

Taiwan Business Indicators in December 2006

Press Release

Council for Economic Planning and Development

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In December 2006, Taiwan's business indicators dampened hopes of an economic upturn. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading index and the coincident index decreased 1.1% and 0.4%, respectively. The monitoring indicators flashed the first "blue" signal in 44 months since the shock of the SARS epidemic. However, it remains to be observed whether the latest changes are likely to persist and develop into trends.

1. **Leading Indicators.** The composite leading index stood at 107.8 (2001=100), decreasing 1.1% from November. Among the seven indicators that made up the composite index, two that made positive contribution were manufacturing new orders* and average work hours in the manufacturing sector. Five that made negative contribution were customs-cleared exports*, wholesale price change from six months earlier, floor area of building construction permits, 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 109.1 (2001=100), decreasing 0.4% from November, based on revised data. Among the six indicators that made up the composite index, two that made positive contribution were manufacturing sales and average monthly wage of manufacturing workers*. Three that made negative contribution were bank clearings*, industrial production* and manufacturing production*. Domestic freight was not included due to data unavailability.

3. The Monitoring Indicators. The total score in December decreased 5 points to 16, flashing the "blue" signal (recession) to end a sixth-month period of "yellow-blue." Among the components, stock price, bank clearings and remittances, and industrial production each lost 1 point, and exports lost 2 points. The light signals for money supply M1B, direct and indirect finance, manufacturing new orders, manufacturing inventory, and non-agricultural employment remained unchanged.
4. Business Expectations. The December survey of manufacturers indicated that 17% of the respondents expected the economy to become better over the next three months, up from the revised 11% a month earlier, while another 19% held a negative view, down from the revised 20% a month earlier; and 64% of the manufacturers surveyed expected the economy's performance to remain unchanged, down from 69% in November.

~~ The next release is scheduled for March 2, 2007 ~~

Leading Indicators

Seasonally adjusted

	2006						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Composite index(2001=100)	110.8	110.5	109.6	110.2	109.1	109.0	107.8 _p
Change from prior month (%)	0.4	-0.3	-0.8	0.5	-1.0	-0.1	-1.1 _p
Indicators :							
Manufacturing new orders (yoy %)	5.0	5.6	6.1	3.7	2.4	5.8	6.9 _p
Manufacturing work hours (monthly average)	192.3	187.0	190.2	189.4	188.4	187.8 _r	188.5 _p
Customs-cleared exports (yoy %)	21.5	20.2	25.0	19.6	12.1 _r	9.0	1.6 _p
Money supply M1B (yoy %)	5.2	3.1	2.7	4.6	5.8	5.8	5.3
Wholesale price (% change from 6 month earlier)	5.4	7.3	6.8	6.6	4.1 _r	2.6	1.2 _p
Stock price (yoy %)	5.2	2.7	4.9	11.8	19.6	20.6	19.6
Floor area of building construction permits (1000 m ²)	3,305	3,685	2,374	2,767	2,636	2,838 _r	2,722 _p

p: Preliminary. r: Revised.

