TAIWAN'S ECONOMIC SITUATION AND OUTLOOK



Council for Economic Planning and Development Executive Yuan

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Economic Growth

The Taiwan economy registered a growth of 4.7% in 2006. In the first quarter of 2007, it grew faster than forecast in February, mainly because exports of goods and services performed better than expected. However, domestic demand did not expand as robustly as predicted.

Real GDP Growth (Change form a year ago)

			Domestic demand								Net foreign demar		
			Consu	mption	Gro	Gross fixed capital formation						Less:	
	Economic								Inonega		Exports	Imports	
	growth					Private	Public		Increase		of goods &	of goods &	
		Total	Private	Gov't	Subtotal	sector	enterprises	Gov't	inventory	Total	services	services	
2001	-2.2	-4.8	0.7	0.5	-19.9	-26.8	1.4	-6.4	-	-	-7.8	-13.0	
2002r	4.6	2.6	2.6	2.1	1.1	6.7	-1.2	-12.7	-	-	10.6	7.1	
2003r	3.5	1.8	1.5	0.6	1.7	3.7	-3.9	-1.3	-	-	10.4	8.1	
2004r	6.2	7.7	4.5	-0.5	19.5	33.1	-18.2	-5.8	-	-	14.4	18.9	
2005r	4.1	1.4	2.8	0.9	0.2	-1.3	16.4	-0.6	-	-	7.6	3.6	
2006r	4.7	1.2	1.5	-0.2	1.0	3.3	-6.7	-5.4	-	-	10.3	5.4	
Q1r	5.0	1.2	1.8	-0.1	-4.0	-4.0	-4.2	-3.7	-	-	14.3	8.9	
Q2r	4.7	-0.4	1.3	-1.2	-3.2	-1.1	-17.5	-6.0	-	-	12.3	5.3	
Q3r	5.1	0.4	0.4	0.1	4.0	6.6	-2.1	-4.8	-	-	13.1	6.3	
Q4r	4.0	3.4	2.3	0.3	6.2	11.0	-3.8	-6.5	-	-	3.0	1.7	
2007f	4.4	2.4	3.0	1.3	1.9	1.7	9.4	-1.4	-	-	6.5	3.8	
$Q1_p$	4.2	-0.5	2.3	-0.9	1.0	1.3	22.9	-11.8	-	-	6.3	-1.0	

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

Source: Directorate-General of Budget, Accounting, and Statistics (DGBAS), May 2007.

Contribution to GDP Growth (in percentage points)

			Domestic demand									emand
			Consu	mption	Gro	Gross fixed capital formation					Evenoute	Less:
	Economic growth					Private	Public		Increase in		Exports of goods &	Imports of goods &
	(yoy)	Total	Private	Gov't	Sub-total	sector	enterprises	Gov't	inventory	Total	services	services
2001	-2.2	-4.6	0.4	0.1	-4.7	-4.4	0.03	-0.3	-0.4	2.5	-4.2	-6.6
2002r	4.6	2.5	1.6	0.3	0.2	0.8	-0.03	-0.6	0.4	2.1	5.4	3.2
2003r	3.5	1.7	0.9	0.1	0.3	0.5	-0.1	-0.1	0.4	1.8	5.5	3.7
2004r	6.2	7.1	2.7	-0.1	3.6	4.2	-0.4	-0.2	0.9	-0.9	8.2	9.1
2005r	4.1	1.3	1.6	0.1	0.03	-0.2	0.3	-0.02	-0.4	2.7	4.7	1.9
2006r	4.7	1.1	0.8	-0.03	0.2	0.5	-0.1	-0.2	0.04	3.6	6.5	2.9
Q1r	5.0	1.1	1.2	0.01	-0.7	-0.6	-0.1	-0.1	0.7	3.9	8.4	4.5
Q2r	4.7	-0.4	0.7	-0.2	-0.7	-0.2	-0.3	-0.2	-0.3	5.1	8.1	3.0
Q3r	5.1	0.4	0.2	0.01	0.8	1.0	-0.03	-0.2	-0.7	4.7	8.0	3.4
Q4r	4.0	3.0	1.2	0.04	1.3	1.6	-0.1	-0.2	0.4	1.1	2.0	0.9
2007 f	4.4	2.1	1.7	0.2	0.4	0.3	0.2	0.04	-0.1	2.3	4.3	2.1
Q1 _p	4.2	-0.4	1.4	-0.1	0.2	0.2	0.3	-0.3	-1.8	4.6	4.0	-0.6

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

Source: Directorate-General of Budget, Accounting, and Statistics (DGBAS), May 2007.

Foreign Trade

⇒In the first five months of 2007, exports and imports expanded 6.8% and 4.1%, respectively.

