

## Taiwan Business Indicators in September 2005

Press Release

Council for Economic Planning and Development

October 27, 2005

In September 2005, Taiwan's business indicators continued to display signs of an 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 0.2% and 0.5%, respectively, from the previous month. The monitoring indicators flashed "green" for the second consecutive month in September, after the ending of a five-month period of "yellow-green." The improvement of the indicators provides further evidence that the economy is picking up.

1. **Leading Indicators.** The leading index stood at 108.8 (2001=100), increasing 0.2% from August, based on revised data. Among the seven indicators that make up the composite index, four that made positive contribution were customs-cleared exports\*, wholesale price change from six months earlier, floor area of building construction permits, and average work hours in the manufacturing sector. The components that made negative contribution were stock prices\*, money supply M1B\* and manufacturers' new orders\*.

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

2. **Coincident Indicators.** The coincident index stood at 112.5 (2001=100), increasing 0.5% from August, based on revised data. Among the six indicators that make up the composite index, three that made positive contribution were manufacturing sales, manufacturing production\*, and industrial production\*. Two that made negative contribution were bank clearings\* and average monthly wage of manufacturing workers\*. Domestic freight was not included due to data availability.

3. The Monitoring Indicators. The total score recorded 23 in September, remaining at the same level in August. Among the nine indicators, four showed changes in their individual light signals, two with gains and two with loss. The improvement was recorded in direct and indirect finance and manufacturing inventory. The fall was recorded in bank clearings and remittances and manufacturing new orders. The light signals for M1B money supply, stock prices, customs-cleared exports, industrial production and non-agricultural employment remained unchanged.
4. Business Expectations. A survey of manufacturers for September indicated that 9% of manufacturing businesses expected the economy to be better over the next three months, down from 19% a month earlier, while another 25% held a negative view, up from the revised 16% a month earlier; 66% of the manufacturers surveyed expected the economy's performance to remain unchanged, up from the revised 65% of the August survey.

**~~ The next release is scheduled for November 28, 2005 ~~**

## Leading Indicators

Seasonally adjusted

	2005						
	Mar	Apr	May	Jun	July	Aug	Sep
Composite index(2001=100)	106.9	104.8	105.8	107.5	107.2	108.6 <sub>r</sub>	108.8 <sub>p</sub>
Change from prior month (%)	0.2	-2.0	1.0	1.6	-0.3	1.3 <sub>r</sub>	0.2 <sub>p</sub>
Indicators :							
Manufacturing new orders (yoy %)	7.3	3.9	2.9	3.8	-0.4	4.4	3.6 <sub>p</sub>
Manufacturing work hours (monthly average)	191.3	184.5	191.5	192.7	189.1	190.7 <sub>r</sub>	192.0 <sub>p</sub>
Customs-cleared exports (yoy %)	6.2	6.1	-2.3	-1.2	-0.9 <sub>r</sub>	0.2	5.3 <sub>p</sub>
Money supply M1B (yoy %)	8.3	6.2	5.9	7.2	7.6	7.5	6.1
Wholesale price ( % change from 6 month earlier )	-3.0	-3.0	-3.0	-1.7	-0.4 <sub>r</sub>	1.2 <sub>r</sub>	2.1 <sub>p</sub>
Stock price (yoy %)	-8.3	-11.9	0.3	8.0	14.1	13.6	3.4
Floor area of building construction permits (1000 m <sup>2</sup> )	3,739	3,367	3,634	3,814	3,351	3,547 <sub>r</sub>	3,909 <sub>p</sub>

p: Preliminary. r: Revised.

