money supply M1B\*, stock prices\*, floor area of building construction permits, manufacturers' new orders\*, and customs-cleared exports\*.

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

2. **Coincident Indicators.** The coincident index stood at 109.0 (1996=100), based on revised data, rising to 0.8% from December. Among the six indicators that make up the coincident index, four that made positive contribution were industrial production\*, manufacturing production\*, bank clearings\* and manufacturing sales. The component that made negative 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 December was revised upward to 26 points and fell by two points to 24 points in January. Among the nine indicators, six showed changes in their individual light signals, two with gains and four with losses. The improvement was recorded in exports and industrial production, while monetary aggregates M1B, bank clearings and remittance, stock prices and non-agricultural employment each fell one point. The light signals for direct and indirect finance, manufacturing new orders and inventory ratio remained unchanged.
4. Business Expectations. A survey of manufacturers for January indicated that 23% of manufacturing businesses expected the economy to be better over the next three months, up from the revised 12% a month earlier, while another 17% held a negative view, same as last month; 60% of the manufacturers surveyed expected the economy's performance to remain unchanged, down from 71% of the December survey.

### Leading Indicators

	Seasonally adjusted						
	2004						2005
	July	Aug	Sep	Oct	Nov	Dec	Jan
Composite index(1996=100)	108.5	107.7	107.9 <sub>r</sub>	106.8	105.4	104.3 <sub>r</sub>	102.1 <sub>p</sub>
Change from prior month (%)	0.3 <sub>r</sub>	-0.7	0.2 <sub>r</sub>	-1.0 <sub>r</sub>	-1.3	-1.0 <sub>r</sub>	-2.1 <sub>p</sub>
Indicators :							
Manufacturing new orders (yoy %)	20.4	20.5	24.1	21.4	20.2	15.0 <sub>r</sub>	13.1 <sub>p</sub>
Manufacturing work hours (monthly average)	188.5	188.5	189.2	190.7	192.1	191.2 <sub>r</sub>	191.8 <sub>p</sub>
Customs-cleared exports (yoy %)	25.9 <sub>r</sub>	17.0	21.2 <sub>r</sub>	14.9 <sub>r</sub>	10.2 <sub>r</sub>	5.8 <sub>r</sub>	5.0 <sub>p</sub>
Money supply M1B (yoy %)	18.9	18.0	16.6	14.4	13.8	14.4	12.1
Wholesale price ( % change from 6 month earlier )	6.2	6.8	6.2	6.2	3.2	1.3 <sub>r</sub>	-1.3 <sub>p</sub>
Stock price (yoy %)	5.0	0.9	3.3	-0.9	-1.1	1.9	-5.1
Floor area of building construction permits (1000 m <sup>2</sup> )	3,776	3,598	3,686	3,521	3,683	3,795 <sub>r</sub>	3,481 <sub>p</sub>

p: Preliminary. r: Revised.

## Coincident Indicators

Seasonally adjusted

	2004						2005
	July	Aug	Sep	Oct	Nov	Dec	Jan
Composite index(1996=100)	112.2	111.5 <sub>r</sub>	111.3	110.6 <sub>r</sub>	110.6	108.1 <sub>r</sub>	109.0 <sub>p</sub>
Change from prior month (%)	-0.8	-0.6 <sub>r</sub>	-0.2 <sub>r</sub>	-0.6 <sub>r</sub>	0.0 <sub>r</sub>	-2.3 <sub>r</sub>	0.8 <sub>p</sub>
Indicators :							
Industrial production (yoy %)	9.4 <sub>r</sub>	8.6 <sub>r</sub>	7.1	5.2 <sub>r</sub>	4.4 <sub>r</sub>	-1.6 <sub>r</sub>	1.1 <sub>p</sub>
Manufacturing production (yoy %)	10.6	9.6 <sub>r</sub>	8.2 <sub>r</sub>	5.4 <sub>r</sub>	3.7 <sub>r</sub>	-2.4 <sub>r</sub>	0.1 <sub>p</sub>
Manufacturing sales (NT\$ billion)	779.1	802.5	802.4	806.8	802.5	783.1 <sub>r</sub>	806.1 <sub>p</sub>
Manufacturing average monthly wage (yoy %)	4.4	-0.1	2.6	2.6	1.4	4.5 <sub>r</sub>	1.1 <sub>p</sub>
Bank clearings (yoy %)	-11.5	-6.5	-15.6	-17.6	-4.5	-15.4	-11.8
Domestic freight (million t-km)	1,817	1,798	1,813	1,818	-	-	-

p: Preliminary. r: Revised.

## Monitoring Indications

		2004												2005	
		1	2	3	4	5	6	7	8	9	10	11	12	1	
Total Scores															
		35	34	36	37	39	36	35	33	32	29	28	26 <sub>r</sub>	24	
Financial Sector	Monetary Aggregates M1B, yoy%														12.1
	Direct and Indirect Finance, yoy%														8.0 <sub>p</sub>
	Bank Clearings and Remittance, yoy %														-0.7
	Stock Price Index, 1966=100, yoy%														-5.1
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy%														6.2 <sub>p</sub>
	Exports, 2001\$, yoy%														4.0 <sub>p</sub>
	Industrial Production Index, 1996=100, yoy %														1.1 <sub>p</sub>
	Manufacturing Inventory-to-Sales ratio, %														64.0 <sub>p</sub>
	Nonagricultural Employment, yoy %														2.7

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	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	12	68	20	-8	80.1	4.9
	Dec	12	71	17	-5	80.3	4.8
2005	Jan <sub>p</sub>	23	60	17	6	80.3	4.9

p: Preliminary. r: Revised.

~~ The next release is scheduled for March 28, 2005 ~~