

# Taiwan Business Indicators in August 2018

Press Release

National Development Council (NDC)

September 27, 2018

In August 2018, the overall monitoring indicator flashed the “green” signal. The total score decreased two points to 24. The trend-adjusted leading index and the coincident index decreased from the previous month. The government will be closely monitoring the economic situation.

1. The Monitoring Indicators<sup>1</sup>: The total score in August 2018 was 24, flashing the “green” signal. Among the nine components, the import of machineries and electrical equipments flashed “yellow-red” signals. The TAIEX average closing price, customs-cleared exports, sales of trade and food services, and the TIER manufacturing sector composite indicator flashed “green” signals. The monetary aggregates M1B, industrial production index, nonagricultural employments, and the index of producer’s shipment for manufacturing flashed “yellow-blue” signals.

2. Leading Indicators<sup>2</sup>: With revised data, the trend-adjusted leading index stood at 101.39, down by 0.09% from last month. Among the seven indicators making up the trend-adjusted index, real imports of semiconductor equipment, real monetary aggregates M1B, and net accession rate of employees on payrolls of industry and services had positive cyclical movements from the previous month, while diffusion index of export orders, the TIER manufacturing sector composite indicator, TAIEX average closing price, and new housing construction started had negative cyclical movements.

3. Coincident Indicators: With revised data, the trend-adjusted coincident index stood at 99.82, down by 0.26% from last month. Among the seven indicators making up the trend-adjusted index, real machineries and electrical equipments imports, sales of trade and food services had

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<sup>1</sup> The items of monitoring indicators remain the same, but the checkpoints of each component have been changed since July 2018.

<sup>2</sup> The components of leading indicators have been changed since July 2018. New components include diffusion index of export orders (by number of firms), real monetary aggregate M1B, TAIEX average closing price, net accession rate of employees on payrolls of industry and services, total floor area of new housing construction started (residential houses, commercial offices, industrial warehouses), real imports of semiconductor equipment, and the TIER manufacturing sector composite indicator.

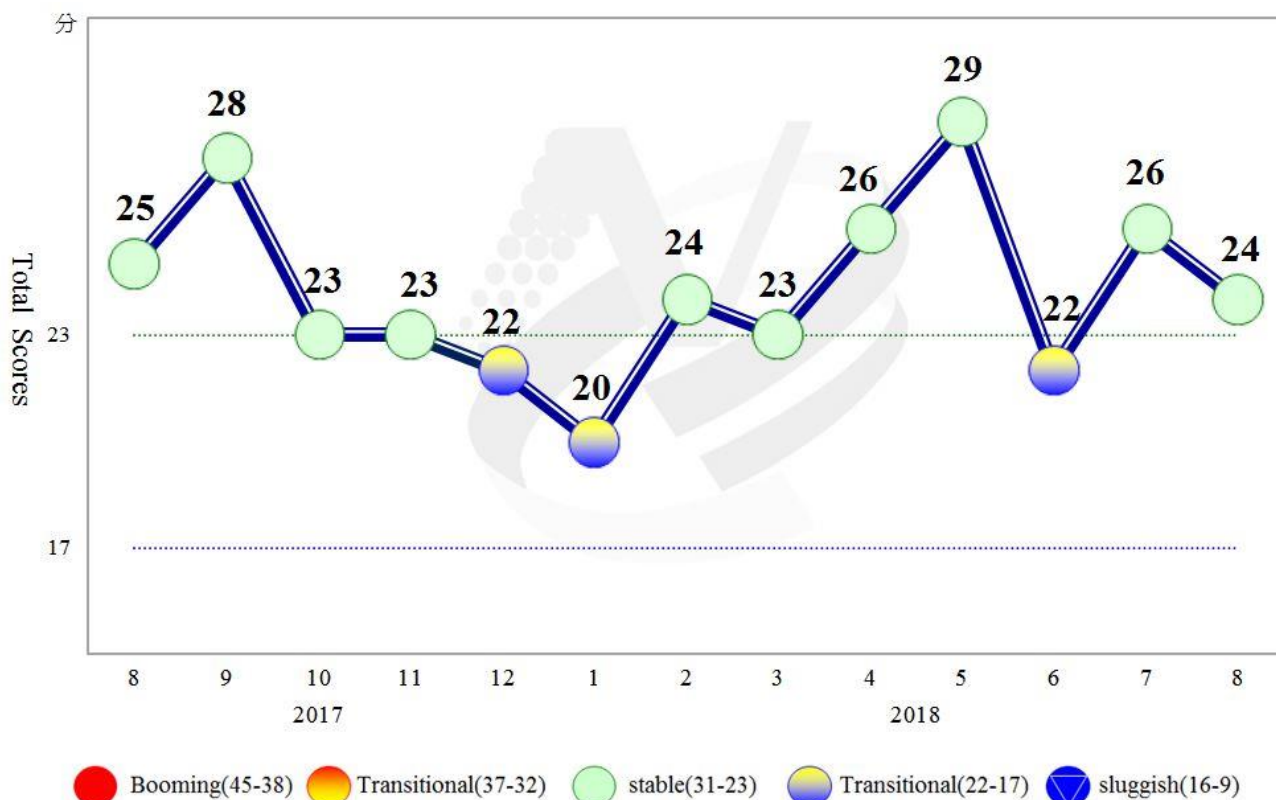
positive cyclical movement, while real customs-cleared exports, electric power consumption, the industrial production index, the index of producer's shipment for manufacturing, and nonagricultural employments had negative cyclical movements.

