

TAIWAN'S ECONOMIC SITUATION AND OUTLOOK

February 2004



Council for Economic Planning and Development

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CONTENTS

I. GLOBAL ECONOMY

II. DOMESTIC ECONOMY

1. Economic Growth
2. Foreign Trade
3. Domestic Investment
4. Industrial Production
5. Employment
6. Prices
7. Money and Interest Rates
8. Business Conditions

II. CURRENT ISSUES AND POLICIES

1. Issues
2. Policy Initiatives

III. PROSPECTS

I. GLOBAL ECONOMY

Latest Global Insight forecasts (February 2004) :

- ⇒ **World economic growth:** Estimate for 2003 and forecast for 2004 are 2.6% and 3.8%, respectively.
- ⇒ **Trade volume:** Estimate for 2003 and forecast for 2004 are 4.6% and 6.9%, respectively.

| | World Bank | | | Global Insight | | |
|------------------------------------|------------|------------|------------|----------------|------------|------------|
| | 2002 | 2003 | 2004 | 2003 | 2004 | 2005 |
| World Economic Growth % | 1.7 | 2.5 | 3.1 | 2.6 | 3.8 | 3.5 |
| United States | 2.3 | 2.6 | 3.1 | 3.1 | 4.8 | 3.8 |
| Japan | 0.0 | 0.8 | 1.3 | 2.2 | 2.5 | 2.3 |
| Euro area | 0.8 | 1.8 | 2.6 | 0.5 | 1.7 | 2.5 |
| East Asia and Pacific developing | 6.3 | 6.1 | 6.4 | - | - | - |
| Asia excluding Japan | | | | 6.2 | 6.5 | 6.0 |
| Developing countries | 2.8 | 3.9 | 4.7 | - | - | - |
| World Trade Volume Growth % | 2.9 | 7.0 | 8.0 | 4.6 | 6.9 | 7.3 |

Sources: World Bank, *Global Economic Prospects 2003*, December 2003.
Global Insight, Inc., February 12, 2004.

II.1 DOMESTIC ECONOMY

1. Economic Growth

Thanks to a pick-up in export growth and the successful containment of the SARS epidemic in the latter half of 2003, Taiwan's economic growth rebounded to positive growth rate of 4.2% and 5.2%, respectively, in the third and fourth quarters. The economy grew 3.2% in 2003 and expected to grow 4.7% in 2004.

Contribution to Economic Growth

Percentage point

| | Economic growth (yoy) | Domestic demand | | | | | | | | Net foreign demand | | |
|---------|-----------------------|-----------------|-------------|-------|-------------------------------|----------------|--------------------|-----------------------|-------|-----------------------------|-----------------------------------|-------|
| | | Total | Consumption | | Gross fixed capital formation | | | Increase in inventory | Total | Exports of goods & services | Less: Imports of goods & services | |
| | | | Private | Gov't | Subtotal | Private sector | Public enterprises | | | | | Gov't |
| 1998 | 4.6 | 6.4 | 3.9 | 0.6 | 1.9 | 1.8 | 0.1 | 0.0 | 0.1 | -1.8 | 1.2 | 3.0 |
| 1999 | 5.4 | 1.9 | 3.3 | -0.9 | 0.4 | -0.1 | 0.3 | 0.2 | -0.9 | 3.5 | 5.7 | 2.1 |
| 2000 | 5.9 | 3.9 | 3.0 | 0.1 | 2.0 | 2.4 | -0.1 | -0.3 | -1.2 | 2.0 | 8.8 | 6.9 |
| 2001 | -2.2 | -4.9 | 0.6 | -0.1 | -4.9 | -4.8 | 0.1 | -0.2 | -0.5 | 2.8 | -4.4 | -7.1 |
| 2002 | 3.6 | 1.0 | 1.2 | -0.02 | -0.4 | 0.3 | -0.1 | -0.7 | 0.2 | 2.6 | 5.3 | 2.6 |
| 2003(p) | 3.2 | 0.9 | 0.5 | 0.1 | -0.3 | -0.1 | -0.1 | -0.1 | 0.6 | 2.4 | 5.9 | 3.5 |
| 2004(f) | 4.7 | 3.7 | 1.7 | 0.1 | 1.5 | 1.6 | -0.2 | 0.05 | 0.4 | 1.0 | 4.2 | 3.2 |
| Q1(f) | 5.2 | 3.0 | 2.0 | 0.1 | 0.9 | 0.9 | -0.2 | 0.1 | 0.0 | 2.2 | 6.4 | 4.3 |
| Q2(f) | 5.2 | 3.1 | 2.0 | 0.10 | 1.5 | 1.6 | -0.2 | 0.1 | -0.5 | 2.1 | 6.9 | 4.7 |
| Q3(f) | 4.6 | 4.2 | 1.5 | 0.0 | 1.7 | 1.8 | -0.2 | 0.1 | 1.0 | 0.4 | 3.7 | 3.4 |
| Q4(f) | 4.1 | 4.4 | 1.3 | 0.02 | 2.0 | 2.2 | -0.2 | 0.0 | 1.0 | -0.3 | 0.4 | 0.7 |

p: Preliminary. f: Forecast. r: Revised.

Source: Directorate-General of Budget, Accounting, and Statistics, 184th Commission on National Income Statistics Meeting, February 20, 2004.

