

# TAIWAN'S ECONOMIC SITUATION AND OUTLOOK



Council for Economic Planning and Development  
Executive Yuan

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# I. CURRENT DOMESTIC SITUATION

## *Economic Growth*

⇒ Thanks to the brilliant performance in exports, industrial production and corporate profits in the second half of 2007, the economy is preliminarily estimated to have grown 5.7% for the whole year.

⇒ In 2008, the economy is forecasted to grow 4.3%.

### Real GDP Growth (Change from a year ago)

	Economic growth	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				
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	4.2	1.7	3.0	1.1	1.2	0.3	16.2	-1.8	-	-	7.6	3.8
2006	4.9	1.2	1.8	-0.4	0.6	3.0	-7.5	-6.2	-	-	10.4	5.2
2007 <sub>p</sub>	5.7	2.2	2.6	0.8	2.4	3.4	3.9	-3.9	-	-	8.8	4.0
Q1	4.2	-0.1	2.1	-0.2	0.8	1.4	20.9	-13.0	-	-	6.4	-0.5
Q2	5.2	3.8	2.6	0.03	6.0	8.6	1.8	-6.9	-	-	4.7	2.4
Q3 <sub>r</sub>	6.9	4.0	3.6	1.7	4.5	5.8	0.7	-0.8	-	-	11.1	7.3
Q4 <sub>p</sub>	6.4	1.3	2.2	1.5	-1.6	-2.4	-0.8	1.6	-	-	12.9	6.3
2008 <sub>f</sub>	4.3	2.9	2.9	2.2	2.7	3.3	5.6	-2.4	-	-	3.1	0.5

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

Source: Directorate-General of Budget, Accounting, and Statistics (DGBAS), February 2008.

# CURRENT DOMESTIC SITUATION

## Contribution to GDP Growth (in percentage points)

	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	Sub-total	Private sector	Public enterprises	Gov't				
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	4.2	1.5	1.8	0.1	0.3	0.05	0.3	-0.06	-0.6	2.6	4.7	2.0
2006	4.9	1.1	1.0	-0.05	0.1	0.5	-0.1	-0.2	0.01	3.8	6.6	2.8
2007 <sub>p</sub>	5.7	2.0	1.5	0.1	0.5	0.5	0.1	-0.1	-0.1	3.7	5.9	2.1
Q1	4.2	-0.1	1.3	-0.03	0.1	0.2	-0.3	-1.5	4.3	4.5	4.1	-0.2
Q2	5.2	3.3	1.4	0.0	1.2	1.4	0.02	-0.2	0.7	2.0	3.3	1.4
Q3 <sub>r</sub>	6.9	3.6	2.1	0.2	0.9	0.9	0.01	-0.02	0.4	3.3	7.3	4.0
Q4 <sub>p</sub>	6.4	1.1	1.1	0.2	-0.3	-0.4	-0.02	0.1	0.2	5.3	8.5	3.3
2008 <sub>f</sub>	4.3	2.5	1.6	0.3	0.5	0.5	0.1	-0.1	0.1	1.9	2.1	0.3

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

Source: Directorate-General of Budget, Accounting, and Statistics (DGBAS), February 2008.

# CURRENT DOMESTIC SITUATION

## Domestic Investment

- ⇒ In the fourth quarter of 2007, the 2.4% fall in private investment is attributable to a 2.0% decline in imports of capital equipment and a decrease in construction work, despite a 4.0% growth in manufacturing investment goods.
- ⇒ For 2007 as a whole, gross fixed capital formation rose 2.4%, including a 3.4% rise in private investment.

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

NT\$ billion; yoy %

	Total		Private investment		Public enterprises investment		Government investment	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
2002	1,910.9	1.1	1,284.4	6.7	226.8	-1.2	399.7	-12.7
2003	1,957.7	1.7	1,335.9	3.7	219.2	-3.9	402.6	-1.3
2004	2,420.2	19.5	1,826.8	33.1	181.6	-18.2	411.8	-5.8
2005	2,438.4	1.2	1,817.2	0.3	205.2	16.2	416.1	-3.2
2006	2,517.6	0.6	1,917.8	3.0	190.7	-7.5	409.1	-6.2
<b>2007<sub>p</sub></b>	<b>2,665.2</b>	<b>2.4</b>	<b>2,044.4</b>	<b>3.4</b>	<b>205.0</b>	<b>3.9</b>	<b>415.8</b>	<b>-3.9</b>
Q1	564.6	0.8	444.6	1.4	42.4	20.9	77.5	-13.0
Q2	691.8	6.0	555.9	8.6	41.9	1.8	94.0	-6.9
Q3 <sub>r</sub>	692.4	4.5	534.1	5.8	48.8	0.7	109.5	-0.8
Q4 <sub>p</sub>	716.3	-1.6	509.8	-2.4	71.8	-0.8	134.7	1.6
<b>2008<sub>f</sub></b>	<b>2,809.8</b>	<b>2.7</b>	<b>2,164.0</b>	<b>3.3</b>	<b>221.0</b>	<b>5.6</b>	<b>424.7</b>	<b>-2.4</b>

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

Source: DGBAS, February 2008.

# CURRENT DOMESTIC SITUATION

## Foreign Trade

- ⇒ Exports and imports expanded 14.7% and 19.4%, respectively, in the first two months of 2008 .
- ⇒ Trade surplus decreased US\$0.8 billion to US\$3.2 billion in January-February 2008 from a year ago.
- ⇒ Exports and imports expanded 10.1% and 8.2%, respectively, in 2007.

### Foreign Trade

US\$ billion; yoy %

	Trade		Exports		Imports		Balance
	Value	Growth	Value	Growth	Value	Growth	
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	466.1	9.2	246.7	10.1	219.3	8.2	27.4
<b>2008 Jan-Feb</b>	<b>76.4</b>	<b>16.9</b>	<b>39.8</b>	<b>14.7</b>	<b>36.6</b>	<b>19.4</b>	<b>3.2</b>

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 “re-imports.”

Source: Ministry of Finance.

