

## **Taiwan Business Indicators in September 2006**

Press Release

Council for Economic Planning and Development

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In September 2006, Taiwan's business indicators showed an improvement 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 increased 0.4% and the coincident index decreased 1.4% from the previous month. The monitoring indicators signaled "green" to end a three-month run on "yellow-blue," an improvement that suggests a return of vitality in the economy. However, a slackening performance in industrial production makes it hard to assess the sustainability of the resurgence.

1. **Leading Indicators.** The leading index stood at 110.0 (2001=100), increasing 0.4% from August, based on revised data. Among the seven indicators that made up the composite index, three that made positive contribution were money supply M1B\*, stock prices\*, and floor area of building construction permits. Four that made negative contribution were customs-cleared exports\*, manufacturing new orders\*, average work hours in the manufacturing sector, and wholesale price change from six months earlier.

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

2. **Coincident Indicators.** The coincident index stood at 109.5 (2001=100), decreasing 1.4% from August, based on revised data. Among the six indicators that made up the composite index, one that made positive contribution was bank clearings\*. Four that made negative contribution were manufacturing sales, manufacturing production\*, industrial production\*, and average monthly wage of manufacturing workers\*. Domestic freight was not included due to data unavailability.

3. The Monitoring Indicators. The total score in September increased 1 point further to 23, flashing the signal of "green" to end a three-month run on "yellow-blue." Among the nine indicators, three showed changes in their individual light signals, two with gains and one with loss. The improvement was recorded in money supply M1B and bank clearings and remittance, while the fall was in industrial production. The light signals for direct and indirect finance, stock prices, exports, manufacturing new orders, manufacturing inventory and non-agricultural employment remained unchanged.
4. Business Expectations. The September survey of manufacturers indicated that 9% of the respondents expected the economy to become better over the next three months, down from the revised 12% a month earlier, while another 21% held a negative view, up from the revised 18% a month earlier; and 70% of the manufacturers surveyed expected the economy's performance to remain unchanged, same as the August survey.

**~~ The next release is scheduled for November 27, 2006 ~~**

## Leading Indicators

Seasonally adjusted

	2006						
	Mar	Apr	May	Jun	Jul	Aug	Sep
Composite index(2001=100)	107.6	108.3	110.4	110.8	110.5	109.6 <sub>r</sub>	110.0 <sub>p</sub>
Change from prior month (%)	-2.0	0.7	1.9	0.4	-0.3	-0.8 <sub>r</sub>	0.4 <sub>p</sub>
Indicators :							
Manufacturing new orders (yoy %)	4.7	4.5	7.8	5.0	5.6	6.1 <sub>r</sub>	3.7 <sub>p</sub>
Manufacturing work hours (monthly average)	189.0	185.7	188.7	192.3	187.0	190.2 <sub>r</sub>	189.1 <sub>p</sub>
Customs-cleared exports (yoy %)	13.6	12.0	13.2	21.5	20.2 <sub>r</sub>	24.7	20.9 <sub>p</sub>
Money supply M1B (yoy %)	4.6	5.6	7.1	5.2	3.1	2.7	4.6
Wholesale price ( % change from 6 month earlier )	-0.2	0.8	3.3	5.4	7.3	6.7	6.4 <sub>p</sub>
Stock price (yoy %)	6.5	18.1	20.1	5.2	2.7	4.9	11.8
Floor area of building construction permits (1000 m <sup>2</sup> )	3,223	3,150	3,069	3,305	3,685	2,374 <sub>r</sub>	2,639 <sub>p</sub>

p: Preliminary. r: Revised.