⇒Trade surplus increased US\$2.6 billion to US\$9.1 billion in January-May 2007 from a year ago.

Foreign Trade

US\$ billion; yoy %

	Tr	rade	Ex	ports	Im	ports	Balance
	Value	Growth	Value	Growth	Value	Growth	Datatice
2000	292.7	24.6	151.9	22.8	140.7	26.6	8.3
2001	234.3	-20.0	126.3	-16.9	108.0	-23.3	15.6
2002	248.6	6.1	135.3	7.1	113.2	4.9	22.1
2003	278.6	12.1	150.6	11.3	128.0	13.0	22.6
2004	351.1	26.0	182.4	21.1	168.8	31.8	13.6
2005	381.1	8.5	198.4	8.8	182.6	8.2	15.8
2006	426.7	12.0	224.0	12.9	202.7	11.0	21.3
2007 Jan-May	178.6	5.5	93.9	6.8	84.7	4.1	9.1

Note: Trade data are adjusted according to the United Nations IMTS Compilers Manual (2004). Total exports include "exports" and "re-exports," and total imports include "imports" and "reimports." Source: Ministry of Finance.

Major trade partners

- ⇒ Hong Kong and Mainland China and ASEAN have been Taiwan's most important trade partners since 2000. Trade with these two regions have decelerated noticeably from peaks in the past two years. Japan has remained Taiwan's largest supplier of imports.
- ⇒ Trade shares of the United States, Europe and Japan have narrowed in contrast to increasing shares of Hong Kong and China and ASEAN.

Changes in Two-way Trade with Major Trading Partners

Yoy %

				Е	Exports				In	nports	
					Hong Kong and Mainland					Hong Kong and Mainland	
		USA	Japan	Europe	China	ASEAN 6*	USA	Japan	Europe	China	ASEAN 6*
2000		13.6	40.2	16.9	26.2	28.8	27.5	26.1	8.3	27.3	39.8
2001		-20.9	-22.9	-16.3	-9.5	-19.1	-27.2	-32.9	-21.2	-7.4	-20.9
	Share	22	.3 1	0.3	15.8 26	6.6 11.9	1	7.0 2	24.0 14	1.0 7.4	14.9
2002		-2.7	-5.0	-5.9	29.4	7.4	-0.8	5.5	-2.2	24.2	3.7
2003		-3.0	0.5	10.4	23.6	10.5	-6.9	19.6	10.7	30.9	5.2
2004		8.3	11.1	14.7	28.8	33.0	28.2	33.6	31.1	47.7	16.2
2005		1.3	9.4	-0.7	12.2	13.8	-2.8	5.3	2.4	16.2	3.8
2006		11.2	7.9	10.6	14.8	13.8	7.1	0.5	-1.6	20.1	10.4
2007	Jan-May	-2.5	3.1	10.9	6.7	10.0	15.9	-4.4	10.3	14.3	-3.2
	Share	13	3.5 7	7.2 1.	2.2 39.	.5 14.0	1	2.0 2°	1.6 11.	2 13.7	10.8

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

Source: Ministry of Finance.

Domestic Investment

Private investment increased 1.3% in the first quarter of 2007, while combined investments by government and public enterprises contracted 0.4%. The expansion in the private sector is attributable to a steady growth in construction works, despite a fall in capital equipment.

Gross Fixed Capital Formation: Real Growth and Current-price Value

NT\$ billion; yoy %

	T	otal	Private i	nvestment		nterprises stment	Government investment		
	Amount	Growth rate	Amount	mount Growth rate		Growth rate	Amount	Growth rate	
2001	1,910.3	-19.9	1,218.6	-26.8	234.6	1.4	456.8	-6.4	
2002 _r	1,911.2	1.1	1,284.4	6.7	226.8	-1.2	399.7	-12.7	
2003 _r	1,957.9	1.7	1,335.9	3.7	219.2	-3.9	402.6	-1.3	
2004 _r	2,420.3	19.5	1,826.8	33.1	181.6	-18.2	411.8	-5.8	
2005 _r	2,403.2	0.2	1,780.4	-1.3	205.2	16.4	417.3	-0.6	
2006 _r	2,484.4	1.0	1,878.2	3.3	193.0	-6.7	413.3	-5.4	
$Q1_r$	529.1	-4.0	410.0	-4.0	34.0	-4.2	85.0	-3.7	
$Q2_r$	625.1	-3.2	489.1	-1.1	39.9	-17.5	96.2	-6.0	
$Q3_r$	618.3	4.0	464.5	6.6	47.2	-2.1	106.5	-4.8	
Q4 _r	712.1	6.2	514.6	11.0	71.9	-3.8	125.6	-6.5	
2007_{f}	2,582.2	1.9	1,948.8	1.7	214.2	9.4	419.9	-1.4	
$Q1_p$	551.7	1.0	431.3	1.3	42.5	22.9	78.0	-11.8	

f: Forecast. p: Preliminary. r: Revised. Source: DGBAS, February 15, 2007.