4. Lagging Indicators<sup>3</sup>: With revised data, the trend-adjusted lagging index stood at 101.99, up by 0.22% from last month. Among five indicators making up the trend-adjusted index, inventory value for manufacturing, loans and investments of financial institutions, the manufacturing unit output labor cost index, and the interbank overnight call-loan rate had positive cyclical movements, while the unemployment rate (inverted) had negative cyclical movement.

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<sup>3</sup> The components of lagging indicators have been changed since July 2018. New components include unemployment rate (reciprocal), the manufacturing unit output labor cost index, interbank overnight call-loan rate, loans and investments of financial institutions, and inventory value for manufacturing.



**Figure 1 Total Scores in the Past Year**

	2017					2018						New Series beginning in July 2018	2018				
	8	9	10	11	12	1	2	3	4	5	6		7	8			
Total	Light Score	25	28	23	23	22	20	24	23	26	29	22	Light Score	26 <sub>r</sub>	24		
Monetary Aggregates M1B		●	●	●	●	●	●	●	●	●	●	●		●	5.7	●	5.2
TAIEX Average Closing Price		●	●	●	●	●	●	●	●	●	●	●		●	4.0	●	4.5
Industrial Production Index		●	●	●	●	●	●	●	●	●	●	●		●	4.1 <sub>r</sub>	●	1.3
Nonagricultural Employment		●	●	●	●	●	●	●	●	●	●	●		●	0.73	●	0.70
Customs-Cleared Exports		●	●	●	●	●	●	●	●	●	●	●		●	3.3 <sub>r</sub>	●	4.4
Imports of Machineries and Electrical Equipments		●	●	●	●	●	●	●	●	●	●	●		●	13.3	●	12.7
Index of producer's shipment for manufacturing		●	●	●	●	●	●	●	●	●	●	●		●	2.7	●	-1.7
Sales of Trade and Food Services		●	●	●	●	●	●	●	●	●	●	●		●	5.3 <sub>r</sub>	●	2.9
The TIER Manufacturing Sector Composite Indicator		●	●	●	●	●	●	●	●	●	●	●		●	101.5 <sub>r</sub>	●	98.2

Notes : 1. Individual Components and check points are in terms of percentage changes over a one-year span, except the TIER Manufacturing Composite Indicator, which is in point (2006=100).  
 2. All components, except TAIEX average closing price, have been seasonally adjusted.  
 3. p = Preliminarily estimated, r = Revised.

