



WELCOME TO C.E.P.D.

WELCOME TO C.E.P.D.

TAIWAN'S ECONOMIC SITUATION AND OUTLOOK

November 2013

Council for Economic Planning and Development
Executive Yuan

CONTENTS

I. PREFACE

II. CURRENT DOMESTIC SITUATION

- Economic Growth
- Foreign Trade
- Domestic Consumption
- Domestic Investment
- Industrial Production
- Employment
- Prices
- Money Supply and Interest Rates
- Stock Price
- Business Indicators

III. PROSPECTS FOR 2013 and 2014

IV. CONCLUSION

STATISTICAL ANNEX TABLES

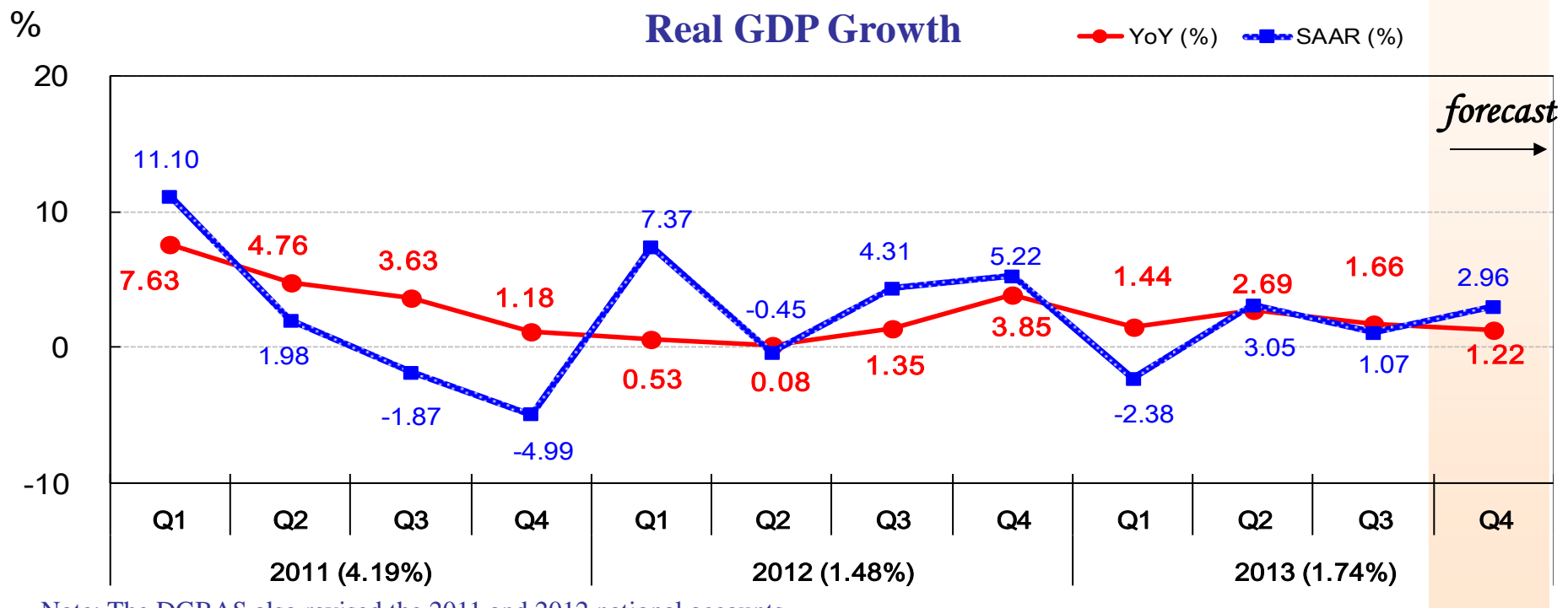
I. PREFACE

- *Taiwan's Economic Situation and Outlook* is designed to give domestic and foreign readers concise analysis on Taiwan's current economic situation, including its economic growth, foreign trade, domestic demand, industrial production, employment, prices, and financial aspects. It also provides prospects for 2013 and 2014.
- Mainly due to goods exports being weaker than previously expected, the 2013 real GDP growth forecast has been revised to 1.74% in the DGBAS's latest estimation, down 0.57 of a percentage point from August's forecast of 2.31%. As the global economy is likely to pick up growth momentum next year, Taiwan's real GDP is projected to grow by 2.59% in 2014.

II. CURRENT DOMESTIC SITUATION

Economic Growth

⇒ In Q3 2013, with goods exports, private consumption and investment all below expectation, real GDP grew at a year-on-year rate of 1.66%, lower than the 2.47% previously projected by the DGBAS. The seasonally adjusted quarter-to-quarter growth rate (SAQR) was 0.27%, and the seasonally adjusted annual rate (SAAR) was 1.07%.