Production

Industrial production grew 2.6% in January-May 2007, with manufacturing increasing 2.8%.

Growth of Industrial Production

%

	Total	Mining	Manufacturing	Electricity, gas, and water	Construction
2001	-7.8	0.1	-8.4	1.1	-11.2
2002	7.9	8.3	9.4	3.3	-20.7
2003	7.1	-7.4	7.4	3.8	9.0
2004	9.8	-4.4	10.5	3.0	4.8
2005	4.6	-9.8	4.5	3.7	11.4
2006	5.0	-5.8	5.0	3.0	9.0
2007 Jan-May	2.6	-17.8	2.8	2.6	-6.7

Source: Ministry of Economic Affairs.

Employment

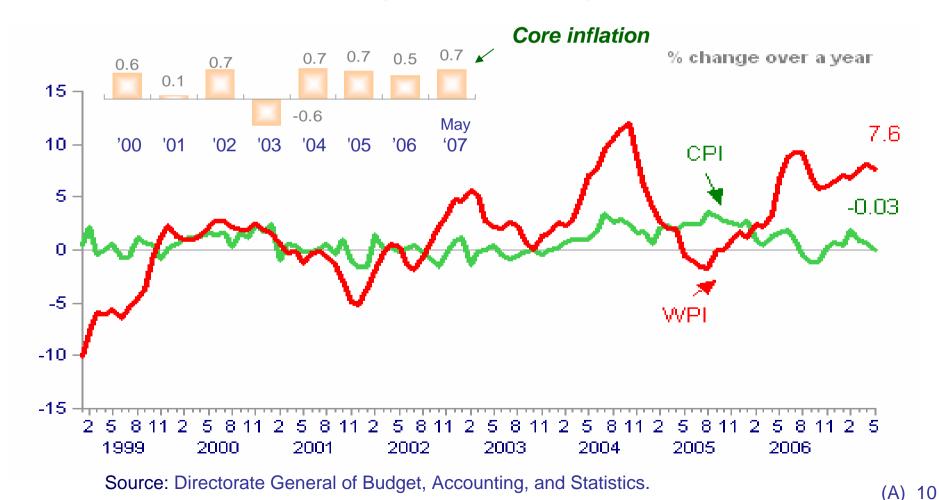
Nonagricultural employment has grown steadily. The unemployment rate continued to improve, dropping to 3.84% in January-May 2007, the lowest since 2000.

	Labo	or Force	Une	mployment	Nonagricultural employment		
	1,000 persons	Participation %	1,000 persons	Rate %	1,000 persons	yoy, %	
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	
2004	10,240	57.7	454	4.44	9,144	3.0	
2005	10,371	57.8	428	4.13	9,351	2.3	
2006	10,522	57.9	411	3.91	9,557	2.2	
2007 Jan-May	10,656	58.2	409	3.84	9,707	2.4	

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

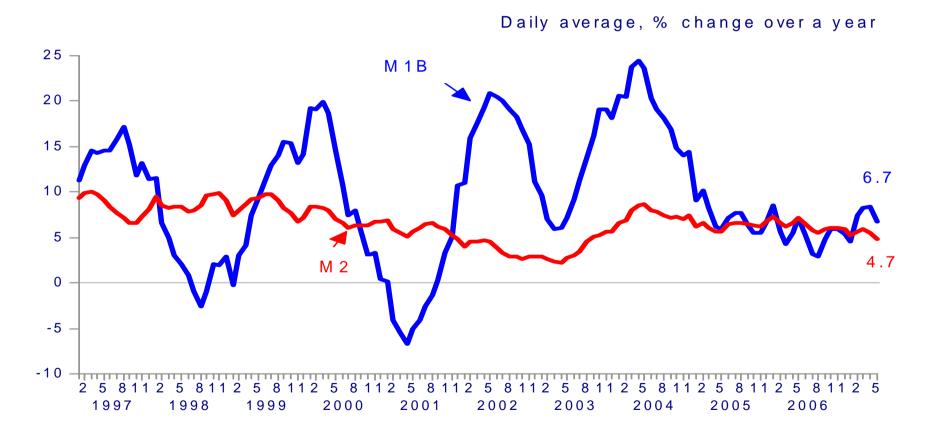
Prices

In May 2007, wholesale prices increased 7.6% from a year ago, following rises in basic metal, chemicals, oil and coal products. Consumer prices declined marginally by 0.03%, with decrease in vegetables offsetting increases in gas and Chinese medicines. Core prices (excluding fresh food and energy prices) climbed 0.7%.



