

# Taiwan's Economic Situation

## Summary

The slowdown of the world economy, in conjunction with weakened competitiveness in some domestic industries, contributed to the contraction of Taiwan's exports in the first three quarters of 2012. However, with the launch of innovative ICT products such as smartphones and tablet PCs, and the rising demand induced by the approach of the U.S. holiday season and Chinese New Year, Taiwan's exports returned to positive territory in y/y terms in the fourth quarter. For the year as a whole, exports and imports decreased by 2.3% and 3.8% respectively, while industrial production decreased by 0.1%. Export orders hit a record high, climbing by 1.1%. The unemployment rate averaged 4.24%, and the consumer price index (CPI) rose moderately by 1.93%. On the financial side, the monetary aggregate, M2, grew by 4.17%, while the average stock price index stood at 7,468 points. In December, the Taiwan Business Indicators pointed to the gradual stabilization of the domestic economy, with the overall light signal of the monitoring indicators improving to green after continuously flashing yellow-blue since September.

The highly uncertain outlook for the global economy may have an impact on Taiwan's export sector in the near future. In addition, the stagnation of real wages and the shrinking trading volume in equity markets may subdue private consumption. Nevertheless, Taiwan's economy seems to be over the worst of its slowdown, with patches of economic data shifting to positive territory, though growth momentum is still weak. Taiwan's real GDP is provisionally estimated to have grown by 1.25% in 2012 and is projected to grow 3.53% in 2013.

In order to strengthen the country's responses to external influences like the European debt crisis and to improve prospects for long-term growth, Premier Sean Chen announced the "Economic Power-Up Plan" in mid-September. The plan will address internal issues such as imbalance in the industrial structure, mismatch between labor supply and demand, and declining exports. These initiatives should ensure that sound progress is kept up toward endowing Taiwan with a vigorous and sustainable new economy.

% change on previous year	Historical Data				Current Data (2012)				
	2008	2009	2010	2011	Sep.	Oct.	Nov.	Dec.	Jan.-Dec.
GDP	0.12	-1.81	10.72	4.03	0.98	-	-	3.42	1.25
CPI	3.53	-0.87	0.96	1.42	2.96	2.36	1.59	1.61	1.93
Unemployment rate	4.14	5.85	5.21	4.39	4.32	4.33	4.27	4.18	4.24
Exports	3.6	-20.3	34.8	12.3	10.4	-1.9	0.9	9.0	-2.3
Imports	9.7	-27.5	44.2	12.1	1.3	-1.8	0.1	1.6	-3.8
Export orders	1.7	-8.3	20.6	7.2	1.9	3.2	11.1	8.5	1.1
Industrial production	-1.8	-8.1	26.9	4.6	3.0	4.6	5.9	2.4	-0.1
Monetary aggregate (M2)	2.7	7.2	4.6	5.8	3.96	3.29	3.26	3.67	4.17
Stock market**	7,024	6,460	7,950	8,155	7,610	7,438	7,246	7,631	7,468

Note: \* The DGBAS has provisionally estimated that Taiwan's real GDP grew 1.25% in 2012.

\*\* Stock index (monthly average).

Sources: The Central Bank of China (CBC), Directorate-General of Budget, Accounting and Statistics (DGBAS).