# CURRENT DOMESTIC SITUATION

## 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 three years. Japan has remained Taiwan's largest supplier of imports, despite a narrowing share.
- ⇒ Export 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

	Exports					Imports					Yoy %
	USA	Japan	Europe	China (incl. Hong Kong)	ASEAN 6*	USA	Japan	Middle East	China (incl. Hong Kong)	ASEAN 6*	
2001	-20.9	-22.9	-16.3	-9.5	-19.1	-27.2	-32.9	-2.0	-7.4	-20.9	
Share	22.3	10.3	15.8	26.6	11.9	17.0	24.0	6.1	7.4	14.9	
2002	-2.7	-5.0	-5.9	29.4	7.4	-0.8	5.5	9.8	24.2	3.7	
2003	-3.0	0.5	10.4	23.6	10.5	-6.9	19.6	43.7	30.9	5.2	
2004	8.3	11.1	14.7	28.8	33.0	28.2	33.6	34.6	47.7	16.2	
2005	1.3	9.4	-0.7	12.2	13.8	-2.8	5.3	36.5	16.2	3.8	
2006	11.2	7.9	10.6	14.8	13.8	7.1	0.5	30.1	20.1	10.4	
2007	-0.9	-2.2	9.7	12.6	16.7	17.0	-0.7	12.0	11.9	1.7	
2008 Jan-Feb	-4.4	-2.7	9.3	21.3	25.9	20.6	19.3	68.0	11.0	11.0	
Share	11.8	6.4	12.1	39.4	15.6	11.9	20.9	16.3	13.0	10.1	

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

Source: Ministry of Finance.

# CURRENT DOMESTIC SITUATION

## Production

⇒ Industrial production grew 13.4% in the first two months of 2008, with manufacturing increasing 13.9%.

⇒ In 2007, Industrial production registered an average growth of 8.1%.

## Growth of Industrial Production Index

%

	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	8.1	-14.8	8.8	2.5	-1.1
<b>2008 Jan-Feb</b>	<b>13.4</b>	<b>-0.8</b>	<b>13.9</b>	<b>6.3</b>	<b>12.1</b>

Source: Ministry of Economic Affairs.



# CURRENT DOMESTIC SITUATION

## *Employment*

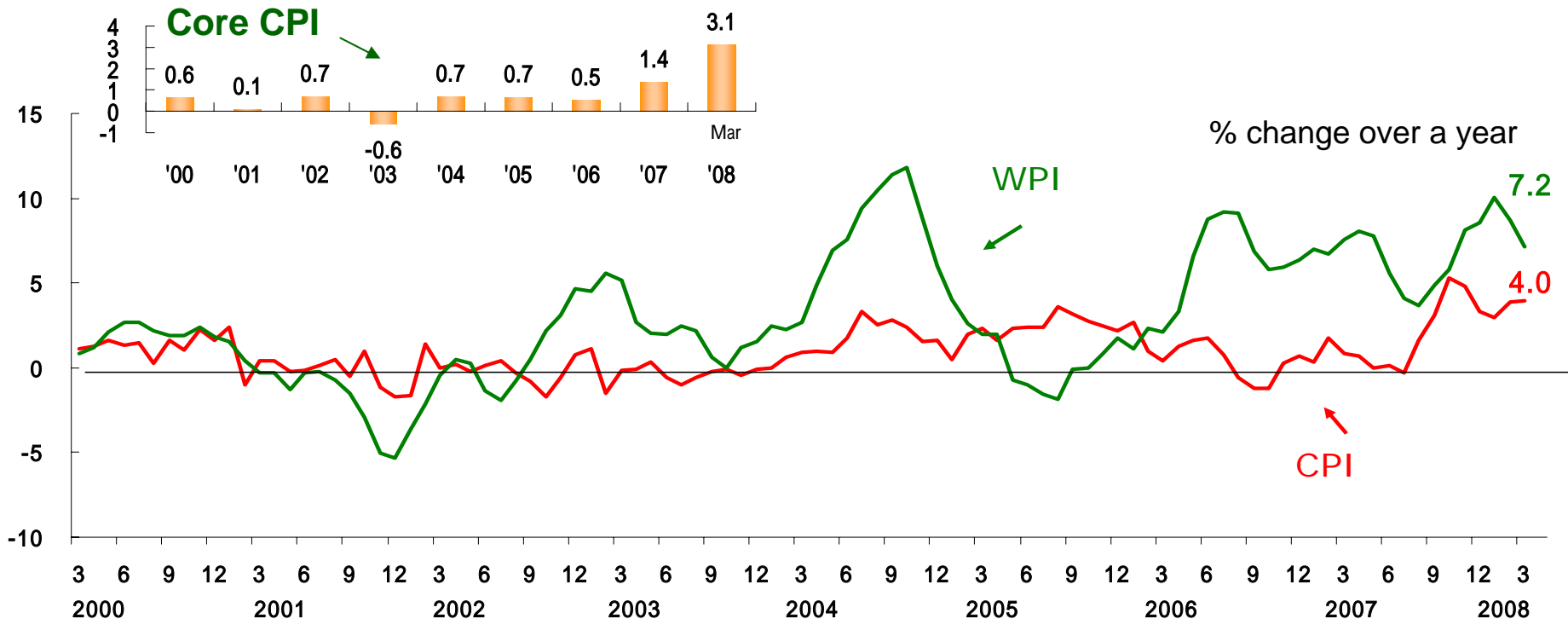
Nonagricultural employment has grown steadily. The unemployment rate recorded 3.9% in January-February 2008, slightly lower than the level in 2007.