II.2 DOMESTIC ECONOMY

2. Foreign Trade

(1) Two-way Trade

- ⇒ Improving significantly from 2002, exports and imports posted double-digit increase rates in 2003. The trend continued in the first two months of 2004.
- ⇒ In 2003, trade surplus amounted to US\$16.9 billion, the third highest historical level. It registered US\$1.3 billion in January-February 2004.

Foreign Trade

Unit: US\$ billion; yoy %

| | Trade | | Exports | | Imports | | Balance \$ |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| | Value \$ | Growth % | Value \$ | Growth % | Value \$ | Growth % | |
| 1998 | 215.2 | -9.0 | 110.6 | -9.4 | 104.7 | -8.5 | 5.9 |
| 1999 | 232.3 | 7.9 | 121.6 | 10.0 | 110.7 | 5.8 | 10.9 |
| 2000 | 288.3 | 24.1 | 148.3 | 22.0 | 140.0 | 26.5 | 8.3 |
| 2001 | 230.1 | -20.2 | 122.9 | -17.2 | 107.2 | -23.4 | 15.6 |
| 2002 | 243.1 | 5.7 | 130.6 | 6.3 | 112.5 | 4.9 | 18.1 |
| 2003 | 271.5 | 11.7 | 144.2 | 10.4 | 127.3 | 13.1 | 16.9 |
| 2004 Jan-Feb | 48.8 | 29.1 | 25.0 | 26.0 | 23.7 | 32.6 | 1.3 |

Source: Ministry of Finance.

II.2 DOMESTIC ECONOMY

(2) Major trading partners

- ⇒ Exports to and imports from Hong Kong and Mainland China, among major trading partners, have expanded the fastest since 2002.
- ⇒ Exports to and imports from the United States returned to positive growth in the first two months of 2004 after declining for the previous three years.

Changes in Two-way Trade with Major Trading Partners

| | Exports (annual change rate %) | | | | | Imports (annual change rate %) | | | | |
|-------------------------|--------------------------------|-------------|-------------|------------------------------|-------------|--------------------------------|-------------|-------------|------------------------------|-------------|
| | USA | Japan | Europe | Hong Kong and Mainland China | ASEAN 6* | USA | Japan | Europe | Hong Kong and Mainland China | ASEAN 6* |
| 1999 | 5.2 | 27.6 | 3.5 | 11.3 | 21.3 | 0.1 | 13.3 | -14.6 | 9.2 | 15 |
| 2000 | 12.7 | 39.5 | 16.7 | 24.5 | 29.3 | 27.6 | 26 | 8.1 | 27.1 | 40.4 |
| 2001 | -20.6 | -23.1 | -16.5 | -10.8 | -21.6 | -27.4 | -33 | -21.2 | -7.8 | -21.2 |
| 2002 | -3.2 | -6.1 | -6.3 | 28.7 | 2.9 | -0.7 | 5.5 | -2.3 | 24.9 | 3.7 |
| 2003 | -3.1 | -0.5 | 10.2 | 22.1 | 8.9 | -7.0 | 19.6 | 10.9 | 31.0 | 5.4 |
| 2004 Jan-Feb | 0.2 | 13.2 | 25.4 | 44.3 | 40.4 | 27.9 | 42.7 | 38.1 | 53.1 | 17.6 |

*ASEAN6 refers to Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Source: Ministry of Finance.

II.2 DOMESTIC ECONOMY

(3) Trade Structure

- ⇒ The share of heavy and technology-intensive industrial products of total exports continued to rise after it shrank slightly in 2001. It rose considerably to 75.3% in 2003 and further to 78.0% in the first two months of 2004.
- ⇒ The share of imports of capital goods decreased to 20.5% in 2003 and further to 20.3% in January-February 2004.

Composition of Foreign Trade

| | Composition (%) | | | | | | Change (yoy % in US\$) | |
|--|-----------------|------|------|------|------|-----------------|------------------------|-----------------|
| | 1996 | 2000 | 2001 | 2002 | 2003 | 2004 Jan-Feb | 2003 | 2004 Jan-Feb |
| Exports | 100 | 100 | 100 | 100 | 100 | 100 | 10.4 | 26.0 |
| Agricultural Products | 0.4 | 0.2 | 0.2 | 0.3 | 0.3 | 0.2 | 8.4 | -1.7 |
| Processed Agricultural Products | 3.1 | 1.2 | 1.4 | 1.3 | 1.2 | 1.1 | 4.1 | 9.9 |
| Industrial Products | 96.5 | 98.6 | 98.4 | 98.4 | 98.5 | 98.7 | 10.5 | 26.3 |
| Heavy & Technology-intensive Industry* | 60.5 | 71.4 | 71.1 | 73.1 | 75.3 | 78.0 | 13.8 | 30.7 |
| Others | 36.0 | 27.2 | 27.3 | 25.3 | 23.2 | 20.6 | 1.0 | 11.8 |
| Imports | 100 | 100 | 100 | 100 | 100 | 100 | 13.1 | 32.6 |
| Capital Goods | 17.9 | 28.0 | 25.0 | 23.0 | 20.5 | 20.3 | 0.4 | 33.4 |
| Raw Materials | 69.0 | 64.1 | 65.7 | 67.7 | 70.8 | 71.1 | 18.3 | 33.3 |
| Consumer Goods | 13.1 | 7.8 | 9.2 | 9.3 | 8.7 | 8.6 | 6.4 | 25.3 |

* Including industries of chemicals, chemical products, rubber products, plastic products, basic metals, fabricated metal products, machinery & equipment, electrical & electronic machinery, transport equipment, and precision instruments.