**Figure 2 Monitoring Indicators**

**Table 1 Leading Indicators**

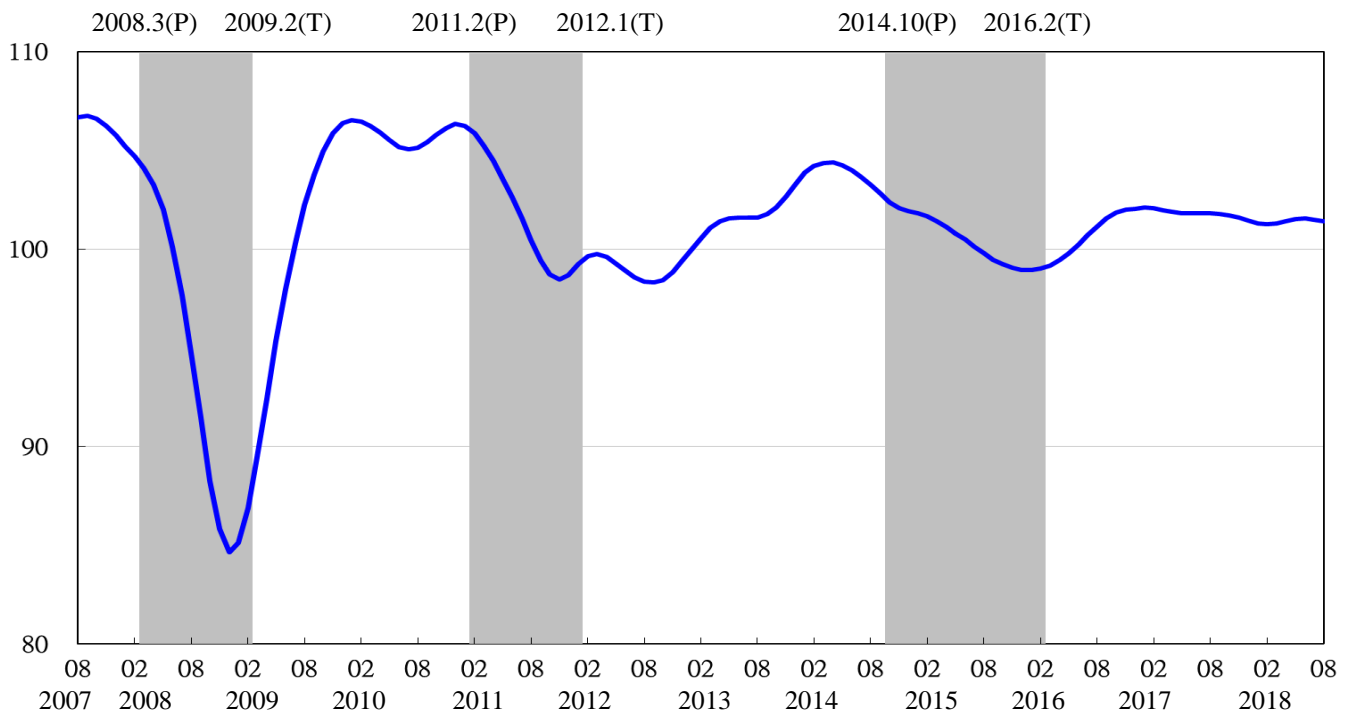
	2018							Index
	Feb	Mar	Apr	May	Jun	Jul	Aug	
<b>Trend adjusted index</b>	101.24	101.29	101.42	101.53	101.54	101.49	101.39	
Change from preceding month (%)	-0.05	0.05	0.13	0.10	0.01	-0.05	-0.09	
<b>Components<sup>1</sup></b>								
Diffusion Index of export orders <sup>2</sup>	99.63	99.77	99.95	100.05	100.06	99.99	99.89	
Real monetary aggregates M1B	99.73	99.76	99.80	99.85	99.90	99.94	99.97	
TAIEX average closing price	100.22	100.18	100.12	100.07	100.02	99.97	99.91	
Net accession rate of employees on payrolls of industry and services <sup>3</sup>	99.95	99.88	99.85	99.83	99.83	99.84	99.85	
New housing construction started <sup>4</sup>	100.52	100.62	100.80	100.96	101.03	101.03	100.99	
Real imports of semiconductor equipment	99.75	99.70	99.61	99.55	99.53	99.56	99.63	
The TIER manufacturing sector composite indicator	100.06	100.03	100.03	100.03	100.01	99.96	99.88	

Note : 1. All components are passed through seasonal adjustment, trend-removal, smoothing and normalization.