Money Supply

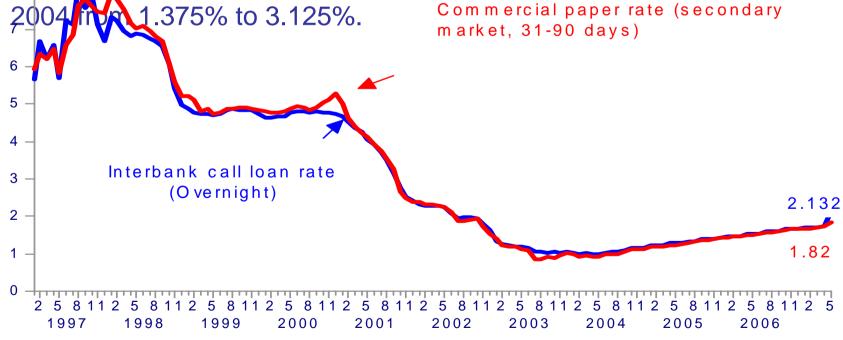
In May 2007, M1B and M2 grew 6.7% and 4.7%, respectively, from a year ago. During the 12 months of 2006, M1B and M2 expanded 6.7% and 5.5%, respectively.



Source: Central Bank of China (Taiwan).

Short-term Interest Rates

Since late May 2007, both long-term and short-term market interest rates have trended up, as tight funding conditions prompted banks to adopt a cautious attitude towards funds operations. Commercial paper rate and interbank rate recorded 1.82% and 2.132%, respectively, in May. The rediscount rate has been raised twelve times since October



Source: Central Bank of China (Taiwan).

Current Domestic Situation

Stock Price Taiwan Stock Exchange Index

Capitalization weighted, monthly average, 1966 Avg=100



Source: Taiwan Stock Exchange.

Monitoring Indicators

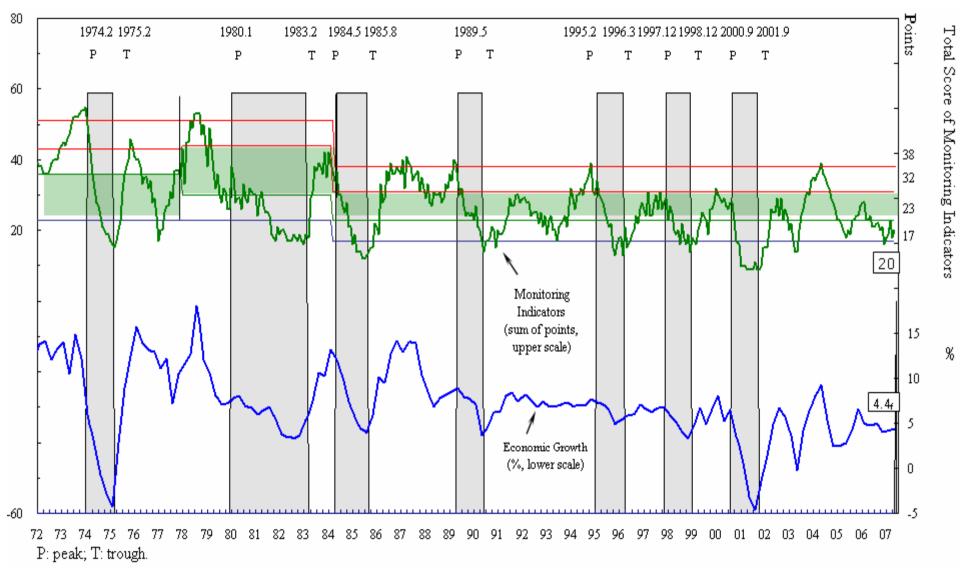
In May 2007, Taiwan's business indicators showed signs of acceleration. Among the indicators compiled by the Cabinet's Council for Economic Planning and Development (CEPD), the leading index and the coincident index increased 0.3% and 1.3%, respectively, from the previous month. The monitoring indicators continued to flash "yellow-blue." It remains unclear whether an un upward trend is developing.

