

## Taiwan Business Indicators in August 2005

Press Release

Council for Economic Planning and Development

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In August 2005, Taiwan's business indicators displayed signs of a strong upturn in the economy. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading index and the coincident index rose 0.9% and 2.6%, respectively, from the previous month. The monitoring indicators flashed "green" in August, ending five successive months of "yellow-green." The robust improvement of the indicators provides encouraging evidence of a resurgence of vitality of the economy.

1. **Leading Indicators.** The leading index stood at 108.2 (2001=100), increasing 0.9% from July, based on revised data. Among the seven indicators that make up the composite index, five made positive contribution. Those showed improvement were manufacturers' new orders\*, wholesale price change from six months earlier, floor area of building construction permits, customs-cleared exports\*, and average work hours in the manufacturing sector. Two that made negative contribution were money supply M1B\* and stock prices\*.

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

2. **Coincident Indicators.** The coincident index stood at 111.5 (2001=100), decreasing 2.6% from July, based on revised data. Among the six indicators that make up the composite index, five made positive contribution. Those showed improvement were industrial production\*, average monthly wage of manufacturing workers\*, manufacturing production\*, bank clearings\* and manufacturing sales. Domestic freight was not included due to data availability.

3. The Monitoring Indicators. The total score of the monitoring indicators in July posted 19, based on revised data. The total score increased 4 points to 23 in August. Among the nine indicators, four showed changes in their individual light signals, three with gains and one with loss. The improvement was recorded in bank clearings and remittances, manufacturing new orders, and industrial production. The fall was recorded in manufacturing inventory. The light signals for M1B money supply, direct and indirect finance, stock prices, customs-cleared exports, and non-agricultural employment remained unchanged.
4. Business Expectations. A survey of manufacturers for August indicated that 19% of manufacturing businesses expected the economy to be better over the next three months, up from the revised 17% a month earlier, while another 17% held a negative view, down from 23% a month earlier; 64% of the manufacturers surveyed expected the economy's performance to remain unchanged, up from the revised 60% of the July survey.

**~~ The next release is scheduled for October 27, 2005 ~~**

## Leading Indicators

Seasonally adjusted

	2005						
	Feb	Mar	Apr	May	Jun	July	Aug
Composite index(2001=100)	106.7	106.9	104.8	105.8	107.5 <sub>r</sub>	107.2 <sub>r</sub>	108.2 <sub>p</sub>
Change from prior month (%)	-1.7	0.2	-2.0	1.0	1.6 <sub>r</sub>	-0.3 <sub>r</sub>	0.9 <sub>p</sub>
Indicators :							
Manufacturing new orders (yoy %)	9.6	7.3	3.9	2.9	3.8	-0.4	4.4 <sub>p</sub>
Manufacturing work hours (monthly average)	187.5	191.3	184.5	191.5	192.7 <sub>r</sub>	189.1 <sub>r</sub>	189.4 <sub>p</sub>
Customs-cleared exports (yoy %)	4.0	6.2	6.1	-2.3	-1.2 <sub>r</sub>	-1.0	0.2 <sub>p</sub>
Money supply M1B (yoy %)	8.1	8.3	6.2	5.9	7.2	7.6	7.5
Wholesale price ( % change from 6 month earlier )	-2.7	-3.0	-3.0	-3.0	-1.7 <sub>r</sub>	-0.3 <sub>r</sub>	0.5 <sub>p</sub>
Stock price (yoy %)	-6.4	-8.3	-11.9	0.3	8.0	14.1	13.6
Floor area of building construction permits (1000 m <sup>2</sup> )	3,825	3,739	3,367	3,634	3,814	3,351 <sub>r</sub>	3,483 <sub>p</sub>

p: Preliminary. r: Revised.

