

Taiwan Business Indicators in February 2005

Press Release

Council for Economic Planning and Development

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In February 2005, Taiwan's business indicators displayed a continued 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 decreased by 1.3% and the coincident index increased 0.1%. The monitoring indicators flashed "green" for the fifth successive month, signaling the economy's continued shift to a slower pace.

1. **Leading Indicators.** The leading index stood at 107.1 (2001=100), down 1.3% from January, based on revised data. Among the seven indicators that make up the leading index, two that made positive contribution were floor area of building construction permits and average work hours in the manufacturing sector. The components that declined are money supply M1B*, wholesale price change from six months earlier, manufacturers' new orders*, stock prices*, and customs-cleared exports*.

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

2. **Coincident Indicators.** The coincident index stood at 110.7 (2001=100), based on revised data, declining 0.1% from January. Among the six indicators that make up the coincident index, two that made positive contribution were industrial production* and manufacturing production*. The three components that made negative contribution were manufacturing sales, average monthly wage of manufacturing workers*, and bank clearings*. Domestic freight was not included due to data availability.

3. The Monitoring Indicators. The total score of the monitoring indicators in January was revised downward to 23 points and remained the same in February. Among the nine indicators, four showed changes in their individual light signals, two with gains and two with losses. The improvement was recorded in industrial production and non-agricultural employment, while manufacturing new orders and customs-cleared exports each fell one point. The light signals for M1B money supply, direct and indirect finance, bank clearings and remittances, stock prices and manufacturing inventory remained unchanged.
4. Business Expectations. A survey of manufacturers for February indicated that 22% of manufacturing businesses expected the economy to be better over the next three months, same as last month, while another 10% held a negative view, down from the revised 14% a month earlier; 68% of the manufacturers surveyed expected the economy's performance to remain unchanged, up from 64% of the January survey.

Leading Indicators

	Seasonally adjusted						
	2004					2005	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Composite index(2001=100)	115.2 _r	115.6 _r	114.2 _r	112.5 _r	111.2 _r	108.5 _r	107.1 _p
Change from prior month (%)	-0.8 _r	0.3 _r	-1.2 _r	-1.5 _r	-1.2 _r	-2.4 _r	-1.3 _p
Indicators :							
Manufacturing new orders (yoy %)	20.4 _r	24.0 _r	21.4 _r	20.2 _r	15.2 _r	12.4 _r	9.6 _p
Manufacturing work hours (monthly average)	189.0 _r	189.6 _r	190.9 _r	192.3 _r	190.7 _r	190.1 _r	191.1 _p
Customs-cleared exports (yoy %)	16.4 _r	22.1 _r	14.6 _r	9.7 _r	5.9 _r	5.1 _r	3.9 _p
Money supply M1B (yoy %)	17.9 _r	16.5 _r	14.4 _r	13.7 _r	14.3 _r	11.6 _r	8.1
Wholesale price (% change from 6 month earlier)	6.8	6.2	6.2	3.2	1.2 _r	-1.5 _r	-3.0 _p
Stock price (yoy %)	0.9	3.3	-0.9	-1.1	1.9	-5.1	-6.4
Floor area of building construction permits (1000 m ²)	3,553 _r	3,655 _r	3,486 _r	3,579 _r	3,812 _r	3,529 _r	3,777 _p

p: Preliminary. r: Revised.

Coincident Indicators

Seasonally adjusted

	2004					2005	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Composite index(2001=100)	112.6 _r	112.5 _r	111.7 _r	111.6 _r	109.7 _r	110.8 _r	110.7 _p
Change from prior month (%)	-0.8 _r	-0.1 _r	-0.7 _r	-0.1 _r	-1.7 _r	1.0 _r	-0.1 _p
Indicators :							
Industrial production (yoy %)	8.6	7.1	5.2	4.5 _r	-1.6 _r	1.6 _r	4.1 _p
Manufacturing production (yoy %)	9.7	8.2	5.4	3.7	-2.4	0.7 _r	3.0 _p
Manufacturing sales (NT\$ billion)	800.1 _r	801.0 _r	805.4 _r	802.3 _r	785.5 _r	804.7 _r	791.5 _p
Manufacturing average monthly wage (yoy %)	-0.2 _r	2.5 _r	2.5 _r	1.4	4.1 _r	2.1 _r	0.7 _p
Bank clearings (yoy %)	-7.7 _r	-15.0 _r	-17.0 _r	-6.1 _r	-15.3 _r	-13.5 _r	-18.1
Domestic freight (million t-km)	1,798	1,814 _r	1,816 _r	1,810	1,817	-	-

p: Preliminary. r: Revised.

Monitoring Indications

		2004											2005		
		2	3	4	5	6	7	8	9	10	11	12	1	2	
Total Scores		34	36	37	39	36	35	33	32	29	28	26	24	23	
Financial Sector	Monetary Aggregates M1B, yoy%													8.1	
	Direct and Indirect Finance, yoy%													7.6 _p	
	Bank Clearings and Remittance, yoy%														-9.3
	Stock Price Index, 1966=100, yoy%														-6.4
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy%														4.7 _p
	Exports, 2001\$, yoy%														3.4 _p
	Industrial Production Index, 2001=100, yoy%														4.1 _p
	Manufacturing Inventory-to-Sales ratio, %														65.5 _p
Nonagricultural Employment, yoy%															2.9

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	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 _r	22	64	14	8	80.3	4.9
	Feb _p	22	68	10	12	77.0	4.6

p: Preliminary. r: Revised.

~~ The next release is scheduled for April 27, 2005 ~~