					20	06						20	007		
		5	б	7	8	9	10	11	12	1	2	3	4		5
To	Total Scores														
Total Scores		24	21	21	22	22	20	21	16	18	19	23	18	2	20
ector	Monetary Aggregates MIB, yoy %			\bigcirc											6.6
W	Direct and Indirect Finance, yoy%		\bigcirc												3.3
inancial	Bank Clearings and Remittance, yoy%									\bigcirc					-4.9
	Stock Price Index, 1966=100, yoy%														13.5
	Manufacturing New Order Index, 1996\$, 1976.1=100, yoy%				\bigcirc	\bigcirc	\bigcirc		\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	-1.3 _p
ector	Exports, 2001\$, yoy%								\bigcirc				\bigcirc		1.9
n	Industrial Production Index, 2001=100, yoy%		\bigcirc												6.2
Real	Manufacturing Inventory-to-Sales ratio, %	\bigcirc	\bigcirc				\bigcirc							\bigcirc	58.9 _p
	Nonagric ultural Employment, yoy %														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.

Source: Council for Economic Planning and Development.

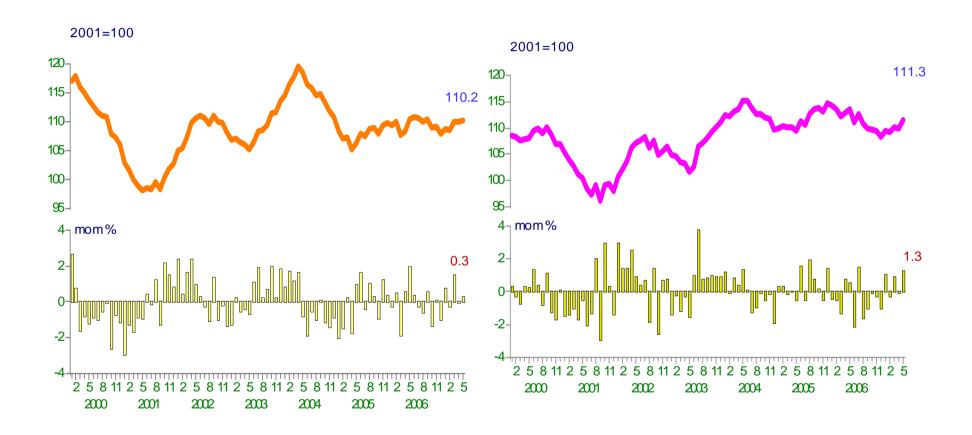
Monitoring Indicators and Economic Growth



Source: Council for Economic Planning and Development.

Composite Leading Index

Composite Coincident Index



Source: CEPD.

II. PROSPECTS

2007

- With the global economy cooling somewhat, foreign demand would expand at a slower pace in 2007. With the job and consumer credit markets continuing to improve, and the stock and real estate markets remaining buoyant, private consumption is expected to see faster growth than 2006. Despite completion of such mega projects as the high-speed railway construction and a weakening in the investment by optical electronic industries, moderate private investment growth could be sustained with the injection of capacity building by semiconductor industries and new government investment projects. Government investment will see negative growth for another year; while investment by public enterprises will return to positive growth, due to quickened expansion in electric power, petroleum refinery, water supply and railway renovation.
- ➡ Wholesale prices are expected to rise 3.9% in 2007, driven up by high world prices of oil and commodities. Although high cost of raw materials may gradually transmit to downstream product market, fresh food prices have remained low thanks to good weather. Price falls in durable consumer goods and in telecommunications will also help contain consumer price increase. The CPI is therefore forecast to rise 1.5% in 2007.

FORECASTS FOR ECONOMIC GROWTH

		2006	20	07
Forecasting institution	Release time	%	%	Change from last forecast
World Bank	Nov 2006	4.0	4.0	-0.1
IMF	Apr 2007	4.6	4.2	0
Global-Insight	June 2007	4.6	4.0	+0.1
CIER	Apr 2007	4.23	4.17	+0.04
TIER	Apr 2007	4.25	4.09	+0.02
DGBAS	May 2007	4.68	4.38	+0.08
Academia Sinica	Dec 2006	4.32	4.21	-

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

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

TIER: Taiwan Institute of Economic Research, Taipei.

Macroeconomic Targets for 2007

- ⇒ The economy is targeted to grow 4.6% in 2007, with CPI increasing no more than 2.0%. Unemployment rate will be kept around 3.8%, with employment increasing 1.5% and labor participation rate standing at 58.0%.
- ⇒ Sources of targeted growth mainly come from domestic demand.

	Target for 2007
GDP growth (%)	4.6
Per capita GDP (US\$)	16,886
Consumer price increase (%)	< 2.0
Unemployment rate (%)	3.8
Demand components (Percent of nominal GDP)	
National consumption	74.13
Private consumption	61.54
Government consumption	12.58
Domestic investment	20.51
Goods-and-services trade balance	5.36

Source: Council for Economic Planning and Development.