Source: Ministry of Finance, *Monthly Statistics of Exports and Imports*, March 2004.

II.3 DOMESTIC ECONOMY

3. Domestic Investment

Real gross fixed capital formation shrank 1.6% in 2003, improving from -2.1% in 2002. Thanks to a more assured trend of global recovery and the resultant acceleration in high-tech investment by the private sector, total investment is expected to increase 8.7% in 2004.

Real Gross Fixed Capital Formation

NT\$ billion; yoy %

| | Total | | Private investment | | Public enterprises investment | | Government investment | |
|---------|--------|-------------|--------------------|-------------|-------------------------------|-------------|-----------------------|-------------|
| | Amount | Growth rate | Amount | Growth rate | Amount | Growth rate | Amount | Growth rate |
| 1999 | 2101.2 | 1.8 | 1352.6 | -0.7 | 239.2 | 13.3 | 509.3 | 3.6 |
| 2000 | 2282.0 | 8.6 | 1565.6 | 15.7 | 230.9 | -3.5 | 485.5 | -4.7 |
| 2001 | 1811.6 | -20.6 | 1108.9 | -29.2 | 240.3 | 4.1 | 462.4 | -4.8 |
| 2002 | 1773.0 | -2.1 | 1136.7 | 2.5 | 234.7 | -2.3 | 401.6 | -13.1 |
| 2003(p) | 1744.7 | -1.6 | 1128.7 | -0.7 | 221.7 | -5.5 | 394.3 | -1.8 |
| 2004(f) | 1896.9 | 8.7 | 1292.1 | 14.5 | 205.2 | -7.5 | 399.7 | 1.4 |
| Q1(f) | 384.4 | 5.8 | 272.6 | 9.2 | 31.1 | -10.5 | 80.6 | 2.2 |
| Q2(f) | 431.5 | 8.7 | 290.7 | 14.5 | 43.5 | -8.4 | 97.4 | 1.6 |
| Q3(f) | 475.4 | 9.9 | 325.2 | 16.3 | 47.0 | -7.8 | 103.1 | 1.2 |
| Q4(f) | 605.6 | 9.8 | 403.6 | 16.8 | 83.5 | -5.6 | 118.5 | 0.7 |

f: Forecast. p: Preliminary. r: Revised.

Source: DGBAS, 184th Commission on National Income Statistics Meeting, February 20, 2004.

II.4 DOMESTIC ECONOMY

4. Production

Industrial production continued to grow, at a pace of 5.5%, in 2003. It increased 12.0% in January-February 2004, as manufacturing industry expanded 13.2%.

Growth Rate of Industrial Production %

| | Industrial production | Mining | Manufacturing | Electricity, gas, and water | Construction |
|---------------------|-----------------------|--------------|---------------|-----------------------------|--------------|
| 2000 | 7.4 | -6.7 | 8.0 | 10.0 | -15.1 |
| 2001 | -7.3 | 7.9 | -8.0 | 1.8 | -12.3 |
| 2002 | 6.4 | 2.1 | 7.5 | 3.7 | -23.1 |
| 2003 | 5.5 | -13.6 | 5.4 | 5.0 | 13.0 |
| Q2 | -0.4 | -15.4 | -0.6 | 2.1 | 0.3 |
| Q3 | 6.6 | -14.4 | 6.0 | 7.7 | 34.6 |
| Q4 | 9.5 | -22.0 | 9.7 | 5.3 | 20.7 |
| 2004 Jan-Feb | 11.99 | -1.92 | 13.21 | 4.45 | -9.9 |

*Including industries of chemicals, chemical products, rubber products, plastic products, basic metals, fabricated metal products, machinery & equipment, electrical & electronic machinery, transport equipment, and precision instruments.

Source: Ministry of Economic Affairs, *Industrial Production Statistics Monthly, Taiwan*.

II.5 DOMESTIC ECONOMY

5. Employment

Nonagricultural employment has displayed marked improvement since the second quarter of 2003. The unemployment rate increased to a record high in 2002 and gradually lowered to below 5% in 2003. It fell further to 4.6% in January-February 2004.

| | Labor Force | | Unemployment | | Nonagricultural employment | |
|----------------|---------------|-----------------|---------------|---------------------------------|----------------------------|------------|
| | 1,000 persons | participation % | 1,000 persons | Unemployment Rate (% , Average) | 1,000 persons | yoy, % |
| 2000 | 9,784 | 57.7 | 293 | 2.99 | 8,753 | 1.6 |
| 2001 | 9,832 | 57.2 | 450 | 4.57 | 8,677 | -0.9 |
| 2002 | 9,969 | 57.3 | 515 | 5.17 | 8,745 | 0.8 |
| 2003 | 10,076 | 57.3 | 503 | 4.99 | 8,877 | 1.5 |
| Q2 | 10,034 | 57.2 | 501 | 5.00 | 8,836 | 1.1 |
| Q3 | 10,117 | 57.5 | 524 | 5.14 | 8,897 | 1.6 |
| Q4 | 10,129 | 57.4 | 480 | 4.74 | 8,964 | 2.3 |
| 2004 | | | | | | |
| Jan-Feb | 10,156 | 57.4 | 464 | 4.57 | 9,028 | 2.5 |

