

Taiwan Business Indicators in August 2007

Press Release

Council for Economic Planning and Development

September 27, 2007

In August 2007, Taiwan's business indicators continued to show signs of gathering invigoration. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading index and the coincident index increased 0.4% and 1.1%, respectively, from the previous month. The monitoring indicators signaled "green" for the third consecutive month. The positive signs suggest continued buoyancy of the economy. Although the recent subprime market turmoil has had only very limited direct impact on Taiwan's financial markets, the tightening effect on the global economy dampens the prospects for the overall economy.

1. **Leading Indicators:** The composite leading index stood at 147.0, increasing 0.4% from July. Its six-month rate of change was also higher than the previous month. Among the seven indicators making up the composite index, three that made positive contributions were index of export orders, average monthly overtime hours in industry and services, and stock prices. Three that made negative contributions were money supply M1B*, index of producer's inventory and building permits. SEMI book-to-bill ratio stayed unchanged.

(Note: components marked with an asterisk in real terms.)

2. **Coincident Indicators:** The coincident index stood at 151.5, increasing 1.1% from July. Its trend-adjusted series rose for the sixth consecutive month. Among the seven indicators making up the composite index, six that made positive contributions were industrial production, manufacturing sales*, customs-cleared exports*, machineries and electrical equipments imports*, nonagricultural

employment and electric power consumption, while the sole negative contribution was from sales index of wholesale, retail and food services.

3. The Monitoring Indicators: The total score in June was adjusted upward by one point to 30, following the revision of manufacturing sales. July's total score remained at 30, flashing the "green" signal for the third consecutive month. Among the components, customs exports gained one point while manufacturing sales lost one point, with both individual light signals changed.
4. Business Expectations. In the August survey of manufacturers, 12% of the respondents expected the economy to improve over the next three months, up from the revised 11% a month earlier; 14% held a negative view, same as the revised 14% a month earlier; and 74% expected the economy's performance to remain unchanged, down from the revised 75% in the July survey.

~~ The next release is scheduled for October 26, 2007 ~~

Leading Indicators

Seasonally adjusted

	2007						
	Feb	Mar	Apr	May	Jun	Jul	Aug
Composite Index	143.6	144.2	145.1	145.6	146.1	146.4	147.0
Change from preceding month (%)	0.4	0.4	0.6	0.3	0.3	0.2	0.4
Annualized 6-month rate of change (%)	3.4	3.8	4.5	4.6	4.8	4.6	4.8
Components							
Index of export orders (2001=100)	228.4	233.1	231.7	234.3	242.4	253.8	248.8p
Real monetary aggregates M1B (NT\$ billion)	7,803	7,817	7,932	7,969	7,982	8,041	8,022
Stock prices (1966=100)	7,818	7,689	7,992	8,087	8,580	9,358	8,757
Index of producer's Inventory (2001=100)	105.8	105.9	105.8	105.7	107.4	107.6	108.6p
Average monthly overtime in industry and services (hours/month)	8.6	9.2	8.9	9.1	9.1	9.3	9.3p
Building Permits * (1000m2)	2,883	2,307	2,382	2,522	2,369	2,424	2,423p
SEMI Book-to-Bill Ratio	0.98	0.99	0.98	0.98	0.91	0.83	0.83p

Note : 1.p=Preliminary.

2.* Including only housing, mercantile, business and service, industry warehousing.

