TAIWAN'S ECONOMIC SITUATION AND OUTLOOK



Council for Economic Planning and Development Executive Yuan

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CONTENTS

I. CURRENT DOMESTIC SITUATION

- Economic Growth
- Foreign Trade
- Domestic Investment
- Industrial Production
- Employment
- Prices
- Money and Interest Rates
- Business Cyclical Conditions
- **II. PROSPECTS**
- **III. POLICY INITIATIVES**

Economic Growth

The Taiwan economy grew 4.2% in the first quarter of 2007, with private investment expanding 3.3%. In the second quarter, private investment increased much faster than previously forecast, rising 12.5%, and helped boost the overall economy to achieve a growth of 5.1%.

Real GDP Growth (Change form a year ago)

					Domes	stic deman	d			Net	Net foreign demand		
			Consu	mption	Gro	ss fixed ca	pital formation	on			_	Less:	
	Economic								Increase		Exports of goods	Imports of goods	
	growth					Private	Public		in		&	&	
		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	
2002	4.6	2.6	2.6	2.1	1.1	6.7	-1.2	-12.7	-	-	10.6	7.1	
2003	3.5	1.8	1.5	0.6	1.7	3.7	-3.9	-1.3	-	-	10.4	8.1	
2004	6.2	7.7	4.5	-0.5	19.5	33.1	-18.2	-5.8	-	-	14.4	18.9	
2005	4.1	1.4	2.8	0.9	0.2	-1.3	16.4	-0.6	-	-	7.6	3.6	
2006	4.7	1.2	1.5	-0.2	1.0	3.3	-6.7	-5.4	-	-	10.3	5.4	
Q1	5.0	1.2	1.8	-0.1	-4.0	-4.0	-4.2	-3.7	-	-	14.3	8.9	
Q2	4.7	-0.4	1.3	-1.2	-3.2	-1.1	-17.5	-6.0	-	-	12.3	5.3	
Q3	5.1	0.4	0.4	0.1	4.0	6.6	-2.1	-4.8	-	-	13.1	6.3	
Q4	4.0	3.4	2.3	0.3	6.2	11.0	-3.8	-6.5	-	-	3.0	1.7	
2007f	4.6	2.9	3.0	1.5	4.3	5.7	4.0	-2.3	-	-	5.5	3.0	
Q1r	4.2	-0.4	2.1	-0.9	2.4	3.3	21.9	-11.9	-	-	6.3	-1.0	
Q2 _p	5.1	4.7	2.6	0.1	9.3	12.5	0.9	-5.2	-	-	4.6	4.0	

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

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

Contribution to GDP Growth (in percentage points)

			Domestic demand									Net foreign demand				
			Consu	mption	Gro	ss fixed ca	pital formation	on			Б	Less:				
	Economic growth					Private Public		Increase		Exports of goods &	Imports of goods &					
	(yoy)	Total	Private	Gov't	Sub-total	sector	enterprises	Gov't	inventory	Total	services	services				
2002	4.6	2.5	1.6	0.3	0.2	0.8	-0.03	-0.6	0.4	2.1	5.4	3.2				
2003	3.5	1.7	0.9	0.1	0.3	0.5	-0.1	-0.1	0.4	1.8	5.5	3.7				
2004	6.2	7.1	2.7	-0.1	3.6	4.2	-0.4	-0.2	0.9	-0.9	8.2	9.1				
2005	4.1	1.3	1.6	0.1	0.03	-0.2	0.3	-0.02	-0.4	2.7	4.7	1.9				
2006	4.7	1.1	0.8	-0.03	0.2	0.5	-0.1	-0.2	0.04	3.6	6.5	2.9				
Q1	5.0	1.1	1.2	-0.01	-0.7	-0.6	-0.1	-0.1	0.7	3.9	8.4	4.5				
Q2	4.7	-0.4	0.7	-0.2	-0.7	-0.2	-0.3	-0.2	-0.3	5.1	8.1	3.0				
Q3	5.1	0.4	0.2	0.01	0.8	1.0	-0.03	-0.2	-0.7	4.7	8.0	3.4				
Q4	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	4.6	2.5	1.7	0.2	0.8	0.8	0.1	-0.07	-0.2	2.0	3.6	1.6				
Q1r	4.2	-0.4	1.3	-0.1	0.4	0.4	0.2	-0.3	-1.9	4.5	4.0	-0.5				
Q2 _p	5.1	4.1	1.4	0.01	1.9	2.0	0.01	-0.1	0.8	1.0	3.3	2.3				