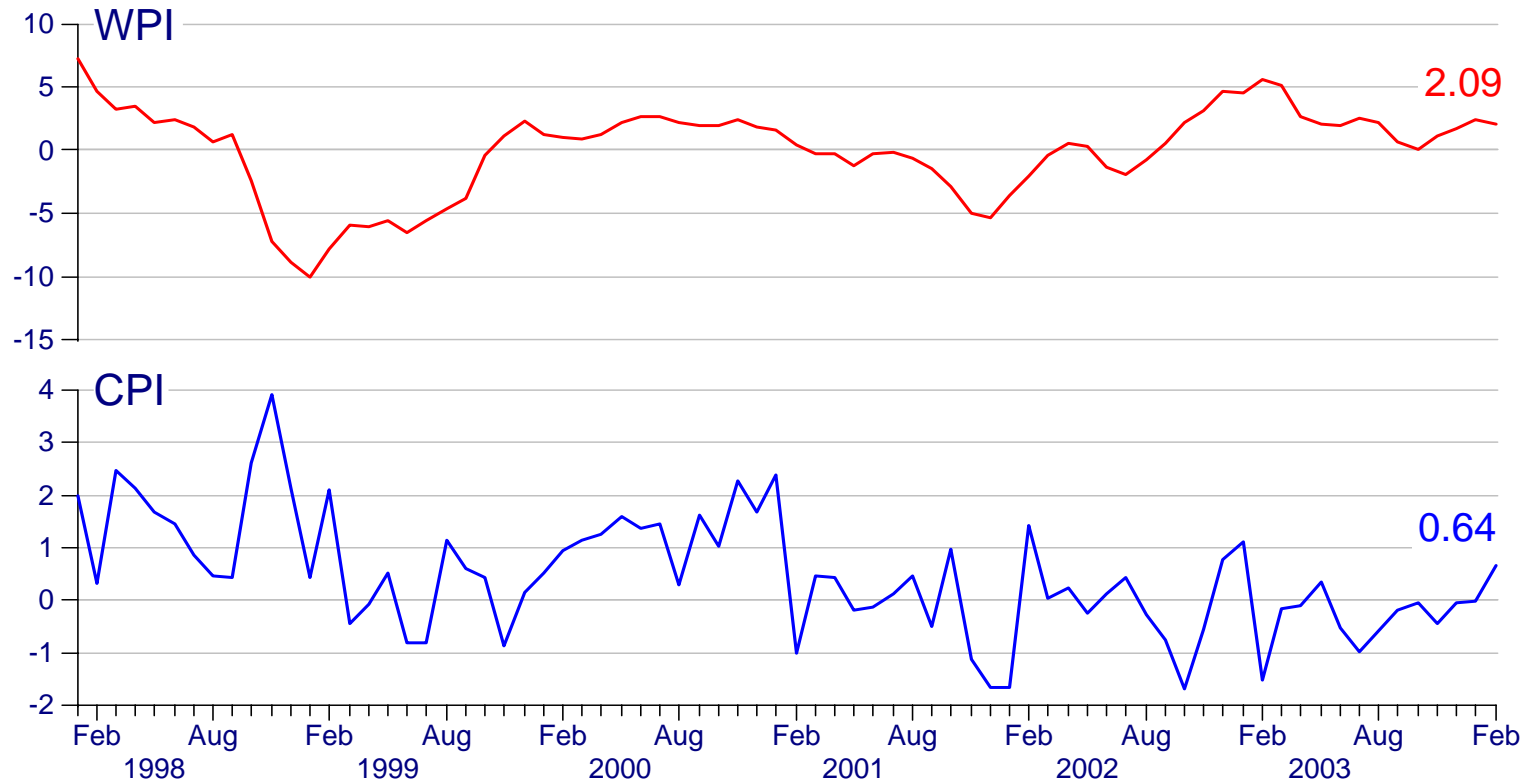
Source: Directorate General of Budget, Accounting, and Statistics.

II.6 DOMESTIC ECONOMY

6. PRICES

Wholesale prices increased 2.5% and consumer prices decreased 0.3% in 2003. In February 2004, wholesale prices and consumer price rose 2.1 and 0.6%, respectively, from a year earlier.

Price Change (% change over a year)



Source: CEIC.