2. Diffusion Index of export orders by number of firms.

3. Net accession rate is equal to accession rate minus separation rate.

4. Including only housing, mercantile, business and service, industry warehousing.



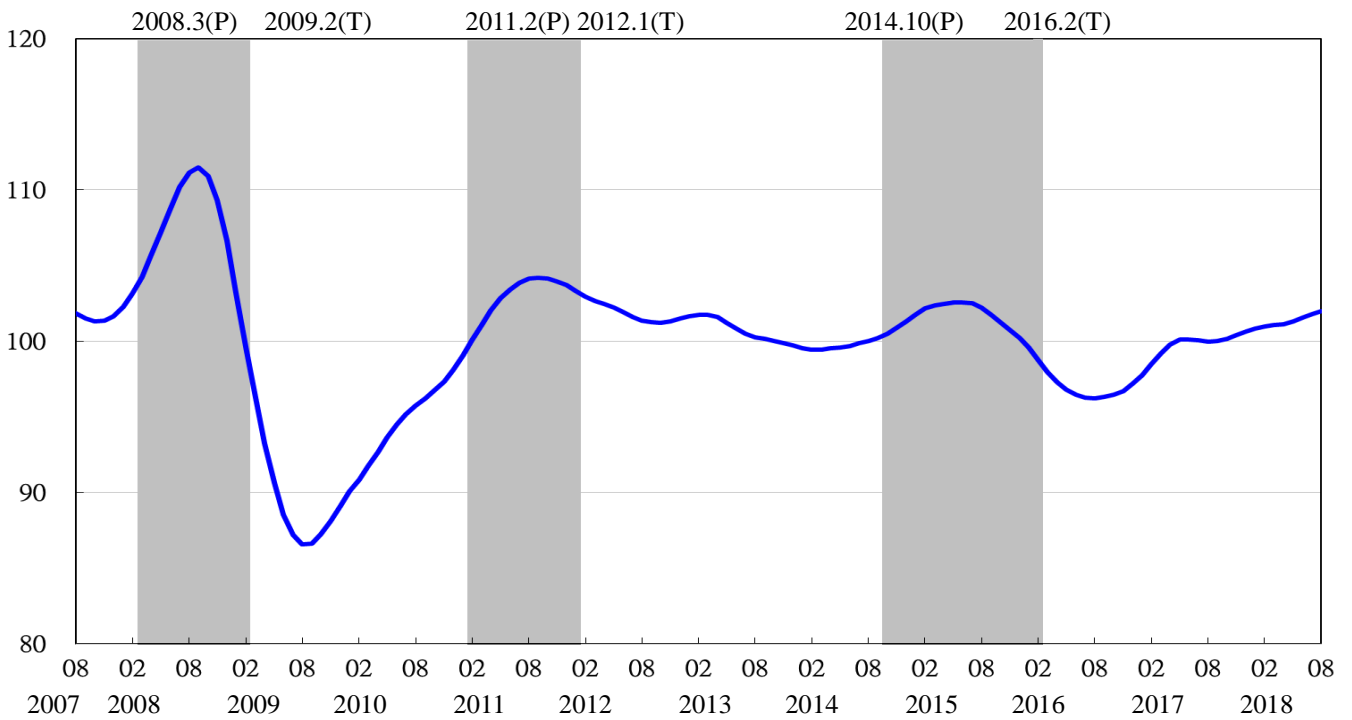
Note: Shaded areas represent recessions.

**Figure 3 Trend-adjusted Leading Index**



**Table 3 Lagging Indicators**

	Index						
	2018						
	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>Trend adjusted index</b>	100.98	101.04	101.14	101.30	101.52	101.77	101.99
Change from preceding month (%)	0.14	0.06	0.09	0.16	0.22	0.24	0.22
<b>Components</b>							
Unemployment rate	100.17	100.15	100.12	100.08	100.04	100.00	99.96
The manufacturing unit output labor cost index	100.09	99.96	99.84	99.77	99.78	99.82	99.86
Interbank overnight call-loan rate	100.04	100.05	100.06	100.07	100.08	100.08	100.09
Loans and investments of financial institutions	100.32	100.44	100.57	100.70	100.81	100.91	101.02
Inventory value for manufacturing	100.38	100.46	100.57	100.70	100.83	100.97	101.09



**Figure 5 Trend-adjusted Lagging Index**