	Labor Force		Unemployment		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	10,713	58.3	419	3.91	9,751	2.0
<b>2008 Jan-Feb</b>	<b>10,788</b>	<b>58.2</b>	<b>417</b>	<b>3.87</b>	<b>9,834</b>	<b>1.4</b>

# CURRENT DOMESTIC SITUATION

## Prices

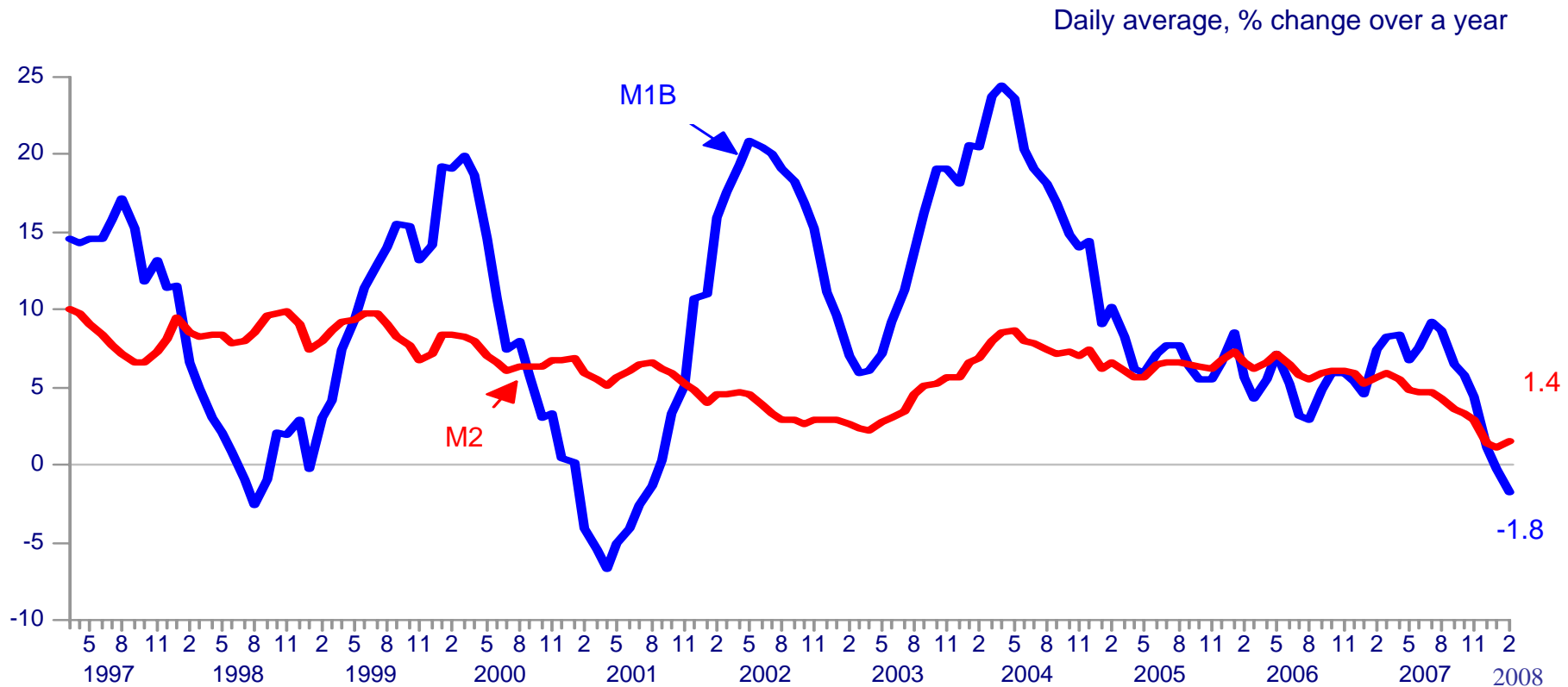
- ⇒ In March 2008, CPI rose 4.0% from a year ago, with increases in food, fuels & lubricants, taxi fees, and Chinese herbal medicines, offsetting continued decreases in electronic products. Core prices (excluding fresh food and energy prices) climbed 3.1%.
- ⇒ WPI were pushed up by 7.2%, reflecting the rising prices of crude petroleum and natural gas, petroleum & coal products, and basic metal.
- ⇒ For the first quarter of 2008, CPI and WPI moved up 3.6% and 8.6%, respectively.



# CURRENT DOMESTIC SITUATION

## Money Supply

⇒ In February 2008, M1B continuously decreased 1.8% from a year ago, while M2 grew 1.4%. The M2 growth rate was higher than that of the previous month due to substantial net foreign capital inflow.

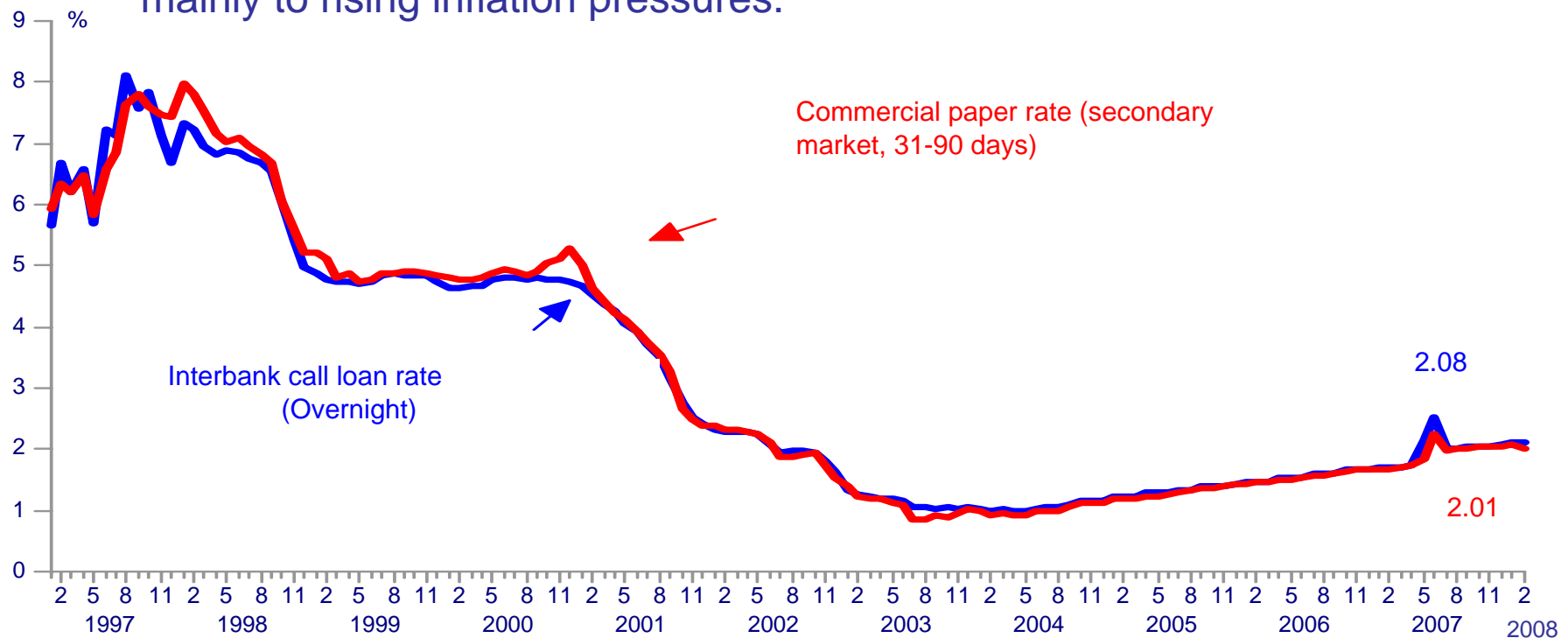


Source: Central Bank of China (Taiwan).