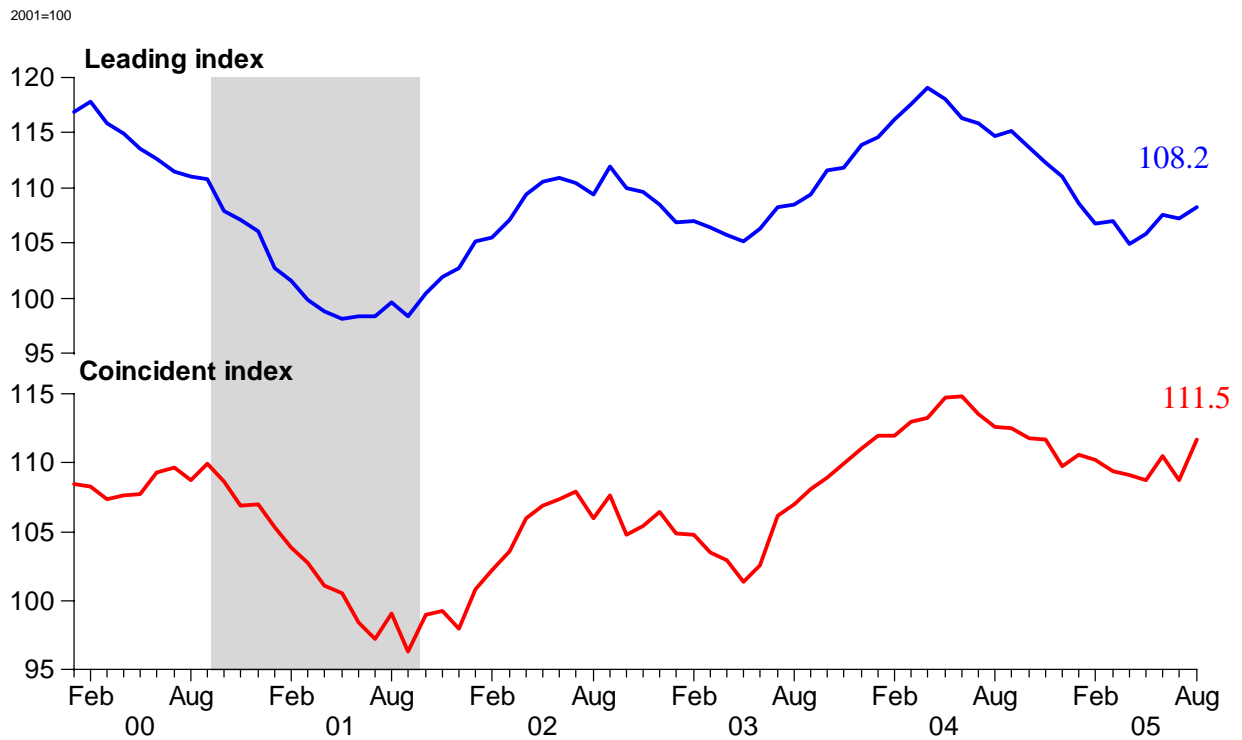
## Coincident Indicators

Seasonally adjusted

	2005						
	Feb	Mar	Apr	May	Jun	July	Aug
Composite index(2001=100)	110.2	109.3	109.1	108.7 <sub>r</sub>	110.4 <sub>r</sub>	108.7 <sub>r</sub>	111.5 <sub>p</sub>
Change from prior month (%)	-0.3	-0.8	-0.2	-0.4 <sub>r</sub>	1.6 <sub>r</sub>	-1.5 <sub>r</sub>	2.6 <sub>p</sub>
Indicators :							
Industrial production (yoy %)	1.0	0.4	1.6	-1.2	1.0	-0.6 <sub>r</sub>	4.1 <sub>p</sub>
Manufacturing production (yoy %)	2.9	0.5	0.7	-1.1	0.7	-0.7 <sub>r</sub>	3.4 <sub>p</sub>
Manufacturing sales (NT\$ billion)	791.5	789.5	774.8	769.0	779.2	778.1	779.4 <sub>p</sub>
Manufacturing average monthly wage (yoy %)	0.7	1.0	-0.1	1.2	2.2	-1.4 <sub>r</sub>	2.0 <sub>p</sub>
Bank clearings (yoy %)	-18.1	-20.1	-21.4	-12.4	-3.1	-8.8	-0.2
Domestic freight (million t-km)	1,822	1,796	1,806	1,782	1,796	-	-

p: Preliminary. r: Revised.

## Taiwan Composite Indices of Cyclical Indicators



## Monitoring Indications

		2004					2005							
		8	9	10	11	12	1	2	3	4	5	6	7	8
Total Scores		33	32	29	28	26	23	23	22	20	18	20	19 <sub>r</sub>	23
Financial Sector	Monetary Aggregates M1B, yoy%													7.5
	Direct and Indirect Finance, yoy%													7.2 <sub>p</sub>
	Bank Clearings and Remittance, yoy%													0.4
	Stock Price Index, 1966=100, yoy%													13.6
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy%													7.1 <sub>p</sub>
	Exports, 2001\$, yoy%													6.7 <sub>p</sub>
	Industrial Production Index, 2001=100, yoy%													4.1 <sub>p</sub>
	Manufacturing Inventory-to-Sales ratio, %													66.9 <sub>p</sub>
	Nonagricultural Employment, yoy%													2.0

● 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)		
2004	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	4.9
	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	18	65	17	1	79.8	5.0
	Jun	19	61	20	-1	79.6	4.9
	Jul <sub>r</sub>	17	60	23	-6	79.6	4.8
	Aug <sub>p</sub>	19	64	17	2	81.0	5.0