III. POLICY INITIATIVES

- The socio-economic environments at home and abroad have changed rapidly in recent years, with globalization intensifying international competition, and the problems of population aging and a low birth rate emerging in Taiwan. To address these challenges and act upon the conclusions of the "Conference on Sustaining Taiwan's Economic Development" (COSTED), the Executive Yuan has formulated the "Economic Development Vision for 2015" and mapped out its "First-Stage Three-Year Sprint Program" for 2007~2009.
- This initiative involves the re-examination and adjustment of socioeconomic systems and development directions, with the aim of advancing toward a "prosperous, just, sustainable and beautiful Taiwan" in 2015 as the new vision and target of efforts for national development. It will be implemented in stages under three sequential "Three-Year Sprint Programs."

Taiwan's Image for 2015: a Beautiful Land of Prosperity, **Justice, and Sustainability**

Creating a prosperous economy

With per capita GDP at US\$30,000, Taiwan to be known for its leading-edge R&D capabilities and top-notch manpower resources, attracting global flows of capital, goods and information for combination and value adding in Taiwan.

Prosperity

Justice

Sustainability

Sustaining a green environment

With sustainable development established as national consensus, and having ample healthy, highquality living facilities, all the people can enjoy a comfortable quality of life and congenial ecoenvironment on Taiwan.

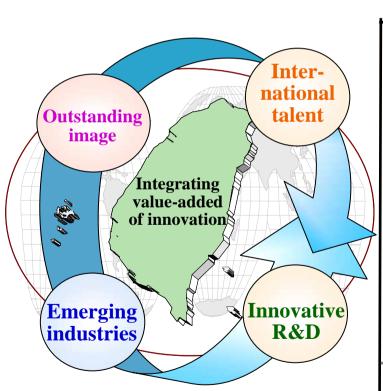
Caring and just society

All of the people sharing the benefits of economic development, no ethnic, regional or rich-poor divisions in society, and everyone able to enjoy equal dignity of life and necessary safeguards of their security.

A Prosperous Economy

- Leading-edge innovation ability
- Top-notch manpower resources
- Outstanding Taiwan image
- Booming emerging industries

2006~2015



1996~2005

- ◆ Average annual GDP growth of 4.5%, derived from:
- Labor input contribution 13.3%
- Capital input contribution 53.3%
- Technical progress contribution 33.4%

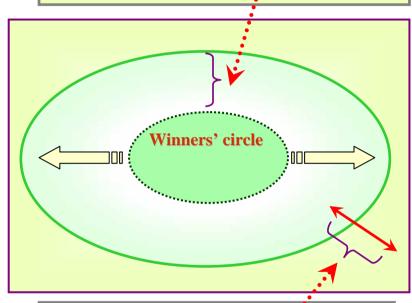
- Average annual GDP growth of 5.0%, derived from:
- Labor input contribution 12.0%
- Capital input contribution 36.0%
- Technical progress contribution 52.0%

♦ Innovation and value-added become the main driving forces of economic growth

Caring and Just Society

- Warm solicitude for welfare
- Dignified safeguards of life
- Sound child-raising environment
- Balanced urban-rural development

Expanding the winners' circle and bring more outsiders inside the circle



Reducing the gap between the inside and the outside of the circle

Income Gap	2003	2004	2005
Top quintile of income distribution as a multiple of the bottom quintile	6.07	6.03	6.04
Gini concentration coefficient	0.343	0.338	0.340

Targets and Outlook for 2015

Warm solicitude for welfare ◆ Under a sustainable, comprehensive social safety net, the elderly, poor, disabled, new immigrants, and other disadvantaged members of society will be warmly cared for by the government, and the gap between the income of the top and bottom quintiles will be reduced below a ratio of six.

Dignified safeguards of life

◆ Under comprehensive national pension, medical protection, and long-term care systems, full safeguards will be provided for the people's dignity of life.

Sound child-raising environment

♦ With the provision of maternal and family protection, education benefits, employment promotion, and other such measures, the people's needs for having, raising and educating children will all be safeguarded; the unemployment rate will be kept below 4%, and the female labor-force participation rate will rise to over 50%.

Balanced urban-rural development ◆ The urban-rural divide will be narrowed, and cities and counties, main and offshore islands alike, will all be able to enjoy the same economic opportunities, educational resources, public services, and medical care.