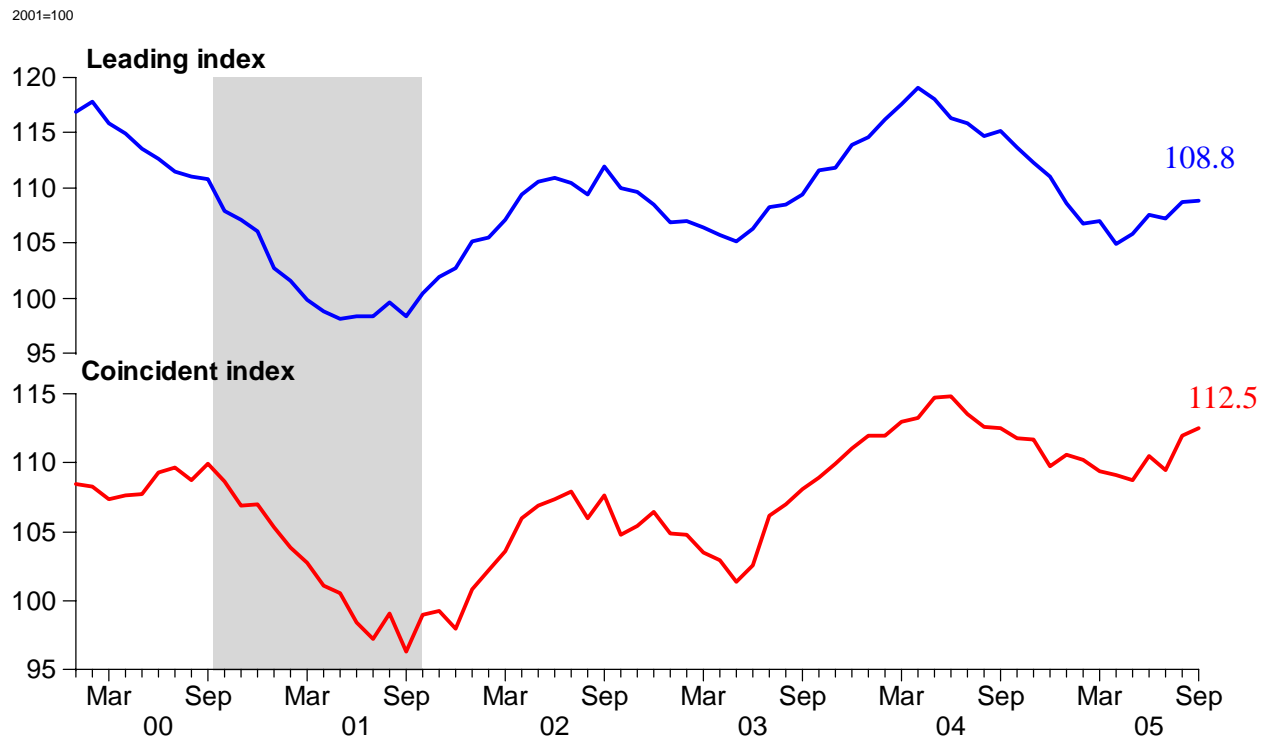
## Coincident Indicators

Seasonally adjusted

	2005						
	Mar	Apr	May	Jun	July	Aug	Sep
Composite index(2001=100)	109.3	109.1	108.7	110.4	109.4 <sub>r</sub>	111.9 <sub>r</sub>	112.5 <sub>p</sub>
Change from prior month (%)	-0.8	-0.2	-0.4	1.6	-0.9 <sub>r</sub>	2.3 <sub>r</sub>	0.5 <sub>p</sub>
Indicators :							
Industrial production (yoy %)	0.4	1.6	-1.2	1.0	-0.6	4.8 <sub>r</sub>	6.4 <sub>p</sub>
Manufacturing production (yoy %)	0.5	0.7	-1.1	0.7	-0.7	4.0 <sub>r</sub>	6.4 <sub>p</sub>
Manufacturing sales (NT\$ billion)	789.5	774.8	769.0	779.2	778.1	779.4	796.5 <sub>p</sub>
Manufacturing average monthly wage (yoy %)	1.0	-0.1	1.2	2.2	1.8 <sub>r</sub>	2.7 <sub>r</sub>	1.7 <sub>p</sub>
Bank clearings (yoy %)	-20.1	-21.4	-12.4	-3.1	-8.8	-0.2	-4.6
Domestic freight (million t-km)	1,796	1,806	1,782	1,796	-	-	-

p: Preliminary. r: Revised.

## Taiwan Composite Indices of Cyclical Indicators



## Monitoring Indications

		2004				2005									
		9	10	11	12	1	2	3	4	5	6	7	8	9	
Total Scores		32	29	28	26	23	23	22	20	18	20	19	23	23	
Financial Sector	Monetary Aggregates M1B, yoy %													6.1	
	Direct and Indirect Finance, yoy %													7.9	
	Bank Clearings and Remittance, yoy %														-4.1
	Stock Price Index, 1966=100, yoy%														3.4
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy %													4.8 <sub>p</sub>	
	Exports, 2001\$, yoy %													10.2 <sub>p</sub>	
	Industrial Production Index, 2001=100, yoy%													6.4 <sub>p</sub>	
	Manufacturing Inventory-to-Sales ratio, %													65.8 <sub>p</sub>	
Nonagricultural Employment, yoy%														2.3	

● 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	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	17	60	23	-6	79.6	4.8
	Aug <sub>r</sub>	19	65	16	3	81.0	5.0
	Sep <sub>p</sub>	9	66	25	-16	81.0	5.0