II.7 DOMESTIC ECONOMY

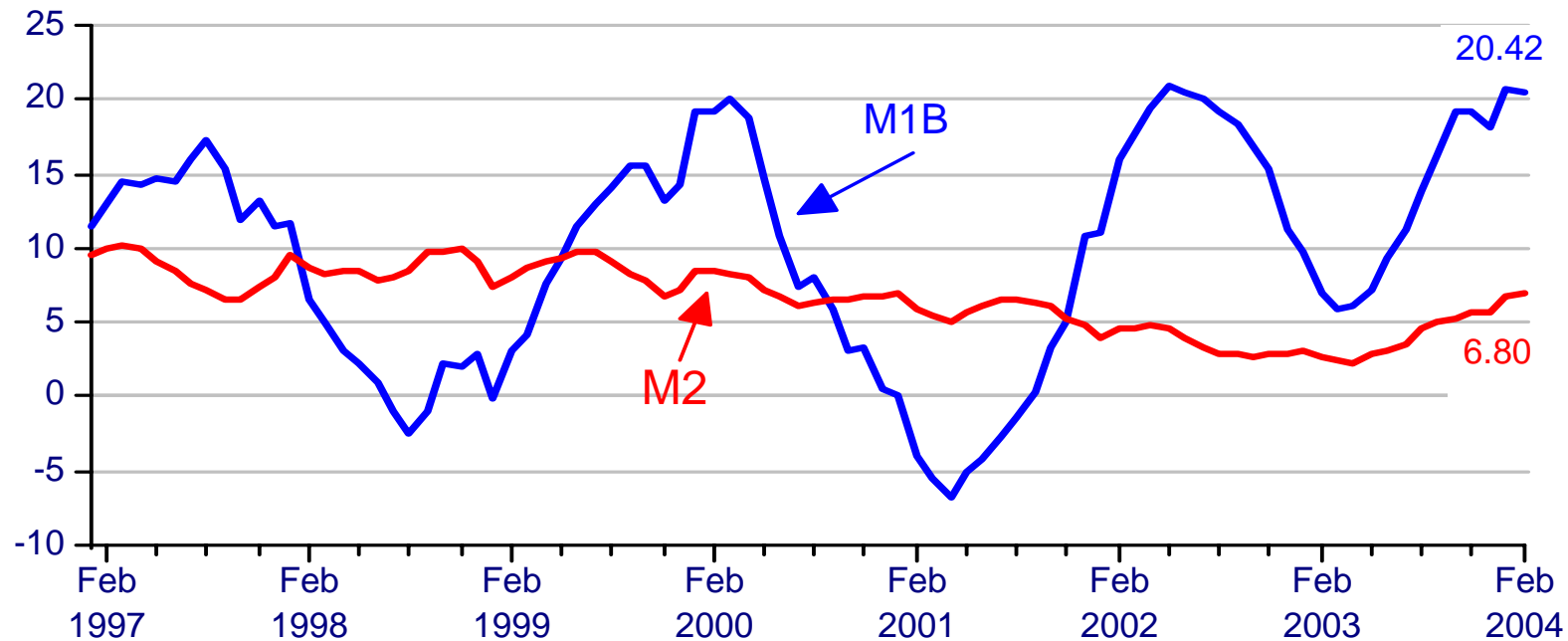
7. Money & Finance

(1) Money Supply

The annual growth rate of M1B and M2 increased 11.8% and 3.8%, respectively, in 2003, and 20.4% and 6.8%, respectively, in February 2004.

Money Supply

Daily average, % change over a year



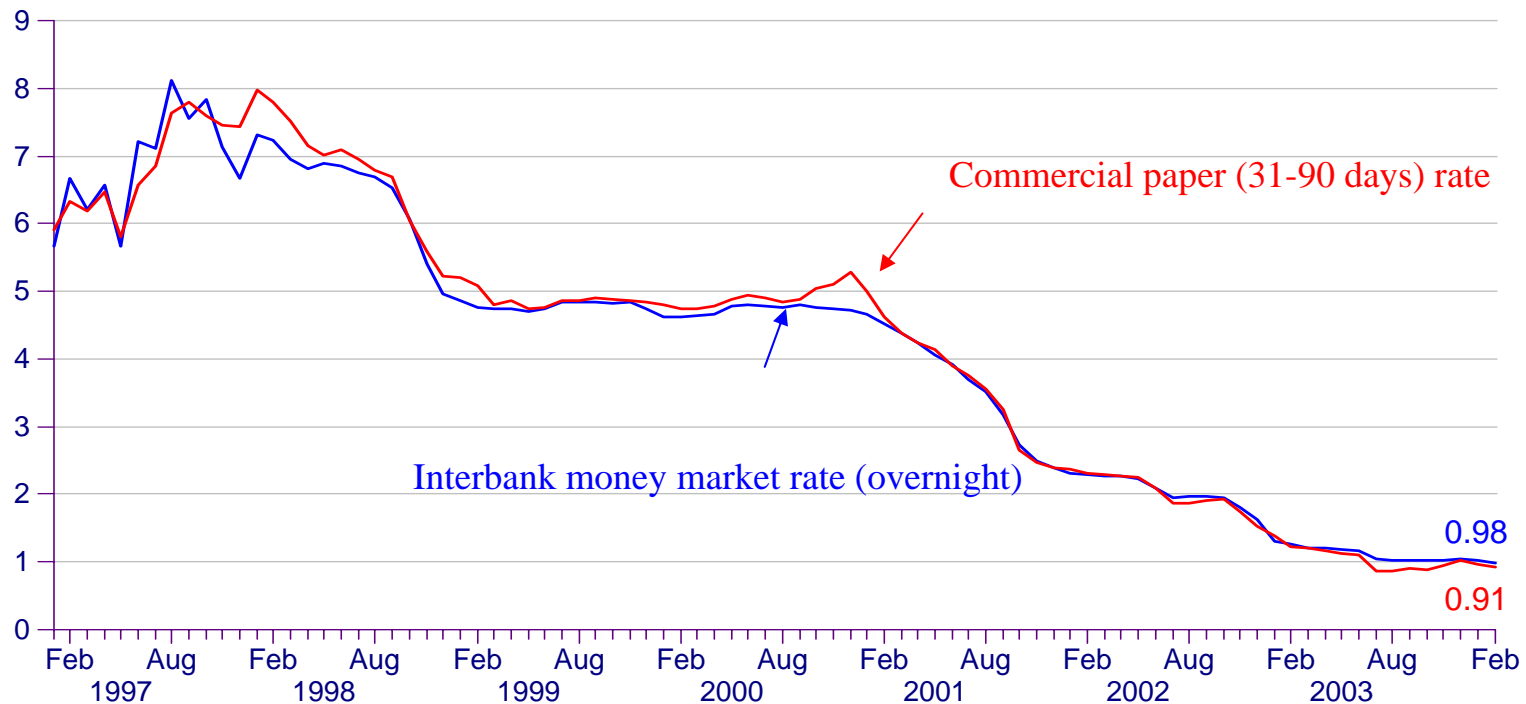
Source: CEIC.