Sustainable Green Environment

- Closeness to water
- Rapid and convenient transport

High quality of life



life

Targets and Outlook for 2015

- Flood control measures will achieve conspicuous results in effectively protecting 600 square kilometers of flood-prone land.
- A safe water supply will be assured, homes and industry will have ample water to use, and the tap-water connection rate will be 94%, the same level as in advanced countries.
- Sewerage systems will be extensively in place, and the wastewater treatment rate will reach 50%.
- Green infrastructure will be prevalent, with the development of 47 river systems, and every county and city having at least two waterside living environments, to provide nearby residents with high-quality scenic ecological waterside space.
- Everyone will be able to enjoy fast and convenient transport services. The high-speed railway, MRT systems, and regional road networks will mean that all of Taiwan is just a day trip from home.
- International seaports and airports and major science parks will be just ten minutes away from expressways.
- Main cities will be just one to two and a half hours apart, and it will take only 30 to 60 minutes to reach regional centers from within metropolitan areas and country towns.
- There will be ample amenities such as cultural centers, sports stadiums, parks, green footpaths, and bicycle trails, and people will be able to fully enjoy the same level of high-quality living facilities as in advanced countries.
- International-standard performance venues and national games or competitive sports arenas will be built island-wide, with 90% of them reachable within one hour.
- The island-wide information super-highway will be complete. with broadband coverage reaching 90%. People will be able to enjoy economic and high-quality e-living.
- Successful land restoration will reduce deaths and injuries from landslides to almost zero.

Targets up to 2015

To give concrete manifestation to the policy implementation theme of "big investment and big warmth" and realize the national development vision of "a prosperous economy, a just society and a sustainable environment," after giving consideration to the external and internal conditions previously described, the government has set the following macro-development targets for 2015, which it will seek to forge into a broad public consensus and spare no effort to achieve:

- Taiwan to be a unitary "living circle" in which no place is more than a day trip away.
- The CPI to rise by no more than 2% a year.
- Per capita GDP to reach US\$30,000 (US\$20,000 in 2009).
- The unemployment rate to be kept below 4%.
- The economic growth rate to be sustained at an average of 5%.
- The gap between the top and bottom quintiles of income to fall below a ratio of six.

First-Stage Three-Year Sprint Program

1. Industrial Development Package

Issues Faced

Private investment momentum needs to be strengthened

Domestic industry urgently needs to be transformed and upgraded

Emerging industries need to be developed as soon as possible

The imbalance of industrial development urgently needs to be remedied

Planning Concept

- ◆ Promoting high-value output in all industries, and upgrading industries across the board.
- ◆ Promoting Taiwan brands, and creating profit via product differentiation.
- ◆ Integrating manufacturing and services, and boosting industrial capacity.
- ◆ Improving energy efficiency, and pursuing a win-win-win situation for energy, industry, and environmental protection.
- ◆ Emphasizing social justice and balanced industrial development.

	Farget	S	
	2005	2009	2015
1. Industrial Structure (% Agriculture) 1.7	1.5	1.2
Industry	25.0	24.1	22.7
Manufacturing	21.4	20.8	20.0
Services	73.3	74.4	76.2
2. Real growth rate (%)			
Agriculture	-8.1	1.0*	1.0**
Industry	5.9	4.2*	3.9**
Manufacturing	6.5	4.9*	4.3**
Services	3.5	5.7 *	5.5**
3. Energy efficiency			
Energy productivity (NT\$/1 liter oil equivalent)	108.7	116.3	-
Energy intensiveness (1 liter oil equivalent /NT\$1,000)	9.2	8.6	-

^{*}average for 2006-2009

^{**} average for 2005-2015

2. Financial Markets Package

Issues Faced

Lack of large and good internationally competitive financial institutions

Direct finance ratio on the low side

Inability to provide appropriate financial services in response to population aging and low birth rate

Bond market still insufficiently internationalized

Institutional investment ratio still too low, impacting stock market stability

Slowing trend in number of companies listing on stock and **OTC** markets

New financial product tax regulations inconsistent or illmatched to sound financial market development needs

Planning Concept

- ♦ Analysis from the retail and institutional investor demand side and the financial institution supply side as the basis for adjusting the financial market structure and strengthening financial industry composition, competitiveness, and product innovation capability, to provide customized financial services, and make this a core value of planning for 2015.
- **♦ First-Stage Sprint Program** with main theme of building infrastructure for a financial services platform that can meet needs and generate benefits on both the supply and demand sides.

