

Taiwan Business Indicators in August 2006

Press Release

Council for Economic Planning and Development

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In August 2006, Taiwan's business indicators displayed mixed signals of the economy. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading and the coincident indexes decreased 0.2% and 1.9%, respectively, from the previous month. The monitoring indicators flashed "yellow-blue" for the third consecutive month, reflecting a deceleration in economic growth despite continued buoyancy in exports, production and employment.

1. **Leading Indicators.** The leading index stood at 110.3 (2001=100), decreasing 0.2% from July, based on revised data. Among the seven indicators that made up the composite index, four that made positive contribution were average work hours in the manufacturing sector, customs-cleared exports*, stock prices*, and manufacturing new orders*. Three that made negative contribution were floor area of building construction permits, wholesale price change from six months earlier, and money supply M1B*.

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

2. **Coincident Indicators.** The coincident index stood at 110.6 (2001=100), decreasing 1.9% from July. Among the six indicators that made up the composite index, five that made negative contribution were bank clearings*, manufacturing production*, industrial production*, manufacturing sales, and average monthly wage of manufacturing workers*. Domestic freight was not included due to data unavailability.
3. **The Monitoring Indicators.** The total score in July was adjusted to 21 from 22, following a downward revision in industrial production. The total score in August increased 1 point to 22, flashing the signal of

"yellow-blue" for the third consecutive month. Among the nine indicators, exports improved further and resulted in a change in its individual light signals. The improvement was recorded in and while the fall was recorded in. The light signals for money supply M1B, direct and indirect finance, bank clearings and remittance, stock prices, manufacturing new orders, industrial production, manufacturing inventory and non-agricultural employment remained unchanged.

4. Business Expectations. The August survey of manufacturers indicated that 14% of the respondents expected the economy to become better over the next three months, down from the revised 18% a month earlier, while another 21% held a negative view, up from 13% a month earlier; and 65% of the manufacturers surveyed expected the economy's performance to remain unchanged, down from the revised 69% in the July survey.

~~ The next release is scheduled for October 27, 2006 ~~

Leading Indicators

	Seasonally adjusted						
	2006						
	Feb	Mar	Apr	May	Jun	Jul	Aug
Composite index(2001=100)	109.8	107.6	108.3	110.4	110.8 _r	110.5 _r	110.3 _p
Change from prior month (%)	0.5	-2.0	0.7	1.9	0.4 _r	-0.3 _r	-0.2 _p
Indicators :							
Manufacturing new orders (yoy %)	8.6	4.7	4.5	7.8	5.0	5.6 _r	6.6 _p
Manufacturing work hours (monthly average)	190.0	189.0	185.7	188.7	192.3	187.0 _r	192.4 _p
Customs-cleared exports (yoy %)	17.4	13.6	12.0	13.2	21.5 _r	20.0	24.7 _p
Money supply M1B (yoy %)	6.9	4.6	5.6	7.1	5.2	3.1	2.7
Wholesale price (% change from 6 month earlier)	1.7	-0.2	0.8	3.3	5.4 _r	7.3 _r	6.7 _p
Stock price (yoy %)	8.4	6.5	18.1	20.1	5.2	2.7	4.9
Floor area of building construction permits (1000 m ²)	3,166	3,223	3,150	3,069	3,305	3,685 _r	2,689 _p

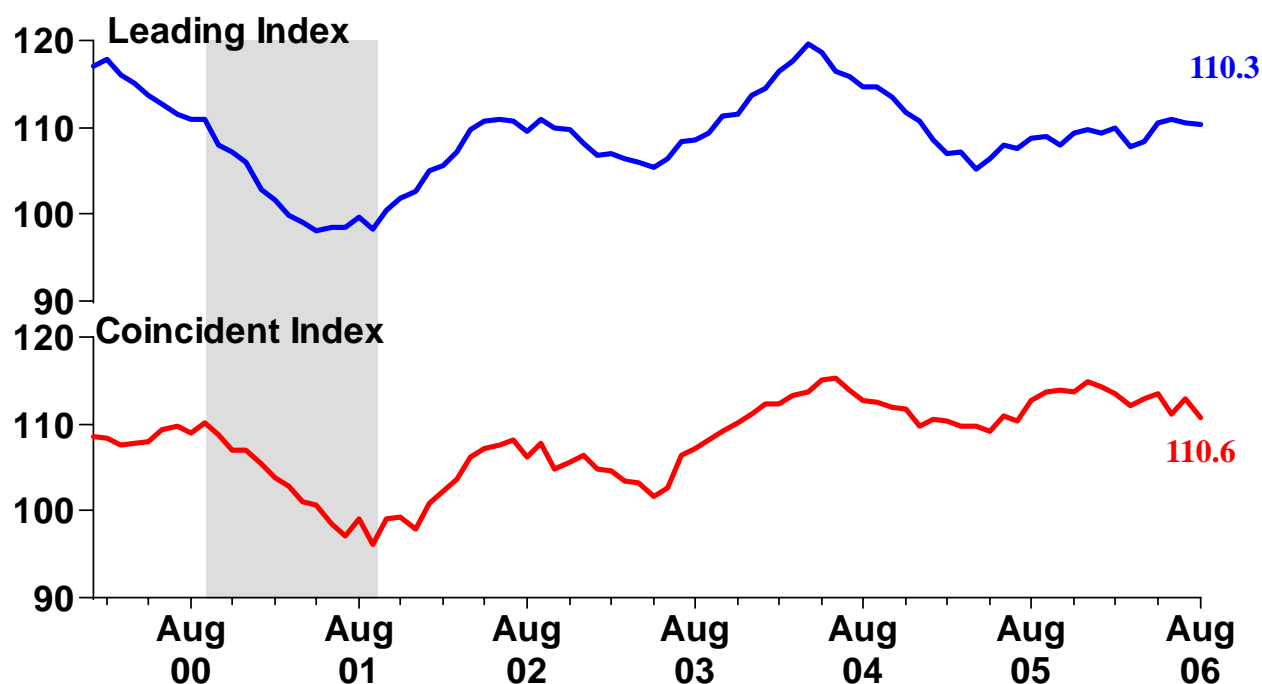
p: Preliminary. r: Revised.

