

Taiwan's Economic Situation

Summary

As the world economy continued its mild recovery, Taiwan's goods exports grew by 0.4% year-on-year during the period of January-February 2014, while imports decreased by 6.6%. During the same period, the industrial production index and export orders posted an annual increase of 2.1 % and 1.0%. The annual growth rate of the consumer price index(CPI)in the first two months of 2014 was 0.39%.Among the basic groups, prices of food rose 1.75%, but transportation and communication prices fell 1.47%. The unemployment rate expanded slightly from 4.02% in January to 4.09% in February. On the financial side, February's M2 monetary aggregate increased by 5.61%, while the stock price index averaged 8,496 points. In February, the Taiwan Business Indicators showed that the economy continued to recover. Among the indicators compiled by the National Development Council (NDC), the trend-adjusted leading index increased by 0.19% and the trend-adjusted coincident index rose by 0.30% from the previous month, and the overall monitoring indicator returned to flashing the "green" signal.

With recent leading indicators in major countries maintaining an upward trend, and most Purchasing Managers' Indexes (PMIs) in expanding territory (above 50 points), the global economy seems set on a moderate pace of recovery. However, concerns about issues such as the economic slowdown in mainland China, Quantitative Easing (QE) tapering, geopolitical risks, and Japan's sales-tax increase may weigh on global economic trends, and may even influence Taiwan's exports.

In order to ease the impact of the weakness of the global economy, the government will accelerate the development of Free Economic Pilot Zones (FEPZs) and the project to strengthen promotion of investment in Taiwan by overseas Taiwanese businesses. In addition, in order to create a sound business and investment environment, the government will move forward with the implementation of market liberalization and deregulation. These and other government initiatives should ensure that sound progress is kept up toward endowing Taiwan with a vigorous and sustainable new economy.

	Historical Data				Current Data (2014*)		
	2010	2011	2012	2013	Jan.	Feb.	Jan.-Feb.
% change on previous year							
GDP	10.76	4.19	1.48	2.11	-	-	-
CPI	0.96	1.42	1.93	0.79	0.83	-0.05	0.39
Exports	34.8	12.3	-2.3	1.4	-5.3	7.9	0.4
Imports	44.1	12.0	-3.9	-0.2	-15.2	4.9	-6.6
Export orders	26.1	7.2	1.1	0.4	-2.8	5.7	1.0
Industrial production index	24.2	4.4	-0.3	0.7	-1.8	7.0	2.1
Monetary aggregate (M2**)	4.53	5.84	4.18	4.78	5.97	5.61	5.79
Unemployment rate (%)	5.21	4.39	4.24	4.18	4.02	4.09	4.05
TWSE Stock Index ***	7,950	8,156	7,481	8,093	8,567	8,496	8,532

Note: * The DGBAS estimated that Taiwan's real GDP will grow 2.82% in 2014.

** Daily Average.

*** Monthly Average TAIEX.

Sources: The Central Bank of China(CBC), Financial Supervisory Commission(FSC), Directorate-General of Budget, Accounting and Statistic(DGBAS).