II.7 DOMESTIC ECONOMY

(2) Interest Rates

Market interest rates have been lowered continuously until the third quarter of 2003, reaching historically low levels and reflecting the loosening situation in the money market. The downward trend has leveled off since the last quarter of 2003. In February 2004, commercial paper rate and interbank rate posted 1.0% and 0.9%, respectively.

Interest Rate (%)



Source: CEIC.

II.8 DOMESTIC ECONOMY

8. Business Cycle Indicators

During the first half of 2003, the steady recovery achieved since 2002 was disrupted due to the spread of SARS. As the epidemic was gradually brought under control, green lights flashed again for five consecutive months during July-November. Since December 2003, the monitoring indicators have flashed yellow-red for three consecutive months in four years, indicating a strong improvement of the economy.

Monitoring Indicators

| | | 2003 | | | | | | | | | | | | 2004 | |
|------------------|--|------|----|----|----|----|----|----|----|----|----|----|--------------|-------------------|--|
| | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | |
| Total Scores | | 22 | 17 | 14 | 14 | 20 | 24 | 26 | 29 | 31 | 30 | 34 | 35 | 34 | |
| Financial Sector | Monetary Aggregates M1B, yoy% | | | | | | | | | | | | | 22.4 | |
| | Direct and Indirect Finance, yoy% | | | | | | | | | | | | _r | 7.9 _p | |
| | Bank Clearings and Remittance, yoy % | | | | | | | | | | | | _r | 11.6 | |
| | Stock Price Index, 1966=100, yoy% | | | | | | | | | | | | | 42.1 | |
| Real Sector | Manufacturing New Order Index, 1996\$, 1976.1=100, yoy % | | | | | | | | | | | | | 6.7 _p | |
| | Exports, 2001\$, yoy % | | | | | | | | | | | | | 24.7 _p | |
| | Industrial Production Index, 1996=100, yoy% | | | | | | | | | | | | | 11.3 _p | |
| | Manufacturing Inventory-to-Sales ratio, % | | | | | | | | | | | | | 57.6 _p | |
| | Nonagricultural Employment, yoy% | | | | | | | | | | | | | 2.3 | |

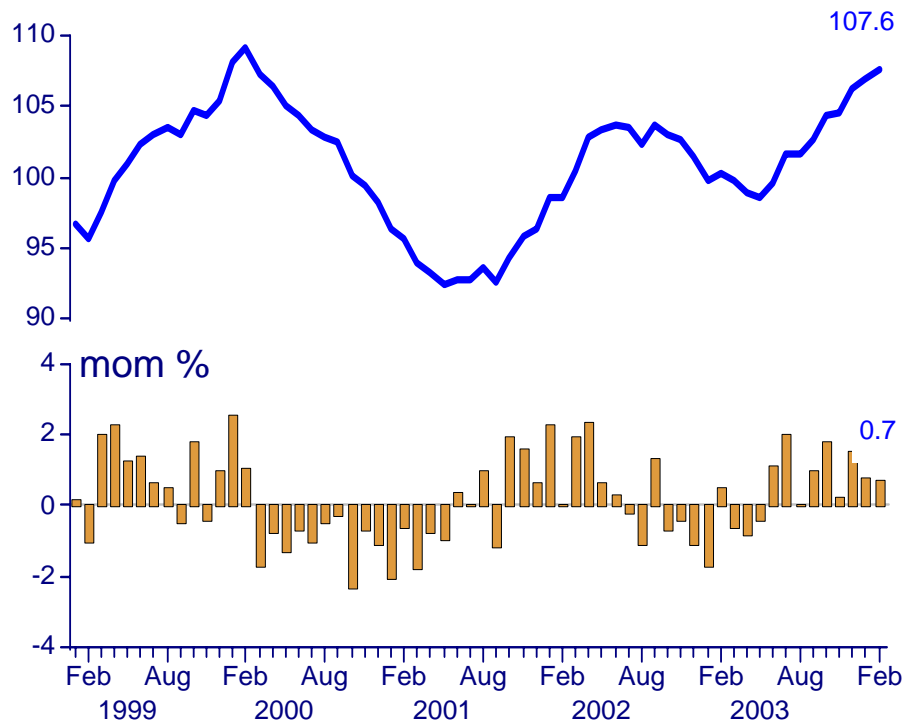
Overheating
 Transition in need of watching
 Steadily moving forward
 Transition in need of watching
 Recession

Note: All data, except stock price index, have been seasonally adjusted.