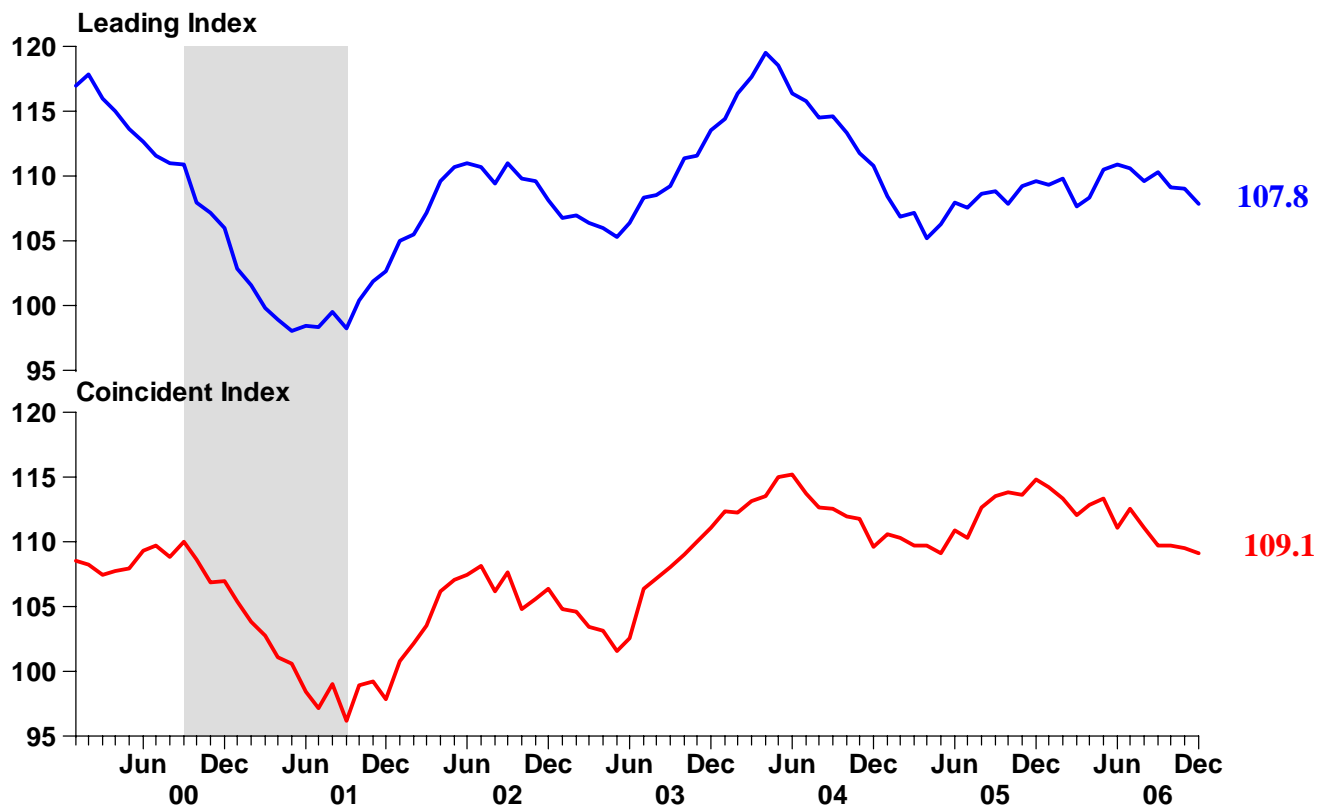
Coincident Indicators

Seasonally adjusted

	2006						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Composite index(2001=100)	111.0	112.5	111.0	109.7 _r	109.7	109.5 _r	109.1 _p
Change from prior month (%)	-2.0	1.4	-1.3	-1.1 _r	0.0 _r	-0.2 _r	-0.4 _p
Indicators :							
Industrial production (yoy %)	6.0	7.4	4.6	2.8	1.2 _r	1.0 _r	-0.3 _p
Manufacturing production (yoy %)	6.2	7.5	4.8	2.6	1.6 _r	0.5 _r	-0.4 _p
Manufacturing sales (NT\$ billion)	792.1	806.6	804.6	782.1	786.3 _r	805.4	813.9 _p
Manufacturing average monthly wage (yoy %)	-0.2	0.6	1.0	0.4	1.9 _r	0.6 _r	1.5 _p
Bank clearings (yoy %)	-4.0	5.2	-5.6	-2.8	-1.5	-3.5	-8.5
Domestic freight (million t-km)	1,756	1,756	1,748	1,741	1,736	-	-

p: Preliminary. r: Revised.

Composite Indices of Cyclical Indicators



Monitoring Indications

		2005	2006											
		12	1	2	3	4	5	6	7	8	9	10	11	12
Total Scores		27	28	28	23	23	24	21	21	22	22	20	21	16
Financial Sector	Monetary Aggregates M1B, yoy%	Steadily moving forward	Steadily moving forward	Steadily moving forward	Transition in need of watching	Transition in need of watching	Steadily moving forward	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	5.3
	Direct and Indirect Finance, yoy%	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	3.1
	Bank Clearings and Remittance, yoy%	Transition in need of watching	Steadily moving forward	Steadily moving forward	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	-2.0
	Stock Price Index, 1966=100, yoy%	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Overheating	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Overheating	Steadily moving forward
Real Sector	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy %	Steadily moving forward	Steadily moving forward	Steadily moving forward	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	Transition in need of watching	-1.1 _p
	Exports, 2001\$, yoy%	Overheating	Overheating	Overheating	Transition in need of watching	Steadily moving forward	Steadily moving forward	Transition in need of watching	Transition in need of watching	Overheating	Transition in need of watching	Steadily moving forward	Steadily moving forward	-0.9
	Industrial Production Index, 2001=100, yoy %	Overheating	Transition in need of watching	Transition in need of watching	Steadily moving forward	Transition in need of watching	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Transition in need of watching	Transition in need of watching	Transition in need of watching	-0.3
	Manufacturing Inventory-to-Sales ratio, %	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	58.8 _p
Nonagricultural Employment, yoy%		Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Steadily moving forward	Transition in need of watching	Transition in need of watching	Transition in need of watching	Steadily moving forward	Steadily moving forward	2.3

● 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	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	12	70	18	-6	-6	80.8	4.9
	Sep	8	68	24	-16	-10	80.6	4.8
	Oct	6	75	19	-13	-8	80.8	4.7
	Nov _r	11	69	20	-9	-1	80.8	4.6
	Dec _p	17	64	19	-2	1	80.4	4.4