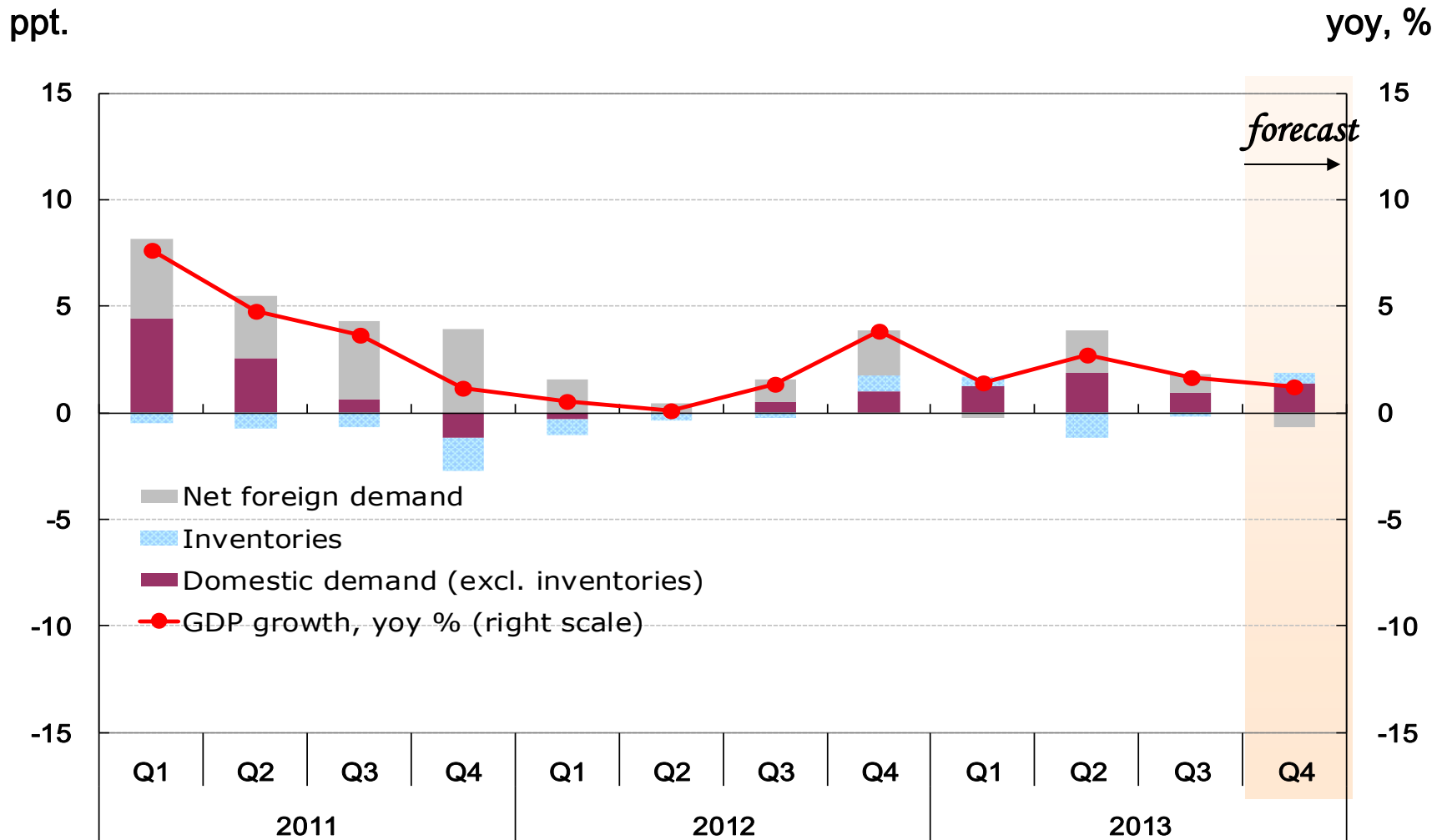


Note: The DGBAS also revised the 2011 and 2012 national accounts.

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), November 2013.

II. CURRENT DOMESTIC SITUATION

Contributions to GDP Growth (in percentage points)