II.8 DOMESTIC ECONOMY

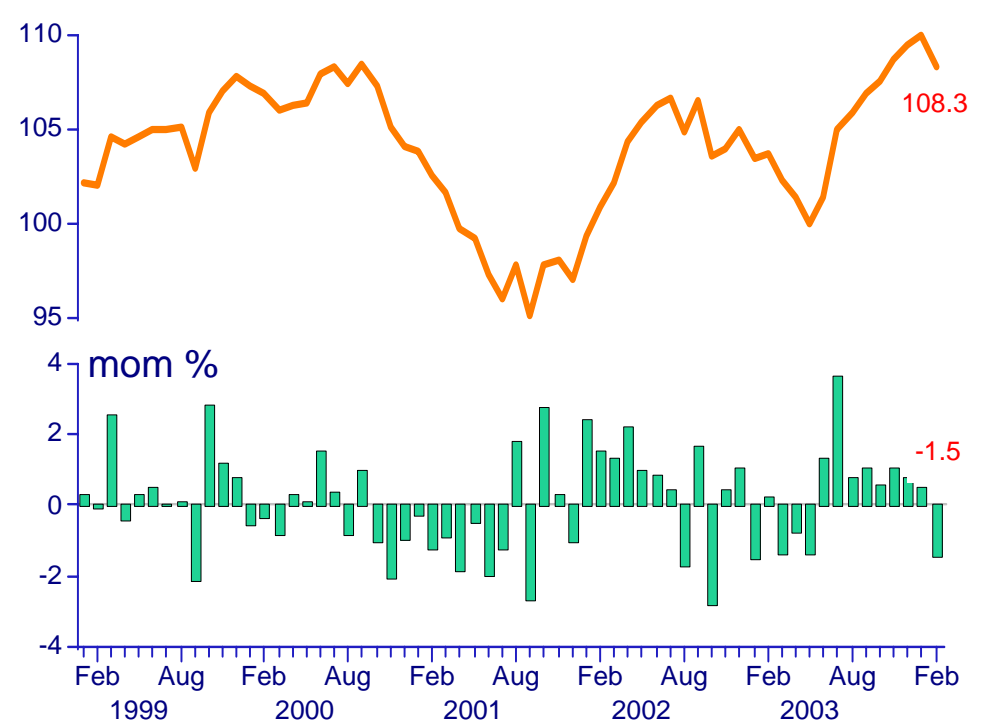
Composite Leading Index

1996=100



Composite Coincident Index

1996=100



Source: CEPD.

II.8 DOMESTIC ECONOMY

⇒ According to surveys conducted by the Council for Economic Planning and Development, the manufacturing firms continued to be optimistic in the first two months of 2003. As uncertainties increased with the spread of SARS, the optimistic view lessened in March and April. However, as the outlook for the economy has become significantly brighter, business expectations have regained momentum since May 2003.

Business Expectations

% of manufacturing firms surveyed

| | | Business conditions 3 months later | | | |
|------------------|------|------------------------------------|-----------|-----------|-------------|
| | | Better (1) | Unchanged | Worse (2) | Net (1)-(2) |
| 2003 | Feb | 26 | 61 | 13 | 13 |
| | Mar | 19 | 65 | 16 | 3 |
| | Apr | 13 | 61 | 26 | -13 |
| | May | 16 | 69 | 15 | 1 |
| | June | 17 | 75 | 8 | 9 |
| | July | 17 | 70 | 13 | 4 |
| | Aug | 22 | 65 | 13 | 9 |
| | Sep | 22 | 65 | 13 | 9 |
| | Oct | 18 | 69 | 13 | 5 |
| | Nov | 20 | 65 | 15 | 5 |
| | Dec | 24 | 66 | 10 | 14 |
| | 2004 | Jan _r | 34 | 59 | 7 |
| Feb _p | | 32 | 58 | 10 | 22 |

Source: CEPD.

III.1 CURRENT ISSUES

1. *Current Economic Issues*

- ⇒ **Dependence** on exports to and investment in mainland China is rapidly increasing yet the development of a cross-straits communications and consultation mechanism is at a standstill.
- ⇒ **Domestic demand** expanded modestly in 2003, and need to be boosted to meet the targeted growth of 3.7%.
- ⇒ **Fiscal deficits** have expanded rapidly in the past decade, as it has become more difficult in raising fiscal revenues and contracting expenditures.
- ⇒ **The banking sector** reached very high levels of non-performing loan ratio, at 8.8% in the first quarter of 2002, with problems most severe among community financial institutions. Although domestic banks as a whole improved to below 5% in December 2003, community financial institutions still saw a level above 14%.
- ⇒ **The unemployment** rate has risen from 3.0% in 2000 to around 5% in 2002. Although declining to below 5% in the end of 2003, it is still above historical level.

