

## Taiwan Business Indicators in June 2005

Press Release

Council for Economic Planning and Development

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In June 2005, Taiwan's business cycle indicators presented a reversal of their previous year-long downward trend. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading index and the coincident index rose 1.5% and 1.0%, respectively, from the previous month. Although the monitoring indicators continued to flash "yellow-blue," their score was two points higher than in May. The improvement of all three indicators provides further evidence that the economy is picking up vitality and entering a new phase of accelerating growth.

1. **Leading Indicators.** The leading index stood at 107.4 (2001=100), increasing 1.5% from May, based on revised data. Among the seven indicators that make up the composite index, all but one made positive contribution. Those showed improvement were wholesale price change from six months earlier, stock prices\*, money supply M1B\*, floor area of building construction permits, manufacturers' new orders\* and customs-cleared exports\*. The component that made negative contribution was 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 110.2 (2001=100), increasing 1.0% from May, based on revised data. Among the six indicators that make up the composite index, four that made positive contribution were bank clearings\*, industrial production\*, manufacturing sales, and manufacturing production\*. 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 June gained two points to 20. Among the nine indicators, two showed advances in their individual light signals. The improvement was recorded in M1B money supply and industrial production. The light signals for direct and indirect finance, bank clearings and remittances, stock prices, manufacturing new orders, customs-cleared exports, manufacturing inventory and non-agricultural employment remained unchanged.
4. Business Expectations. A survey of manufacturers for June indicated that 21% of manufacturing businesses expected the economy to be better over the next three months, up from the revised 18% a month earlier, while another 16% held a negative view, down from 17% a month earlier; 63% of the manufacturers surveyed expected the economy's performance to remain unchanged, down from the revised 65% of the May survey.

**~~ The next release is scheduled for August 26, 2005 ~~**

## Leading Indicators

Seasonally adjusted

	2004	2005					
	Dec	Jan	Feb	Mar	Apr	May	Jun
Composite index(2001=100)	111.0	108.5	106.7	106.9	104.8 <sub>r</sub>	105.8 <sub>r</sub>	107.4 <sub>p</sub>
Change from prior month (%)	-1.1	-2.3	-1.7	0.2	-2.0 <sub>r</sub>	1.0 <sub>r</sub>	1.5 <sub>p</sub>
Indicators :							
Manufacturing new orders (yoy %)	15.2	12.4	9.6	7.3	3.9	2.9	3.8 <sub>p</sub>
Manufacturing work hours (monthly average)	190.7	190.1	187.5	191.3	184.5	191.5 <sub>r</sub>	191.3 <sub>p</sub>
Customs-cleared exports (yoy %)	5.9	4.8	4.0	6.2	6.1	-2.1	-1.1 <sub>p</sub>
Money supply M1B (yoy %)	14.3	11.6	8.1	8.3	6.2	5.9	7.2
Wholesale price ( % change from 6 month earlier )	0.7	-1.4	-2.7	-3.0	-2.9 <sub>r</sub>	-2.9 <sub>r</sub>	-1.6 <sub>p</sub>
Stock price (yoy %)	1.9	-5.1	-6.4	-8.3	-11.9	0.3	8.0
Floor area of building construction permits (1000 m <sup>2</sup> )	3,812	3,529	3,825	3,739	3,367	3,634 <sub>r</sub>	3,865 <sub>p</sub>

p: Preliminary. r: Revised.