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

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

Foreign Trade

- ⇒Exports and imports expanded 8.3% and 6.5%, respectively, in the first nine months of 2007.
- ⇒Trade surplus increased US\$3.8 billion to US\$17.4 billion in January-September 2007 from a year ago. Foreign Trade

US\$ billion; yoy %

	Tr	ade	Ex	ports	Im	ports	Balance	
	Value	Value Growth V		Growth	Value	Growth	Balance	
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-Sep	340.0	7.5	178.7	8.3	161.3	6.5	17.4	

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

- ⇒ China (including Hong Kong) and ASEAN have become increasingly important trade partners to Taiwan since 2000, though trade with these two regions has grown more slowly in the last two years. Japan has remained Taiwan's largest supplier of imports, despite a narrowing share.
- ⇒ The trade shares of the United States, Europe and Japan have narrowed as those of China (including Hong Kong), and ASEAN have increased.

Changes in Two-way Trade with Major Trading Partners

Yoy %

				Ex	kports				In	nports	
		USA	Japan	Europe	China (incl. Hong Kong)	ASEAN 6*	USA	Japan	Europe	China (incl. Hong Kong)	ASEAN 6*
2000		13.6	40.2	16.9	26.2	28.8	27.5	26.1	8.3	27.3	39.8
2001	Share	-20.9 22.	-22.9 3 10.3	-16.3 15.8	-9.5 26.6	-19.1 11.9	-27.2 17.0	-32.9 24.0	-21.2 14.0	-7.4 7.4	-20.9 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-Sep	-3.4	-1.8	12.2	10.8	11.4	18.6	-1.8	10.3	12.4	-1.0
	Share	13.2	2 6.6	11.7	40.5	14.3	12.2	21.	1 11.0	13.6	10.9

^{*}ASEAN6 refers to Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Source: Ministry of Finance.

Domestic Investment

Private investment increased 12.5% in the second quarter of 2007, while government investment contracted 5.2% and investment by public enterprises expanded 0.9%. The substantial growth in the private sector was attributable to capital expansions in the semiconductor industry.

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

NT\$ billion; yoy %

	Т	otal	Private i	nvestment		nterprises stment		rnment stment
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
2002	1,911.2	1.1	1,284.4	6.7	226.8	-1.2	399.7	-12.7
2003	1,957.9	1.7	1,335.9	3.7	219.2	-3.9	402.6	-1.3
2004	2,420.3	19.5	1,826.8	33.1	181.6	-18.2	411.8	-5.8
2005	2,403.2	0.2	1,780.4	-1.3	205.2	16.4	417.3	-0.6
2006	2,484.4	1.0	1,878.2	3.3	193.0	-6.7	413.3	-5.4
Q1	529.1	-4.0	410.0	-4.0	34.0	-4.2	85.0	-3.7
Q2	625.1	-3.2	489.1	-1.1	39.9	-17.5	96.2	-6.0
Q3	618.2	4.0	464.5	6.6	47.2	-2.1	106.5	-4.8
Q4	712.0	6.2	514.6	11.0	71.9	-3.8	125.6	-6.5
2007_{f}	2,651.8	4.3	2,030.6	5.7	205.3	4.0	415.7	-2.3
$Q1_r$	560.4	2.4	440.0	3.3	42.4	21.9	78.0	-11.9
$Q2_p$	698.4	9.3	562.0	12.5	42.0	0.9	94.4	-5.2

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

Source: DGBAS, August 2007.

Production

Industrial production grew 5.9% in January-September 2007, with manufacturing increasing 6.3%.