Coincident Indicators

	Seasonally adjusted						
	2006						
	Feb	Mar	Apr	May	Jun	Jul	Aug
Composite index(2001=100)	113.3	112.0	112.8	113.3 _r	111.0	112.7	110.6 _p
Change from prior month (%)	-0.8	-1.1	0.7	0.4 _r	-2.0 _r	1.5	-1.9 _p
Indicators :							
Industrial production (yoy %)	8.3	6.8	7.6	7.4	6.0	7.4 _r	4.6 _p
Manufacturing production (yoy %)	9.8	6.2	7.9	7.3	6.2	7.5 _r	4.8 _p
Manufacturing sales (NT\$ billion)	793.5	784.9	799.1	793.9	792.1	806.6	794.2 _p
Manufacturing average monthly wage (yoy %)	1.8	2.3	2.5	4.5	-0.2	0.7 _r	0.5 _p
Bank clearings (yoy %)	4.2	0.4	2.0	0.9	-4.0	5.2	-5.6
Domestic freight (million t-km)	1,788	1,771	1,771	1,800	1,756	-	-

p: Preliminary. r: Revised.

Composite Indices of Cyclical Indicators



Monitoring Indications

		2005					2006							
		8	9	10	11	12	1	2	3	4	5	6	7	8
Total Scores		23	23	24	24	27	28	28	23	23	24	21	21 _r	22
Financial Sector	Monetary Aggregates M1B, yoy %	●	●	●	●	●	●	●	●	●	●	●	●	2.7
	Direct and Indirect Finance, yoy %	●	●	●	●	●	●	●	●	●	●	●	●	4.5
	Bank Clearings and Remittance, yoy %	●	●	●	●	●	●	●	●	●	●	●	●	-1.5
	Stock Price Index, 1966=100, yoy %	●	●	●	●	●	●	●	●	●	●	●	●	4.9
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy %	●	●	●	●	●	●	●	●	●	●	●	●	-2.7 _p
	Exports, 2001\$, yoy %	●	●	●	●	●	●	●	●	●	●	●	●	18.7
	Industrial Production Index, 2001=100, yoy %	●	●	●	●	●	●	●	●	●	●	●	●	4.6
	Manufacturing Inventory-to-Sales ratio, %	●	●	●	●	●	●	●	●	●	●	●	●	64.0 _p
	Nonagricultural Employment, yoy %	●	●	●	●	●	●	●	●	●	●	●	●	2.4

● Overheating
 ● Transition in need of watching
 ● Steadily moving forward
 ● Transition in need of watching
 ● Transition in need of watching

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)	Net change Seasonally adjusted		
2005	Jul	17	60	23	-6	0	79.6	4.8
	Aug	19	65	16	3	2	81.0	5.0
	Sep	12	66	22	-10	-5	80.8	5.2
	Oct	11	64	25	-14	-7	81.0	5.2
	Nov	11	68	21	-10	-3	81.0	5.1
	Dec	13	69	18	-5	-5	81.2	4.9
2006	Jan	19	63	18	1	-4	78.9	4.9
	Feb	31	59	10	21	4	78.1	4.6
	Mar	18	73	9	9	4	81.0	4.9
	Apr	15	70	15	0	3	80.4	4.9
	May	18	69	13	5	5	80.8	5.0
	Jun	14	69	17	-3	2	80.5	5.0
	Jul _r	18	69	13	5	8	80.4	4.9
	Aug _p	14	65	21	-7	-9	80.8	4.9