# CURRENT DOMESTIC SITUATION

## 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 2.01% and 2.08%, respectively, in February 2008.
- ⇒ The rediscount rate was raised by 12.5bp to 3.5% in March 2008, due mainly to rising inflation pressures.

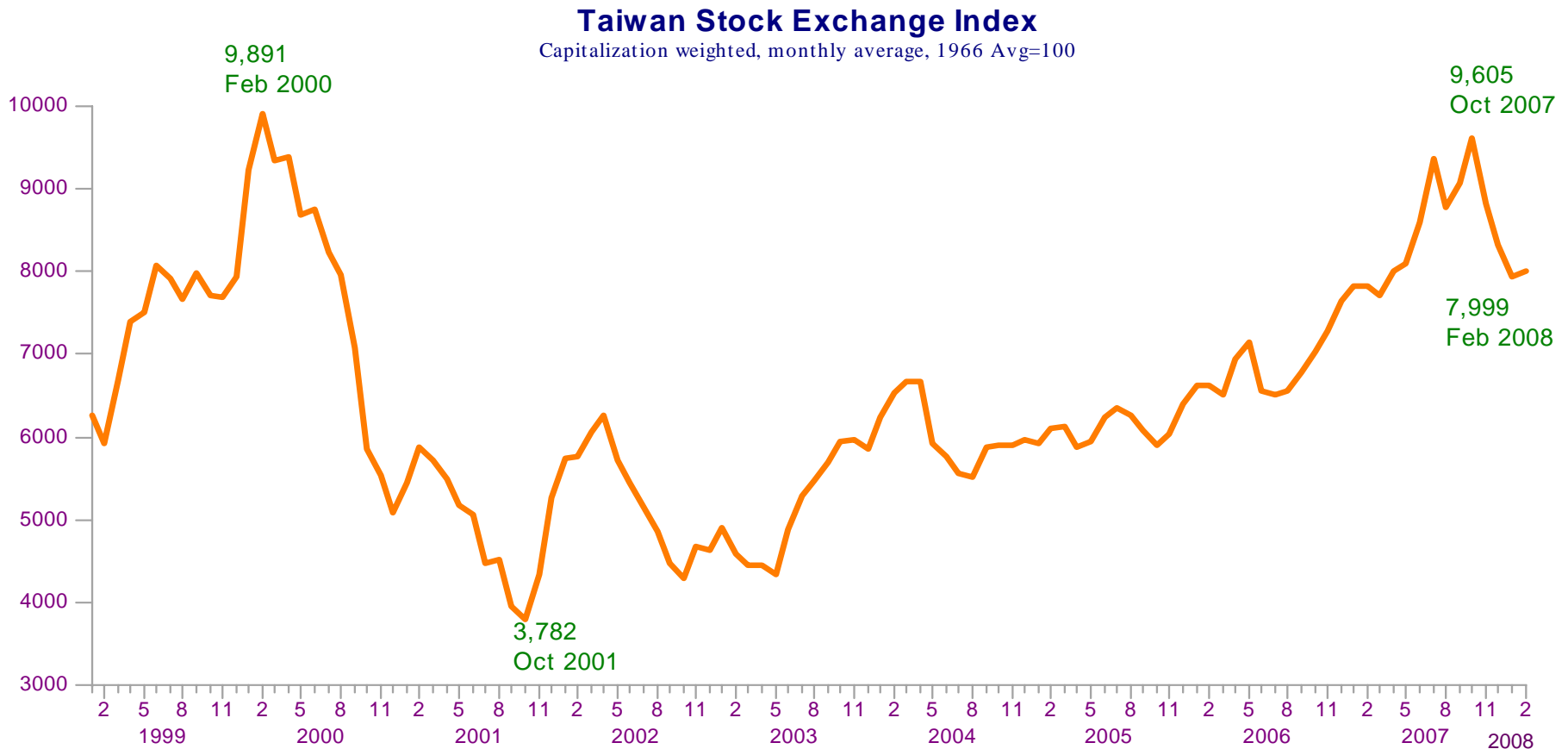


Source: Central Bank of China (Taiwan).

# CURRENT DOMESTIC SITUATION

## Stock Price

- ⇒ In February 2008, stock exchange index rose 2.3% from a year ago.
- ⇒ In 2007, stock exchange index stood at 8,510 points, increasing by 24% from the previous year.



Source: Taiwan Stock Exchange.

# CURRENT DOMESTIC SITUATION

## Monitoring Indicators

In February 2008, the total scores of monitoring indicators decreased to 27, and the light signaled "green" for the fourth consecutive month.