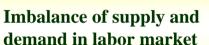
Targets and Vision

	2007	2008	2009			
Market ratio of government-shareholding banks	Gradual reduction, with prioritized divestment of non-leading financial institutions					
Banks' overseas earnings (US\$ billions)	4.6	5.5	6.8			
OBU non-financial institution deposits (US\$ billions)	22.7	25.0	27.5			
Fixed-income products market transaction volume (US\$ billions)	10,769	12,308	13,846			
Securitization market outstanding issuance value (US\$ billions)	9.2	11.4	13.8			
Annuity insurance premium income (US\$ billions)	2.0	2.1	2.2			
Average life insurance cover (US\$)	27,692	29,231	30,769			
International bond market	Accumulating to US\$3.1 billion in 2009					
Foreign and institutional investor stock market trading and stockholding ratios	Foreign investors 20% and 35%, institutional investors 30% and 60% at year-end 2009					
No. of companies listed on stock + OTC markets	Total addition of 250 companies over three years					

Regional financial services center

3. Industrial Manpower Package

Issues Faced



Educational mechanisms out of synch with industry's needs

Cooperation between industry and academia still needs to be strengthened

Lack of flexibility in competing for international talent

Planning Concept

- ◆ Integrating manpower supply and demand data, and making timely adjustments to manpower resources strategy.
- Strengthening job skills training and cultivation, to supply industry with supplemental technical manpower as and when needed.
- Developing a flexible education system, to cater to industry's changing needs.
- ◆ Deregulating personnel systems, to add value to the synergies of industrialacademic (research institute) cooperation.



Targets

Unemployment of university graduates to be close to the general average unemployment rate in 2009.

The number of researchers to reach 8.7 per 1,000 employed persons in 2009.

The share of the higher education sector's R&D spending provided by industry to double to 9.1% in 2009.

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4. Public Construction Package

Issues Faced

- 1. Shortage of water resources, frequent flooding, and serious pollution of rivers
- 2. Transport networks still need strengthening, and old bridges need reinforcement
- 3. Recreational facilities are inadequate, and the quality of residential environments still needs improvement
- 4. Cultural facilities are old, and there is still an urban-rural digital divide

Planning Concept

- 1. Building high-quality public infrastructure that is based on the people's needs, delivers innovalue and balanced development, maintains consistency of policy, and embodies humanistic sustainability.
- 2. Planning for people to live free from water shortages or floods and able to get close to water, in a society that offers fast and convenient travel, rapid distribution of goods, seamless transportation, and barrier-free passage, and in a greenified, high-quality environment where high importance is attached to conservation.

Targets and Vision

Water, water, water

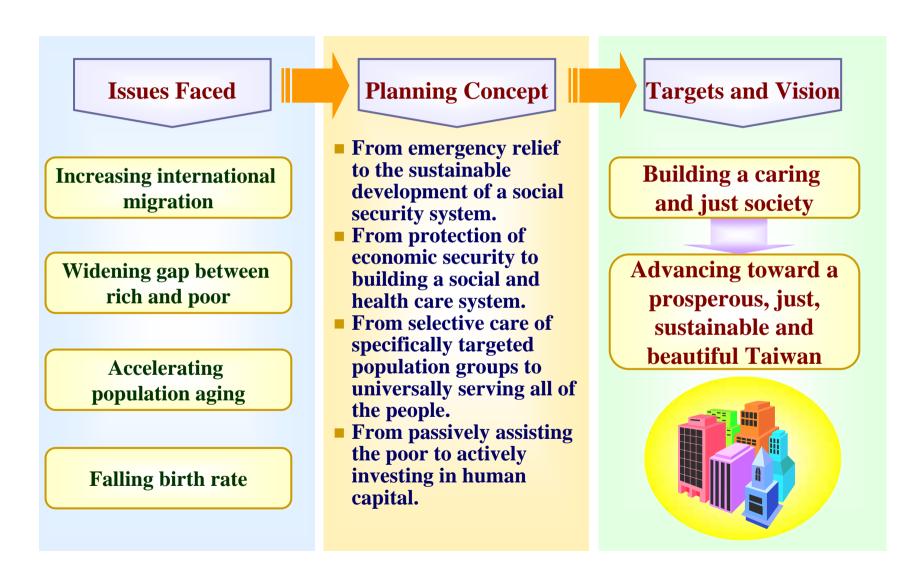
Fast and convenient transport

The good life



Building the living environment of a prosperous, just, sustainable and beautiful Taiwan.

5. Social Welfare Package



Funding Requirements of the Five Packages (2007-2009)

Unit: US\$ million

Five Packages	2007	2008	2009	2007~2009 Total
Industrial Development	1,785.0	2,298.6	2,764.3	6,847.9
Financial Markets	1.0	1.0	1.0	3.0
Manpower Resources	247.2	262.5	275.2	784.9
Public Construction	7,065.2	7,716.6	7,644.9	22,426.8
Social Welfare	1,414.5	1,763.8	2,712.3	5,890.6
Total	10,512.9	12,042.5	13,397.8	35,953.2

Thank you

This summary is prepared by the Department of Economic Research of the Council for Economic Planning and Development (CEPD). Monthly updates can be found on the CEPD's website at http://www.cepd.gov.tw/encontent/index.jsp. For inquiries call 886-2-2316-5681 or send an e-mail to bci@cepd.gov.tw.