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-Sep	5.9	-14.2	6.3	2.7	1.6

Source: Ministry of Economic Affairs.

Employment

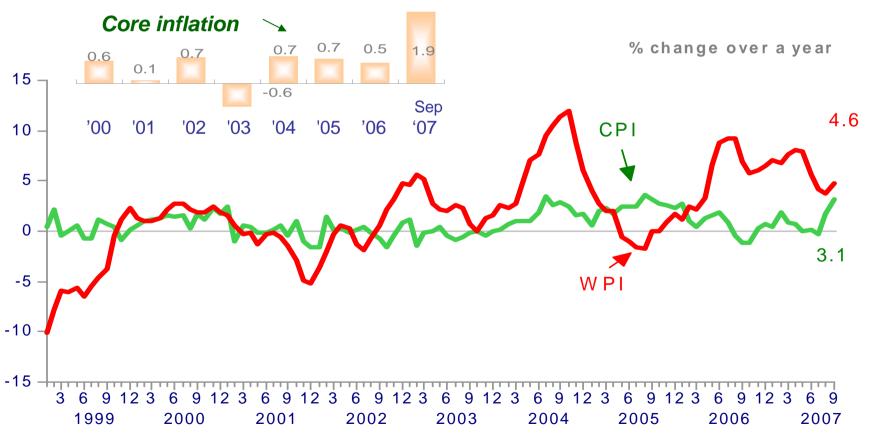
Nonagricultural employment has grown steadily. The unemployment rate recorded 3.92% in January-September 2007, slightly higher than the level recorded in 2006.

	Lab	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-Sep	10,695	58.2	419	3.92	9,733	2.2	

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

Prices

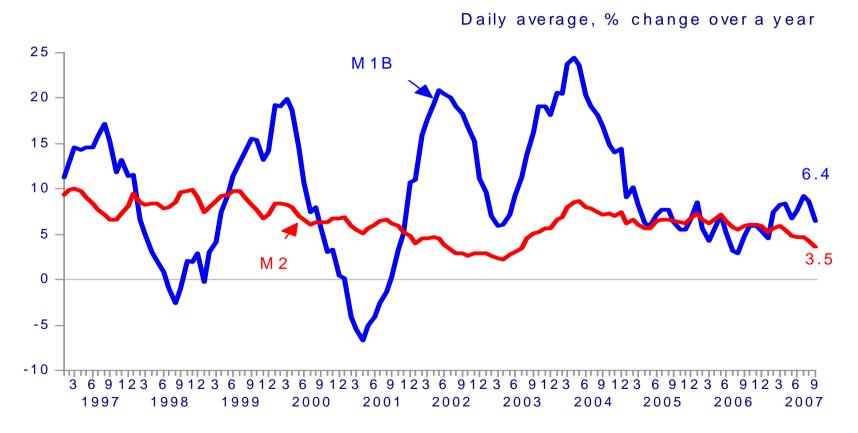
In September 2007, wholesale prices increased 4.6% from a year ago, thanks to continued hikes in basic metals and energy products. Consumer prices rose 3.1%, with increases in gas, garments, imported tobaccos, Chinese medicines and agricultural products offsetting decrease in electronic products. Core prices (excluding fresh food and energy prices) climbed 1.9%.



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

Money Supply

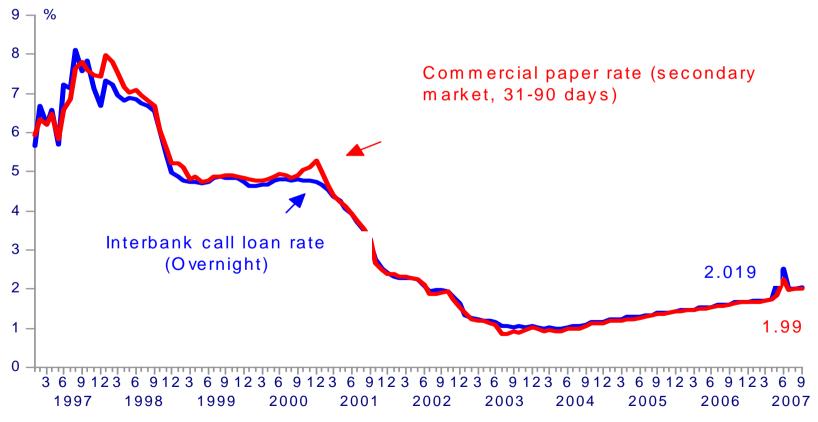
In September 2007, M1B and M2 grew 6.4% and 3.5%, respectively, from a year ago. During the first nine months of 2007, M1B and M2 expanded 7.4% and 4.9%, respectively.