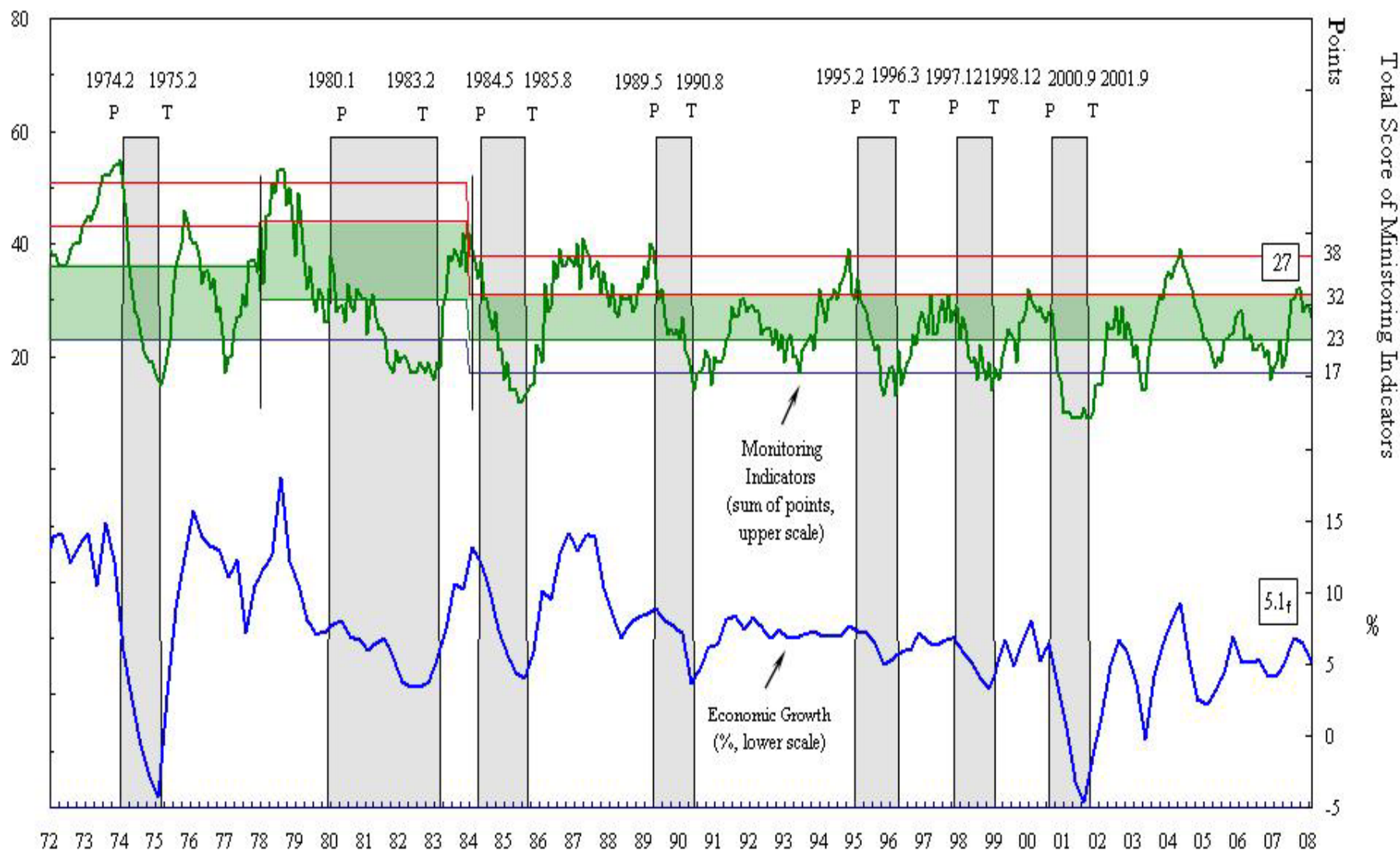
Month		2007												2008	
		2	3	4	5	6	New Series beginnring in July 2007 *	7	8	9	10	11	12	1	2
Total	Light														
	Score	19	23	18	20	25	30		30	32	32	28	29	29,	27
Monetary Aggregates M1B, yoy %							Monetary Aggregates M1B								-2.2
Direct and Indirect Finance, yoy %							Direct and Indirect Finance								2.8
Bank Clearings and Remittance, yoy %							Stock Price Index								2.3
Stock Price Index, 1966=100, yoy%							Industrial Production Index								12.0
Manufacturing New Order Index, 1996\$, 1976.1=100, yoy %							Nonagricultural Employment								1.5
Exports, 2001\$, yoy %							Exports								16.4
Industrial Production Index, 2001=100, yoy %							Imports of Machinery and Electrical Equipment								5.0
Manufacturing Inventory-to-Sales ratio, %							Manufacturing Sales								11.6,
Nonagricultural Employment, yoy %							Wholesale, Retail and Food Services Sales								0.7,

● Booming ● Transition in need of watching ● Steadily moving forward ● Transition in need of watching ● Sluggish

\*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.

Source: Council for Economic Planning and Development.

# Monitoring Indicators and Economic Growth

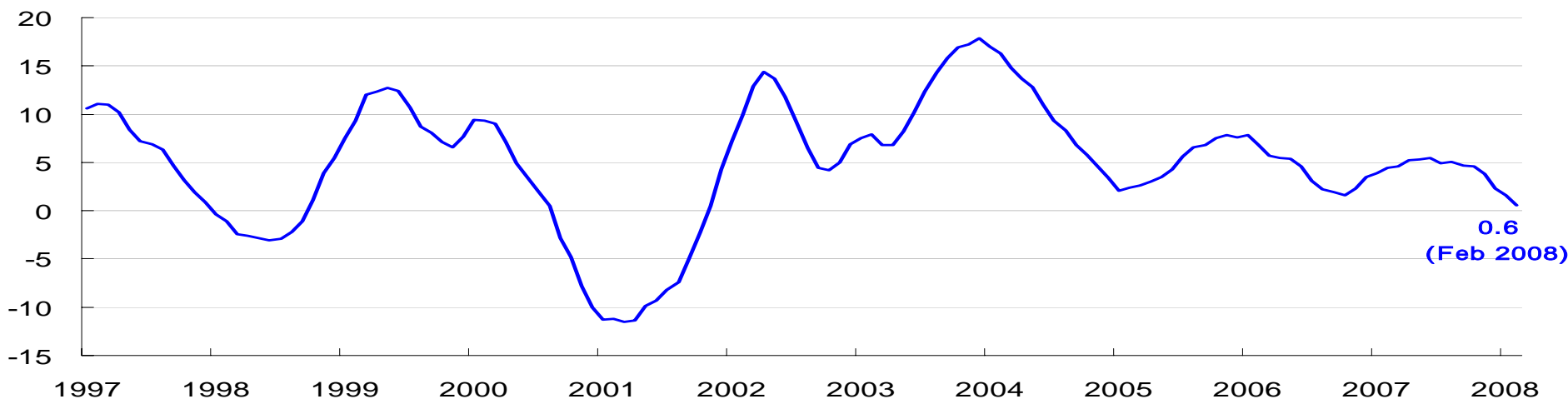


Source: Council for Economic Planning and Development.