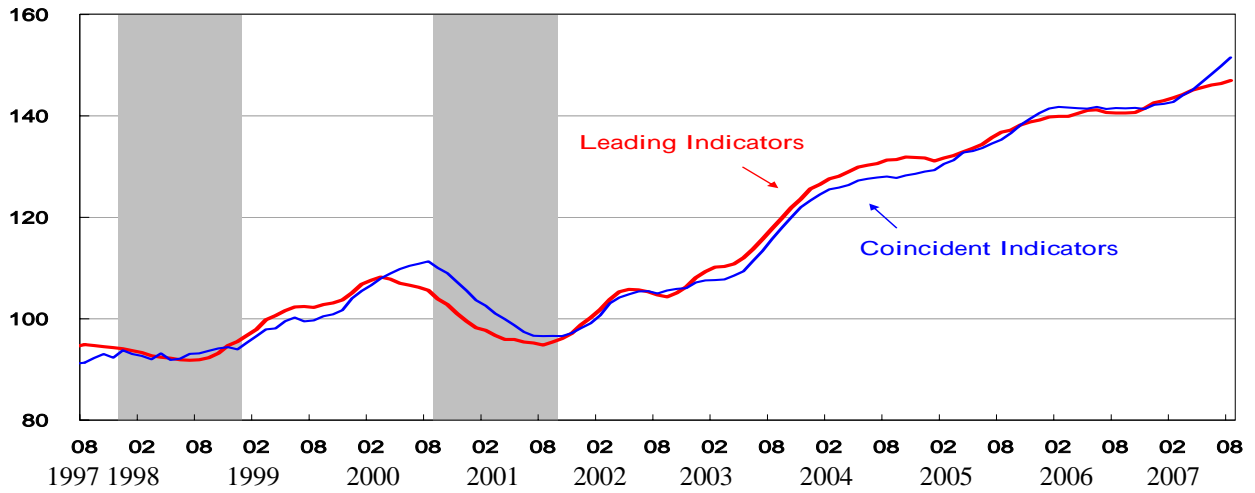
Coincident Indicators

Seasonally adjusted

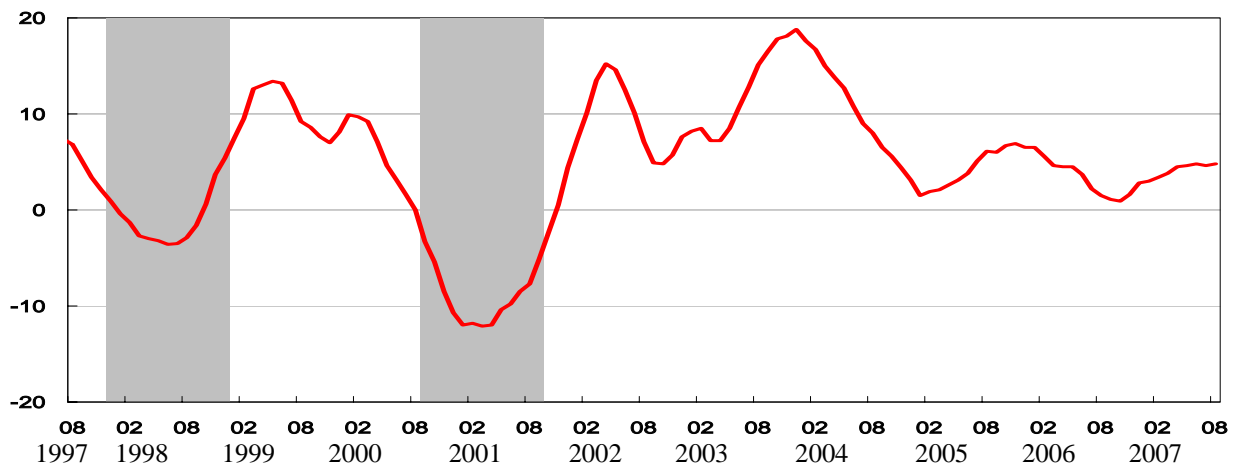
	2007						
	Feb	Mar	Apr	May	Jun	Jul	Aug
Composite Index	142.8	144.1	145.1	146.7	148.2	149.8	151.5
Change from preceding month (%)	0.3	0.9	0.7	1.1	1.0	1.1	1.1
Trend adjusted index	98.5	99.1	99.4	100.1	100.8	101.5	102.3
Components							
Industrial production (2001=100)	142.4	141.2	143.7	148.2	150.1	156.6	153.8 _p
Electric power consumption (billion KWH)	10.43	10.51	10.45	11.11	10.47	10.84	10.78
Real manufacturing sales (NT\$ billion)	770.9	773.8	777.3	798.0	782.8	815.5	817.5 _p
Sales index of wholesale, retail, and food services (2001=100)	122.1	122.0	121.7	123.1	122.1	122.7 _p	122.3 _p
Nonagricultural employment (1,000)	9,697	9,741	9,720	9,736	9,744	9,766	9,785
Real exports (NT\$ billion)	590.4	600.8	596.4	593.9	633.5	638.6	651.6 _p
Real machineries and electrical equipments imports (NT\$ billion)	237.4	250.7	261.9	266.2	268.8	281.5	283.0 _p

Note : p: Preliminary.