Source: Central Bank of China (Taiwan).

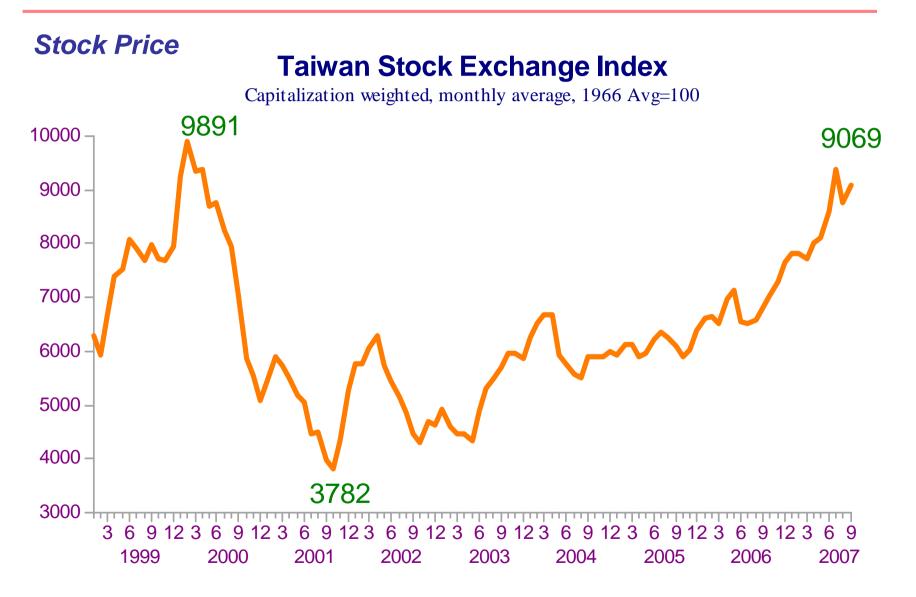
Short-term Interest Rates

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 1.99% and 2.007%, respectively, in August. The rediscount rate was raised to 3.25% from 3.125% in September 2007



Source: Central Bank of China (Taiwan).

Current Domestic Situation



Source: Taiwan Stock Exchange.

Monitoring Indicators

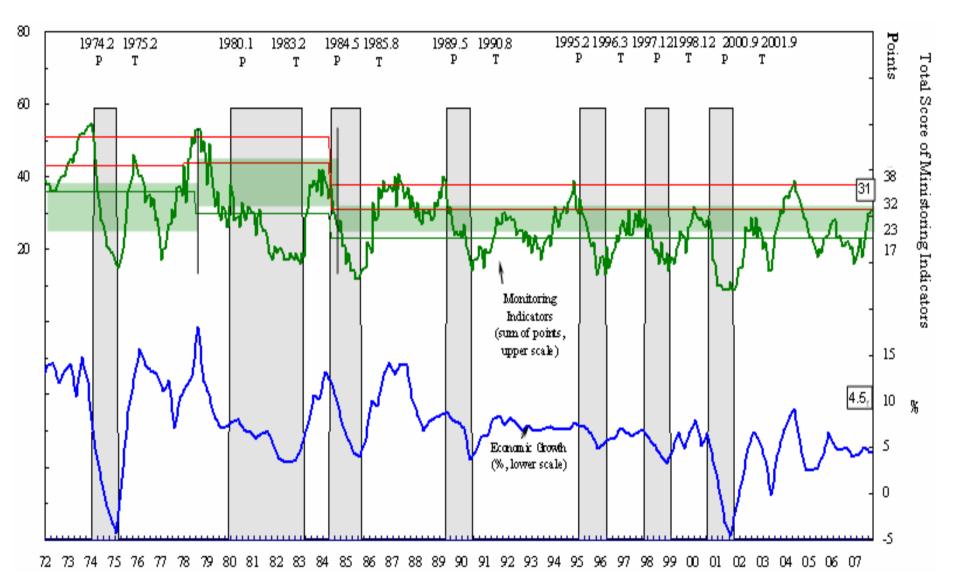
In September 2007, Taiwan's business cyclical indicators displayed mixed signs of economic condition. The monitoring indicators signaled "green" for the fourth consecutive month.