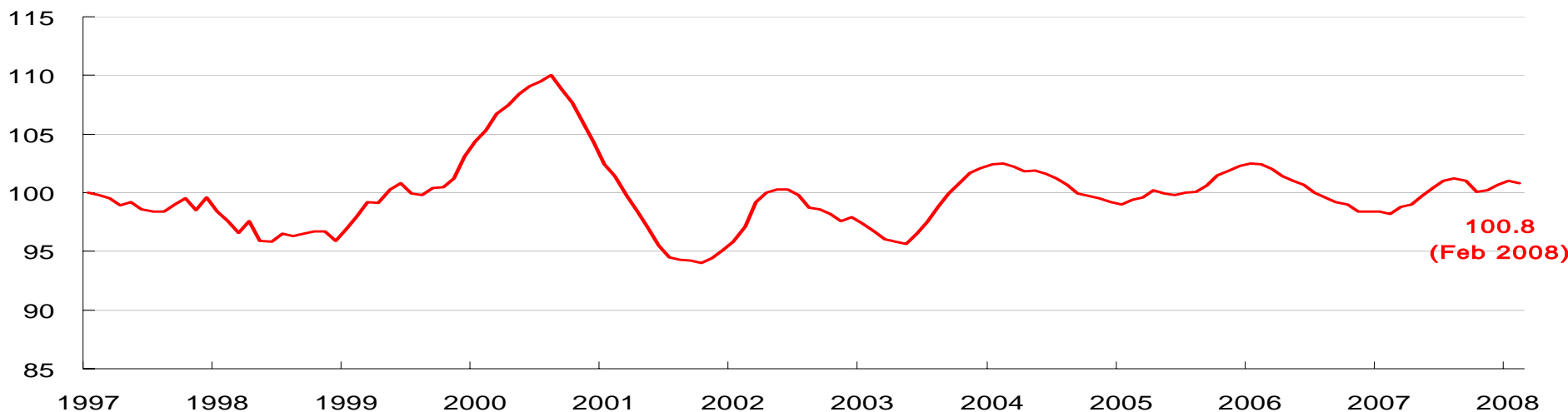


# CURRENT DOMESTIC SITUATION

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



Composite Coincident Index (Trend adjusted)



Source: CEPD.



## II. PROSPECTS - 2008

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### ⇒ **Taiwan's economic growth remains solid**

- Although the U.S. subprime mortgage turbulence spread to the international financial markets, it has only very limited direct impact on Taiwan's economy. However, the tightening effect remains a source of threat to the overall economy.
- Taiwan's economy is forecast to grow 4.32% in 2008, with GNP amounting to US\$428.1 billion and per capita GDP reaching US\$18,042.

### ⇒ **Export is anticipated to grow at a moderate pace**

Because global economic prospects are becoming less buoyant, exports will be anticipated to mildly increase in 2008, growing 6.1%, supported by sound economic situation in emerging markets. Induced by export expansion, imports will be able to increase 6.3%.

### ⇒ **Private consumption maintains steady growth**

Several factors will continue to help sustain private consumption growth at the rate of 2.9% in 2008: the continued improvement in the job market, a further increase in social welfare transfers, and the increasing cash dividends provided by prosperous corporate profits.

## II. PROSPECTS - 2008

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### ⇒ **Domestic investment is expected to grow modestly**

- Despite the completion of aircraft replacement by private airlines and a cautious investment strategy by foundry manufacturers, private investment is expected to increase 3.3% in 2008, thanks to the newly constructed investment plans from some flat panel display manufacturers, the accelerated implementation of government-led urban renewal and rural reconstruction projects.
- Limited growth is foreseen in government investment, while positive growth is anticipated in investment by public enterprises.

### ⇒ **Inflation remains a concern**

Despite inflation pressures from international oil and commodity markets, WPI in 2008 is estimated to rise 2.4%, thanks to the NT dollar appreciation. Rising cost of raw materials have added to consumer price inflation pressures gradually, CPI inflation is likely to see a moderate increase of 2.0% for the whole year. The government will closely monitor price changes and take necessary measures to achieve the inflation target of below 2%.

# FORECASTS FOR TAIWAN'S ECONOMIC GROWTH

Forecasting institution	Release time	2008		2007	
		%	Change from last forecast (per. point)	%	Change from last forecast (per. point)
World Bank	Apr 2008	4.3	-0.3	5.7	+1.1
IMF	Oct 2007	3.8	-0.5	4.1	-0.1
Global-Insight	Mar 2008	4.0	+0.2	5.7	+0.2
CIER	Dec 2007	4.17	-0.24	5.35	+0.80
TIER	Jan 2008	4.29	-0.10	5.10	+0.69
DGBAS	Feb 2008	4.32	-0.21	5.70	+0.24
Academia Sinica	Dec 2007	4.31	-	5.15	+0.69

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

TIER: Taiwan Institute of Economic Research, Taipei.

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

# FORECASTS FOR TAIWAN'S CPI

Forecasting institution	Release time	2008		2007	
		%	Change from last forecast (per. point)	%	Change from last forecast (per. point)
Global-Insight	Mar 2008	2.3	+0.2	1.8	+0.0
CIER	Dec 2007	2.00	+0.02	1.39	+0.06
TIER	Jan 2008	1.86	-0.04	1.80	+0.20
DGBAS	Feb 2008	1.98	+0.14	1.80	+0.15
Academia Sinica	Dec 2007	1.93	-	1.84	+0.41
TRI	Dec 2007	1.86	-	1.70	-

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

TIER: Taiwan Institute of Economic Research, Taipei.

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

TRI: Taiwan Research Institute .Taipei

# Macroeconomic Targets for 2008

- ⇒ The government set out a target of 4.8% growth for the economy in 2008, with CPI increasing no more than 2.0%. Efforts will be made to keep unemployment rate around 3.8%, with employment increasing 1.7% and labor participation rate standing at 58.5%.
- ⇒ Domestic demand will be expanded, while export momentum will be kept.