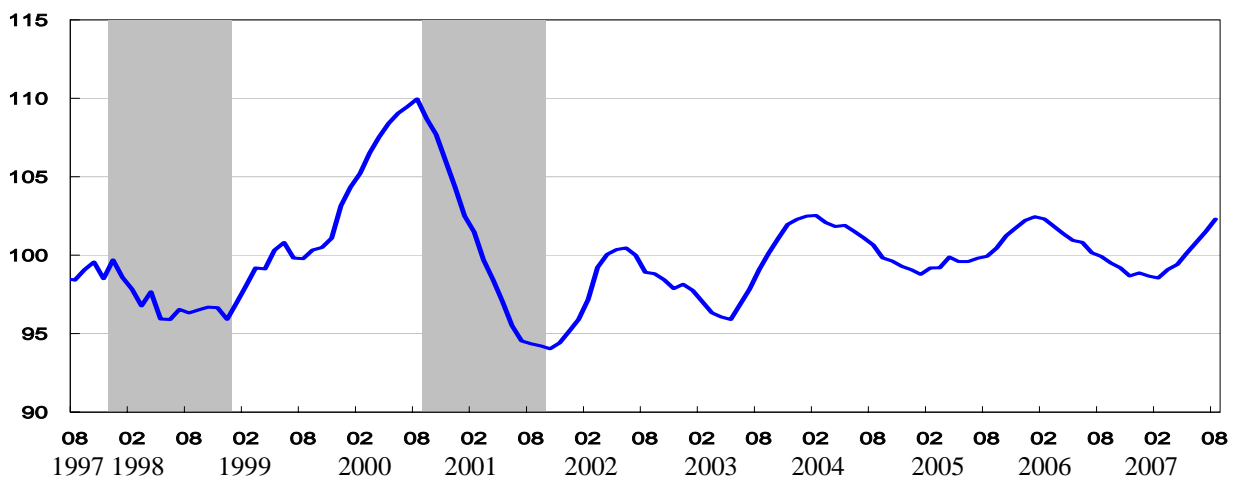
Composite Indices of Cyclical Indicators



Annualized 6-month rate of change of composite leading index



Cycle of composite coincide index



Shaded areas represent recessions.

Monitoring Indications

	Month	2006					2007										
		8	9	10	11	12	1	2	3	4	5	6	7	8			
Total	Light												New Series beginning in July 2007*				
	Score	22	22	20	21	16	18	19	23	18	20	25	30 ₁	30			
Monetary Aggregates M1B, yoy%													Monetary Aggregates M1B		9.2		8.5
Direct and Indirect Finance, yoy%													Direct and Indirect Finance		4.1		3.9
Bank Clearings and Remittance, yoy%													Stock Price Index		43.9		33.7
Stock Price Index, 1966=100, yoy%													Industrial Production Index		12.8		9.4
Manufacturing New Order Index, 1996\$, 1976.1=100, yoy%													Nonagricultural Employment		2.1		2.0
Exports, 2001\$, yoy%													Exports		8.9 ₁		11.5
Industrial Production Index, 2001=100, yoy%													Imports of Machinery and Electrical Equipment		3.1 ₁		4.7
Manufacturing Inventory-to-Sales ratio, %													Manufacturing Sales		11.4 ₁		8.4 ₁
Nonagricultural Employment, yoy%													Wholesale, Retail and Food Services Sales		0.9 ₁		1.2 ₁

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

*Components are in terms of percentage changes over 1-year span. All components, except stock price index, have been seasonally adjusted. The coverage of "direct and indirect finance" has been adjusted by the Central Bank and is used in the new series.

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
2006	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	11	69	20	-9	-1	80.8	4.6
	Dec	17	64	19	-2	2	80.4	4.4
2007	Jan	17	71	12	5	1	80.4	4.6
	Feb	29	63	8	21	2	76.8	4.3
	Mar	14	74	12	2	-6	80.9	5.0
	Apr	18	68	14	4	6	80.5	4.9
	May	13	65	22	-9	-10	81.2	5.1
	Jun	18	67	15	3	5	81.0	5.1
	Jul _r	11	75	14	-3	-1	81.3	5.3
	Aug _p	12	74	14	-2	-1	81.8	5.3