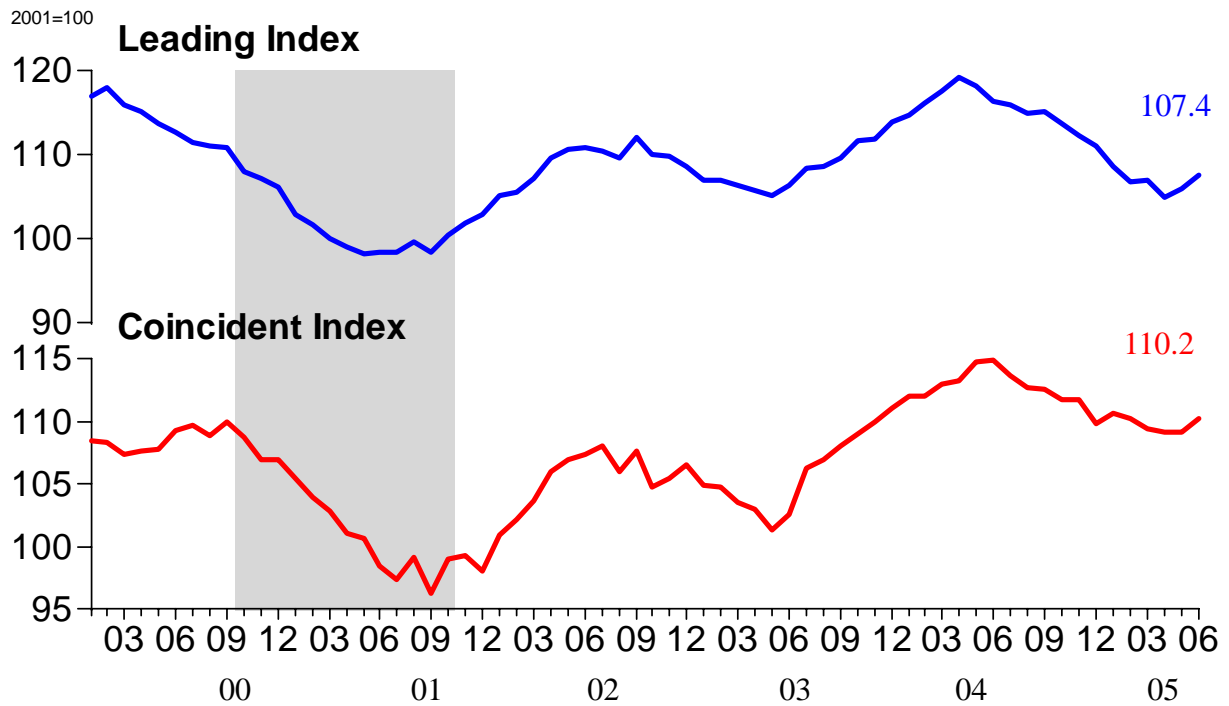
## Coincident Indicators

Seasonally adjusted

	2004	2005					
	Dec	Jan	Feb	Mar	Apr	May	Jun
Composite index(2001=100)	109.7	110.5	110.2	109.3 <sub>r</sub>	109.1 <sub>r</sub>	109.1 <sub>r</sub>	110.2 <sub>p</sub>
Change from prior month (%)	-1.7	0.7	-0.3	-0.8 <sub>r</sub>	-0.2 <sub>r</sub>	0.0 <sub>r</sub>	1.01 <sub>p</sub>
Indicators :							
Industrial production (yoy %)	-1.6	1.2	1.0	0.4	1.6	-1.2 <sub>r</sub>	0.5 <sub>p</sub>
Manufacturing production (yoy %)	-2.4	0.5	2.9	0.5	0.7	-1.1 <sub>r</sub>	0.0 <sub>p</sub>
Manufacturing sales (NT\$ billion)	785.5	804.7	791.5	789.5	774.8	769.0 <sub>r</sub>	779.2 <sub>p</sub>
Manufacturing average monthly wage (yoy %)	4.1	2.1	0.7	1.0	-0.1	1.2 <sub>r</sub>	-0.1 <sub>p</sub>
Bank clearings (yoy %)	-15.3	-13.5	-18.1	-20.1	-21.4	-12.4	-3.1
Domestic freight (million t-km)	1,817	1,807	1,822	1,796	1,806	-	-

p: Preliminary. r: Revised.

## Taiwan Composite Indices of Cyclical Indicators



## Monitoring Indications

		2004						2005							
		6	7	8	9	10	11	12	1	2	3	4	5	6	
Total Scores															
		36	35	33	32	29	28	26	23	23	22	20	18	20	
Financial Sector	Monetary Aggregates M1B, yoy %														7.2
	Direct and Indirect Finance, yoy %														7.0 <sub>p</sub>
	Bank Clearings and Remittance, yoy %														-2.4
	Stock Price Index, 1966=100, yoy%														8.0
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy %														4.7 <sub>p</sub>
	Exports, 2001\$, yoy %														2.7 <sub>p</sub>
	Industrial Production Index, 2001=100, yoy %														0.5 <sub>p</sub>
	Manufacturing Inventory-to-Sales ratio, %														60.5 <sub>p</sub>
	Nonagricultural Employment, yoy %														1.9

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)		
2004	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	22	64	14	8	80.3
Feb		23	67	10	13	77.0	4.6
Mar		17	72	11	6	80.5	5.1
Apr		14	67	19	-5	79.8	5.0
May <sub>r</sub>		18	65	17	1	79.8	5.0
Jun <sub>p</sub>		21	63	16	5	79.6	4.9