	Target for 2008
<b>GDP growth (%)</b>	4.8
<b>Per capita GDP (US\$)</b>	18,000
<b>Consumer price increase (%)</b>	< 2.0
<b>Unemployment rate (%)</b>	3.8
Employment increase (%)	1.7
Labor participation (%)	58.5
<b>Demand components (Percent of GDP)</b>	
National consumption	71.2
Domestic investment	21.5
Goods-and-services trade balance	7.0

Source: Council for Economic Planning and Development.

### III. POLICY INITIATIVES

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- 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 socio-economic 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*

## 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.

## Sustaining a green environment

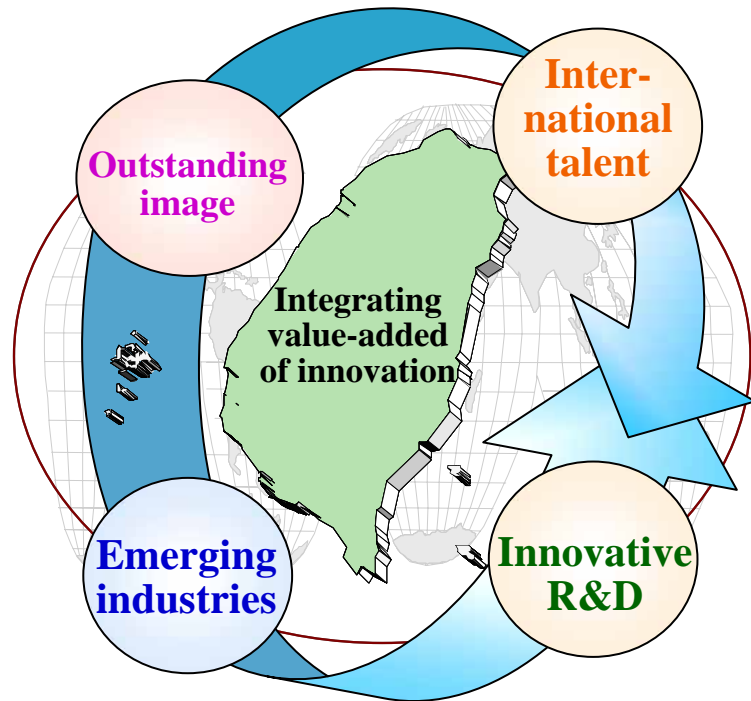
With sustainable development established as national consensus, and having ample healthy, high-quality living facilities, all the people can enjoy a comfortable quality of life and congenial eco-environment on Taiwan.

# A Prosperous Economy

- **Leading-edge innovation ability**
- **Outstanding Taiwan image**
- **Top-notch manpower resources**
- **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**

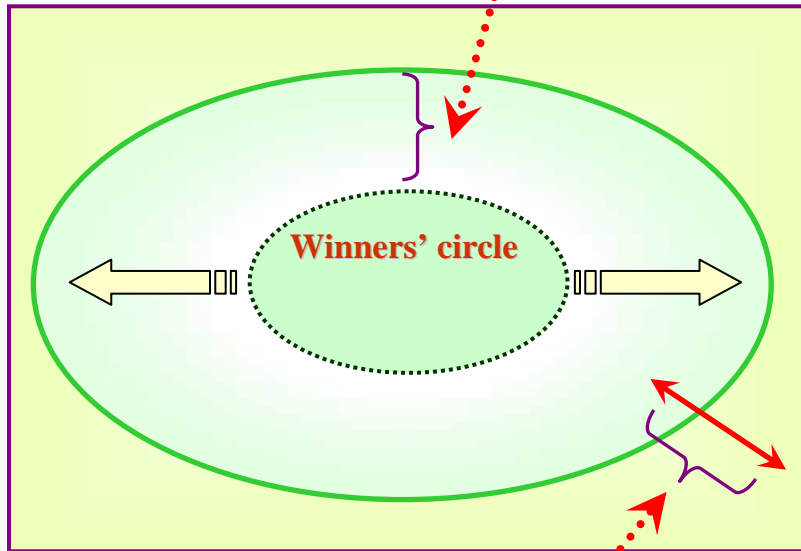


# Caring and Just Society

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

## Targets and Outlook for 2015

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



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

### 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.

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

# Sustainable Green Environment

## Targets and Outlook for 2015

- ◆ Closeness to water
- ◆ Rapid and convenient transport
- ◆ High quality of life



- ◆ 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.

### Targets

	2005	2009	2015
<b>1. Industrial Structure (%)</b>			
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
<b>2. Real growth rate (%)</b>			
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**
<b>3. Energy efficiency</b>			
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 ill-matched 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.