				2006				2007									
	Month	8	9	10	11	12	1	2	3	4	5	6		7	8	9	9
Total	Light								\bigcirc				New Series beginning in July 2007*				$\overline{}$
Total	Score	22	22	20	21	16	18	19	23	18	20	25		30	30	3	31
Monetary Aggregates M	lB, yoy%	\bigcirc						\bigcirc	\bigcirc	\bigcirc	\bigcirc	0	Monetary Aggregates M1B	0			6.4
Direct and Indirect Finar	10e, yoy %		\bigcirc	\bigcirc	\bigcirc			\bigcirc		\bigcirc			Direct and Indirect Finance				3.8
Bank Clearings and Rem	ittance, yoy%	\bigcirc				\bigcirc		\bigcirc	\bigcirc	\bigcirc	\bigcirc		Stock Price Index				33.7
Stock Price Index, 1966=	:100, yoy%	\bigcirc	\bigcirc				0	\bigcirc	\bigcirc	\bigcirc	\bigcirc		Industrial Production Index				9.7
Manufacturing New Ord 1976.1=100, yoy %	er Index, 1996\$,		\bigcirc		\bigcirc		⑦	\bigcirc	\bigcirc	\bigcirc	\bigcirc		Nonagricultural Employment	0	0	0	1.7
Exports, 2001\$, yoy%				0	0	\bigcirc			\bigcirc	\bigcirc			Exports			0	10.6
Industrial Production Ind yoy %	ex, 2001=100,	\bigcirc							\bigcirc				Imports of Machinery and Electrical Equipment				-0.9
Manufacturing Inventory %	-to-Sales ratio,	0	\bigcirc	0	0	0	0	\bigcirc	0	\bigcirc	0	0	Manufacturing Sales		<u></u>		8.6 _p
Nonagricultural Employs	cultural Employment, you % 🔵 🔵 🔘 🔘 🔘 🔘 Wholes ale, Retail and Food Services Sales 😡 🔘 5.6						5.6 _p										

[&]quot;Components are interms of pecentage 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.

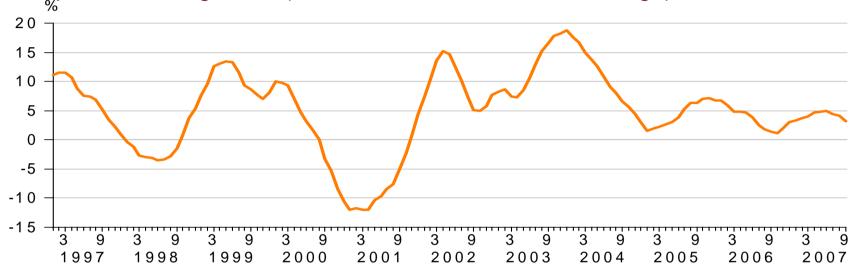
Source: Council for Economic Planning and Development.