III.2 POLICY INITIATIVES

2. Key Policy Initiatives

⇒ Easing restrictions on economic links with mainland China:

1. The “no haste, be patient” mainland investment policy has been replaced with a less restrictive “proactive liberalization with effective management” approach.
2. The preparatory phase of cross-strait direct transportation links is already underway.
3. "Measures on cross-Strait freight facilitation" are to be announced at appropriate time.

⇒ Measures to stimulate the economy:

1. The "Taiwan first investment" program was introduced to promote private investment. Among the key initiatives are land cost reduction, trillion-dollar financing for traditional industries and small and medium enterprises, five-year tax holiday for new investment in manufacturing, and infrastructural development. The program is designated to keep annual investment above US\$35 billion over the next five years.
2. A further spending of US\$15 billion for the five years from 2004 is scheduled to step up development in transportation, high-technology, higher education, and water resource management.

III.2 POLICY INITIATIVES

⇒ **Fiscal reform**

- The government has established a fiscal reform committee to draw up plans for achieving a balanced budget within five to ten years.
- Another committee has been formed to consolidate the management of national properties to help relieve fiscal burden.

⇒ **Financial reform:** A financial restructuring fund (RTC) was established, with which 43 insolvent financial institutions have been liquidated since August 2001. At the same time, AMCs (Asset Management Companies) were encouraged to form to help dispose bad assets and the Financial Holding Company Law was passed to speed up integration across industries.

⇒ **Measures to increase employment:** An increase of US\$575 million in public services spending is expected to create about 80,000 jobs in public services for those who need employment the most in 2003. Unemployment rate is expected to fall to around 4% in 2004.

III.2 POLICY INITIATIVES

3. *Challenge 2008: Six-Year National Development Plan*

- ⇒ The comprehensive six-year national development plan is designed to foster the creativity and talent Taiwan needs to transform itself into a “green silicon island.”
- ⇒ Total expenditure under the plan will be NT2.6 trillion (approximately US\$75 billion.)
- ⇒ The major goals of the plan are:
 1. To develop at least 15 products or technologies that rank among the world's best
 2. To double the number of foreign tourists visiting Taiwan
 3. To increase R&D expenditures to 3% of GDP
 4. To reduce the unemployment rate to less than 4%
 5. To boost the economic growth rate to over 5%
 6. To expand the number of broadband Internet users to over 6 million
 7. To create 700 thousand jobs

III.2 POLICY INITIATIVES

⇒ The plan includes three major reforms, of government, banking and public finance, and ten major investment areas as follows:

1. Cultivate talent for the E-generation
2. Develop the cultural creativity industry
3. Develop an international base for R&D and innovation
4. Develop high value-added industries
5. Double the number of tourists visiting Taiwan
6. Develop a digital Taiwan
7. Develop Taiwan as an operations headquarters
8. Improve the transportation infrastructure
9. Conserve water resources and the ecology
10. Construct new hometown communities

IV. PROSPECTS

2003

- ⇒ The Taiwan economy resumed positive growth in 2002, following the unprecedented negative growth in 2001. The momentum continued in the first quarter of 2003, as growth reached 3.5%. However, the domestic economy was severely affected by the spread of the SARS epidemic in the second quarter, turning to a negative growth of 0.1%.
- ⇒ Growth strengthened to 4.2% in the third quarter, as the spread of SARS was brought under control by late June. Thanks to rising optimism about the global economy and the emerging effect of increased government spending, the last quarter saw 5.2% expansion.
- ⇒ The economy grew 3.2% in 2003 with consumer prices falling by 0.3%.

2004

- ⇒ In 2004, the momentum of the global economic recovery and world trade acceleration is expected to be notable and strong enough to keep Taiwan's export expansion as fast as 2003.
- ⇒ The positive wealth effects created with the warming-up of the stock and real estate markets will help boost private consumption.
- ⇒ Private investment is expected to grow at a double-digit rate, driven by plant expansions in the opto-electronic and semiconductor industries and such large projects as high-speed railway and the 6th naphtha cracker plant .
- ⇒ Economic growth is targeted to be 5.0% with very moderate inflation of 0.7%.

ECONOMIC FORECASTS FOR TAIWAN

| | | Growth rate % | | |
|------------------------------------|------------|-------------------|------------------------------------|------|
| | | 2003 | Difference from last projection | 2004 |
| World Bank | (Sep 2003) | 2.0 | -0.5 | 3.0 |
| IMF | (Sep 2003) | 3.2 | 0.0 | 4.1 |
| Global-Insight (formerly DRI-WEFA) | (Feb 2004) | 3.3 | +0.2 | 4.9 |
| CIER | (Dec 2003) | 3.12 | +0.04 | 4.26 |
| TIER | (Jan 2004) | 3.34 _p | -0.17 | 4.81 |
| DGBAS | (Feb 2004) | 3.24 | +0.09 | 4.74 |
| Academia Sinica | (Dec 2003) | 3.19 | +0.54 | 4.35 |

P: preliminary estimate.

CIER: Chung-hua Institute for Economic Research, Taipei.

DGBAS: Directorate-General of Budget, Accounting and Statistics, Taiwan, ROC.

TIER: Taiwan Institute of Economic Research, Taipei.