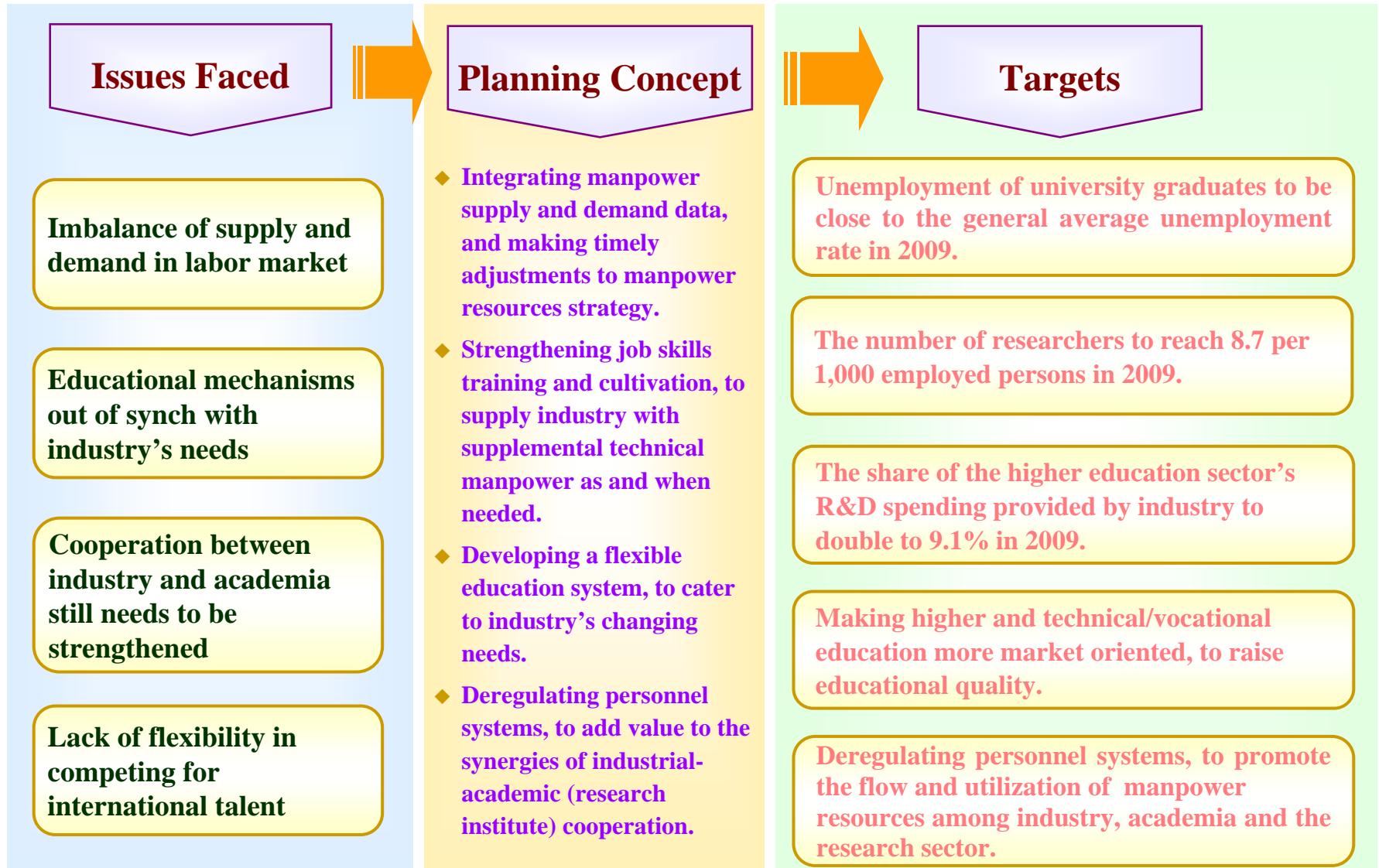
◆ First-Stage Sprint Program with main theme of building infrastructure for a financial services platform that can meet needs and generate benefits on both the supply and demand sides.

### 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

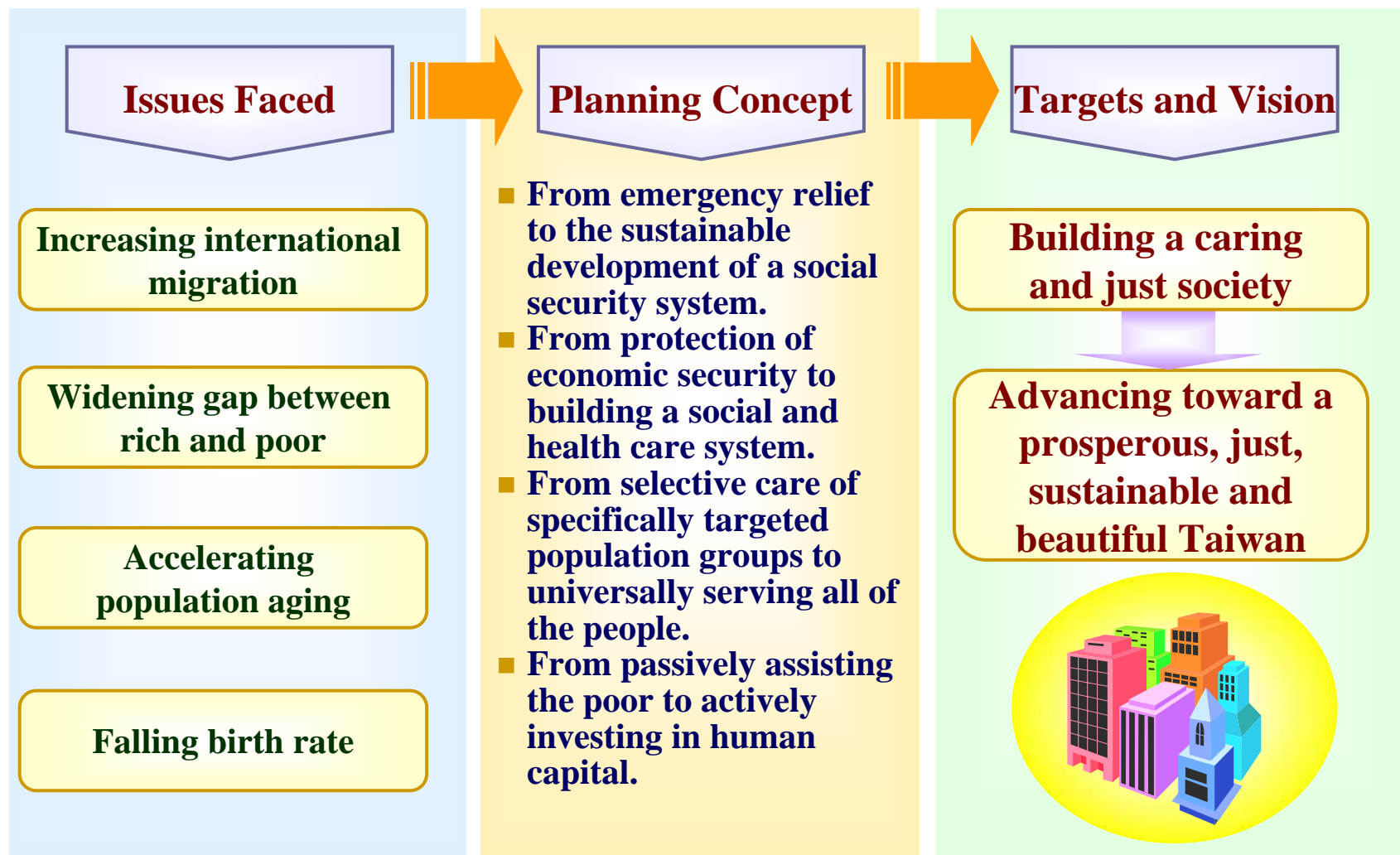


## 4. Public Construction Package





## 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 886-2-2316-5682 or send an e-mail to [bci@cepd.gov.tw](mailto:bci@cepd.gov.tw).