Monitoring Indicators and Economic Growth

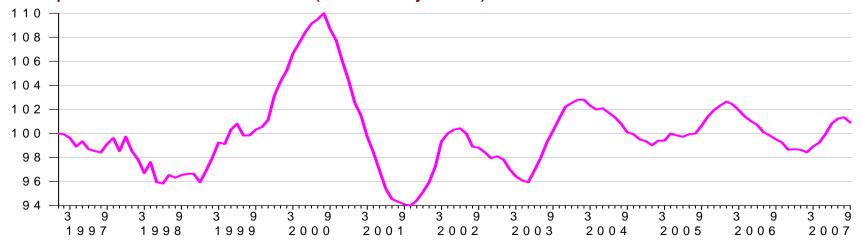


Source: Council for Economic Planning and Development.

Composite Leading Index (Annualized 6-month rate of change)



Composite Coincident Index (Trend adjusted)



Source: CEPD.

II. PROSPECTS - 2007

2007

- The economy is forecast to grow 4.58% in 2007, with GNP and per capita GNP reaching US\$390 billion and US\$17,077, respectively.
- Despite the anticipation of a moderated pace of the U.S. economic expansion in the second half of 2007, the global economy will remain resilient and is expected to help boost Taiwan's foreign demand. Moreover, business globalization will add momentum to export expansion. Customs exports and imports are predicted to increase 6.9% and 6.3%, respectively, for the entire year of 2007.
- ⇒ Private consumption will see faster growth in the second half of 2007, thanks to continuing improvement in the job, real estate and stock markets, the departing of the consumer credit problem, and the rise in minimum wage. For the entire year, it is expected to grow 3.0%.
- ⇒ Private investment will continue to benefit from several developments in the semiconductor industry: plant expansions, lowered cost following production process upgrading, surging export orders for foundry, and climbing capacity utilization rates. The year 2007 will see a 5.7% growth in private investment.
- The upward pressure on the wholesale price index is expected to wane in the second half of 2007, as the supply of important raw materials on the international market, including basic metals and chemicals, is increasing. Inflation as measured by the consumer price index in the first half of 2007 was restrained with the falls in vegetable and fruit prices due to good weather, recording only 0.6%. The second half of the year will see increasing pressure on the CPI from higher food commodity prices and negative impact of typhoon weather on vegetable and fruit supply. A 2.3% increase in the CPI is foreseen for the second half of 2007, and 1.5%, for the whole year.

II. PROSPECTS - 2008

2008

- The adverse effects following the disruptions in financial markets in the U.S. and other industrial countries and the historically high oil prices have increased the uncertainty surrounding the global economic outlook. Although direct impact of the recent financial turmoil on Taiwan's financial markets is very limited, the tightening effect is a source of threat to the overall economy.
- The economy is forecast to grow 4.51% in 2008, with GNP and per capita GNP reaching US\$410 billion and US\$17,911, respectively.
- ⇒ With prospects for the global economy becoming less buoyant, foreign demand will expand steadily, but probably less rapidly than forecast earlier.
- Several factors will continue to help encourage private consumption: the rise in minimum wage, the further improvement of the job market, the wealth effect from the booming stock market, and the entry of innovative consumer products on the marketplace.
- Private investment is expected to increase, thanks to the stimulation from the government-led urban renovation and rural reform projects and the continued plant expansions and the upgrading of production process taking place in the semiconductor industry.
- ⇒ Limited growth is foreseen in government investment and government consumption.
- Although world prices of oil and commodities will continue to rise, inflationary pressure could be restrained by factors that will lower production cost or check price increase, such as technological progress, productivity growth, and intensive competition on the marketplace. Both wholesale prices and consumer prices are expected to rise 1.5% in 2008.

FORECASTS FOR ECONOMIC GROWTH

		20	007	2008
Forecasting institution	Release time	%	Change from last forecast	%
World Bank	Nov 2006	4.0	-0.1	-
IMF	Oct 2007	4.1	-0.1	3.8
Global-Insight	Oct 2007	4.4	0	4.7
CIER	Oct 2007	4.55	+0.29	4.41
TIER	Jul 2007	4.21	+0.12	-
DGBAS	Aug 2007	4.58	+0.2	4.51
Academia Sinica	Jul 2007	4.46	+0.25	-

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

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.