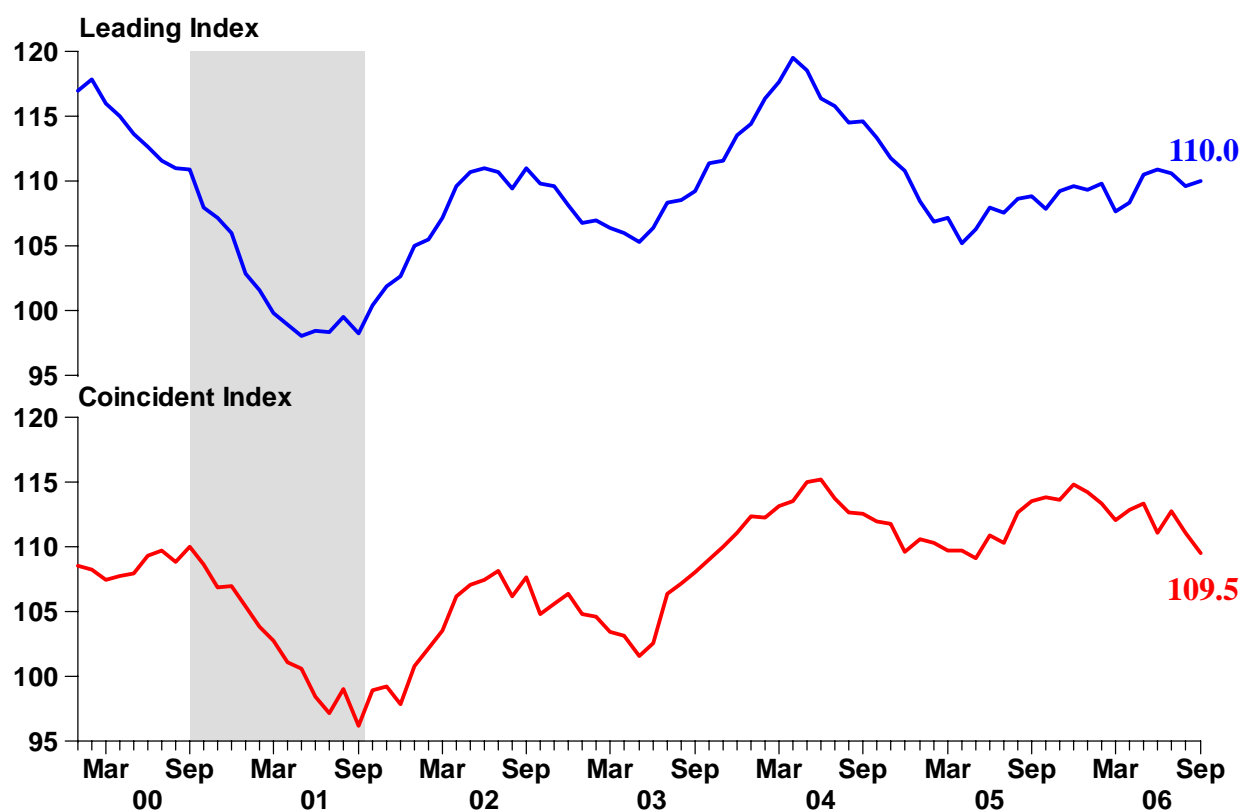
## Coincident Indicators

Seasonally adjusted

	2006						
	Mar	Apr	May	Jun	Jul	Aug	Sep
Composite index(2001=100)	112.0	112.8	113.3	111.0	112.7	111.0 <sub>r</sub>	109.5 <sub>p</sub>
Change from prior month (%)	-1.1	0.7	0.4	-2.0	1.5	-1.5 <sub>r</sub>	-1.4 <sub>p</sub>
Indicators :							
Industrial production (yoy %)	6.8	7.6	7.4	6.0	7.4	4.6	2.7 <sub>p</sub>
Manufacturing production (yoy %)	6.2	7.9	7.3	6.2	7.5	4.8	2.5 <sub>p</sub>
Manufacturing sales (NT\$ billion)	784.9	799.1	793.9	792.1	806.6	804.6 <sub>r</sub>	782.1 <sub>p</sub>
Manufacturing average monthly wage (yoy %)	2.3	2.5	4.5	-0.2	0.6 <sub>r</sub>	1.0 <sub>r</sub>	-0.5 <sub>p</sub>
Bank clearings (yoy %)	0.4	2.0	0.9	-4.0	5.2	-5.6	-2.8
Domestic freight (million t-km)	1,771	1,771	1,800	1,756	-	-	-

p: Preliminary. r: Revised.

## Composite Indices of Cyclical Indicators



## Monitoring Indications

		2005				2006								
		9	10	11	12	1	2	3	4	5	6	7	8	9
Total Scores														
		23	24	24	27	28	28	23	23	24	21	21	22	23
Financial Sector	Monetary Aggregates M1B, yoy%													4.6
	Direct and Indirect Finance, yoy%													3.8
	Bank Clearings and Remittance, yoy%													0.8
	Stock Price Index, 1966=100, yoy%													11.8
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy %													-4.6 <sub>p</sub>
	Exports, 2001\$, yoy%													17.2
	Industrial Production Index, 2001=100, yoy %													2.7
	Manufacturing Inventory-to-Sales ratio, %													65.5
	Nonagricultural Employment, yoy%													2.5

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	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	18	69	13	5	8	80.4	4.9
	Aug <sub>r</sub>	12	70	18	-6	-6	80.8	4.9
	Sep <sub>p</sub>	9	70	21	-12	-6	80.6	4.8