Caring and just society

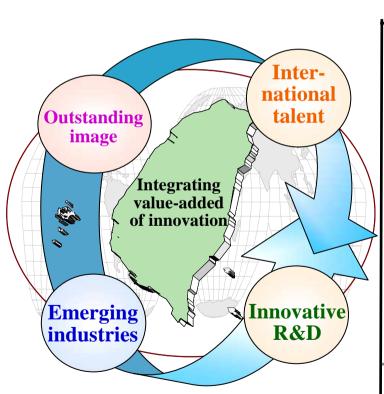
Sustaining a green environment

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.

A Prosperous Economy

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

2006~2015



1996~2005

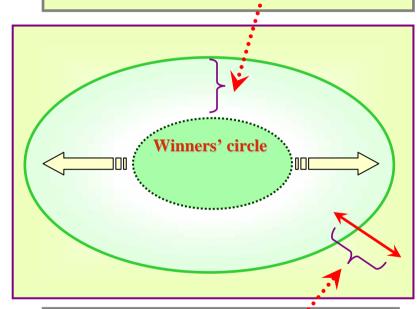
- Average annual GDP growth of 4.5%, derived from:
- Labor input contribution 13.3%
- Capital input contribution 53.3%
- Technical progress contribution 33.4%

- 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

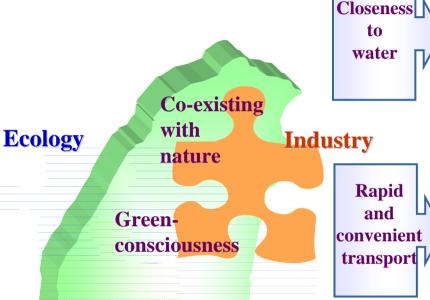
♦ With the provision of maternal and family protection, education benefits, employment promotion, and other such measures, the people's needs for having, raising and educating children will all be safeguarded; the unemployment rate will be kept below 4%, and the female labor-force participation rate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





protection

Resources Environmental

Sustainability

High quality of 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.

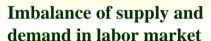
Targets and Vision

	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

2. 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.

Making higher and technical/vocational education more market oriented, to raise educational quality.

Deregulating personnel systems, to promote the flow and utilization of manpower resources among industry, academia and the research sector.

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

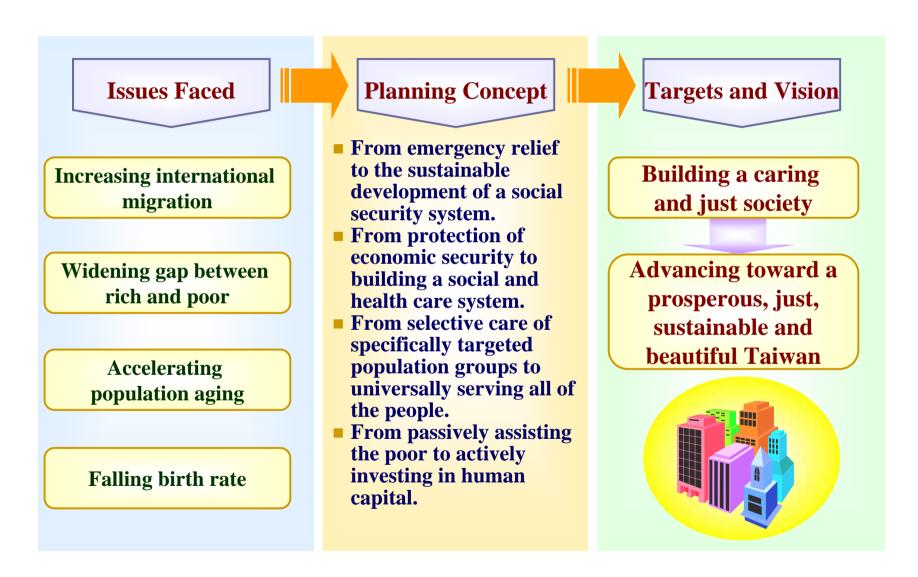
Fast and convenient transport

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.