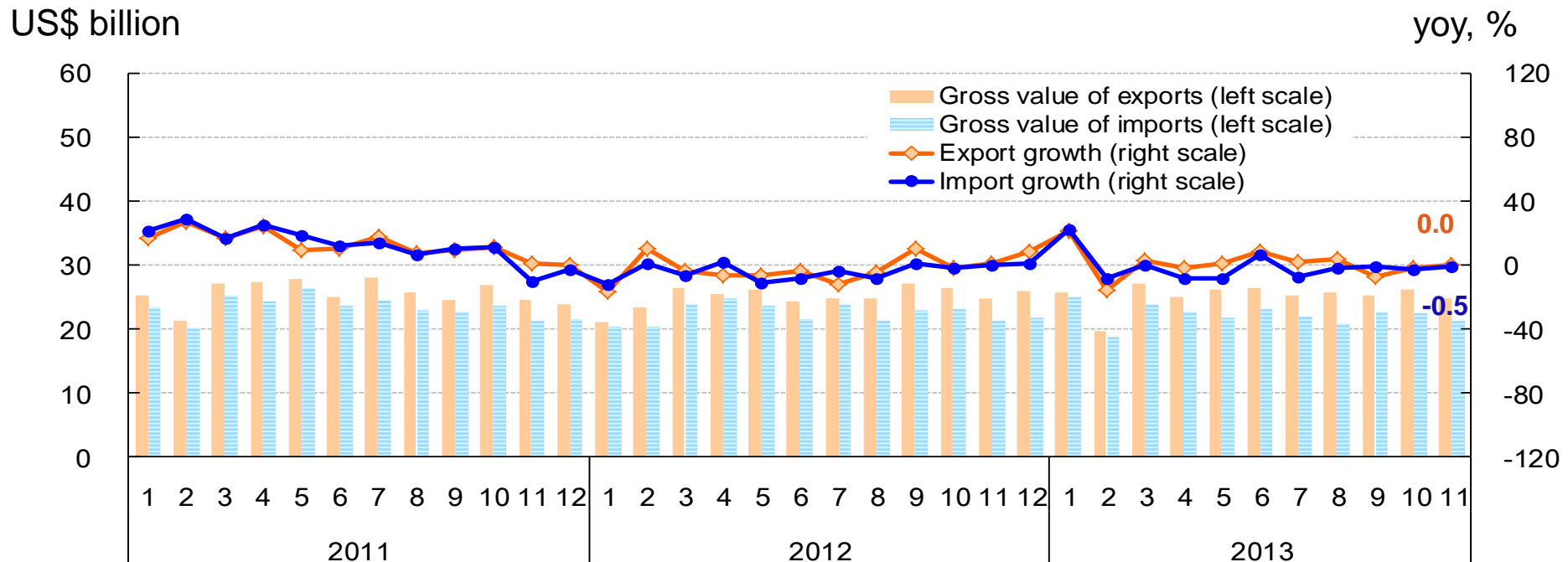


Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), November 2013.

II. CURRENT DOMESTIC SITUATION

Foreign Trade

- ⇒ In November 2013, total exports unchanged for year on year to US\$ 24.89 billion. Imports fell 0.5%, with crude petroleum the main contributor to the decrease, though machinery imports grew by 23.4%. The month's foreign trade yielded a balance of US\$3.51 billion in Taiwan's favor.
- ⇒ Exports for the first 11 months of 2013 were up 0.9% from the same period last year.



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, December 2013.

II. CURRENT DOMESTIC SITUATION

Major trade partners

⇒ Compared with the same period of last year, exports for the first 11 months of 2013 to the ASEAN 6, China & Hong Kong and Japan grew by 2.8%, 1.5% and 0.7% respectively.

Changes in Two-Way Trade with Major Trading Partners (yoy %)

	Exports						Imports					
	Total	USA	Japan	Europe	China (incl. Hong Kong)	ASEAN 6*	Total	USA	Japan	Middle East	China (incl. Hong Kong)	ASEAN 6*
2002	7.1	-2.7	-5.0	-5.9	29.4	7.4	4.9	-0.8	5.5	9.8	24.2	3.7
2002 Share	-	20.2	9.1	13.9	32.1	11.9	-	16.1	24.2	6.4	8.7	14.7
2003	11.3	-3.0	0.5	10.4	23.6	10.5	13.0	-6.9	19.6	43.7	30.9	5.2
2004	21.1	8.3	11.1	14.7	28.8	33.0	31.8	28.2	33.6	34.6	47.7	16.2
2005	8.8	1.3	9.4	-0.8	12.2	13.8	8.2	-2.8	5.3	36.5	16.2	3.8
2006	12.9	11.2	7.9	10.5	14.8	13.8	11.0	7.1	0.5	30.1	20.1	10.4
2007	10.1	-0.9	-2.2	9.7	12.6	16.7	8.2	17.0	-0.8	11.7	11.9	1.7
2008	3.6	-4.0	10.2	4.6	-0.8	7.3	9.7	-0.7	1.2	39.9	10.2	8.0
2009	-20.3	-23.5	-17.4	-24.6	-15.9	-21.5	-27.5	-31.0	-22.1	-42.2	-22.3	-22.8
2010	34.8	33.6	24.2	30.1	37.1	37.2	44.1	39.8	43.3	39.4	47.1	45.6
2011	12.3	15.6	1.2	6.2	8.1	22.7	12.0	1.5	0.5	14.7	20.5	13.4
2012	-2.3	-9.3	4.2	-7.8	-4.4	9.8	-3.9	-8.4	-8.9	20.2	-3.8	-3.9
2012 Share	-	10.9	6.3	9.6	39.4	18.5	-	8.7	17.6	16.0	16.1	11.6
2013 Jan.-Nov.	0.9	-1.5	0.7	-3.2	1.5	2.8	-1.1	6.8	-10.3	2.2**	1.1	2.2

*ASEAN 6 refers to Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

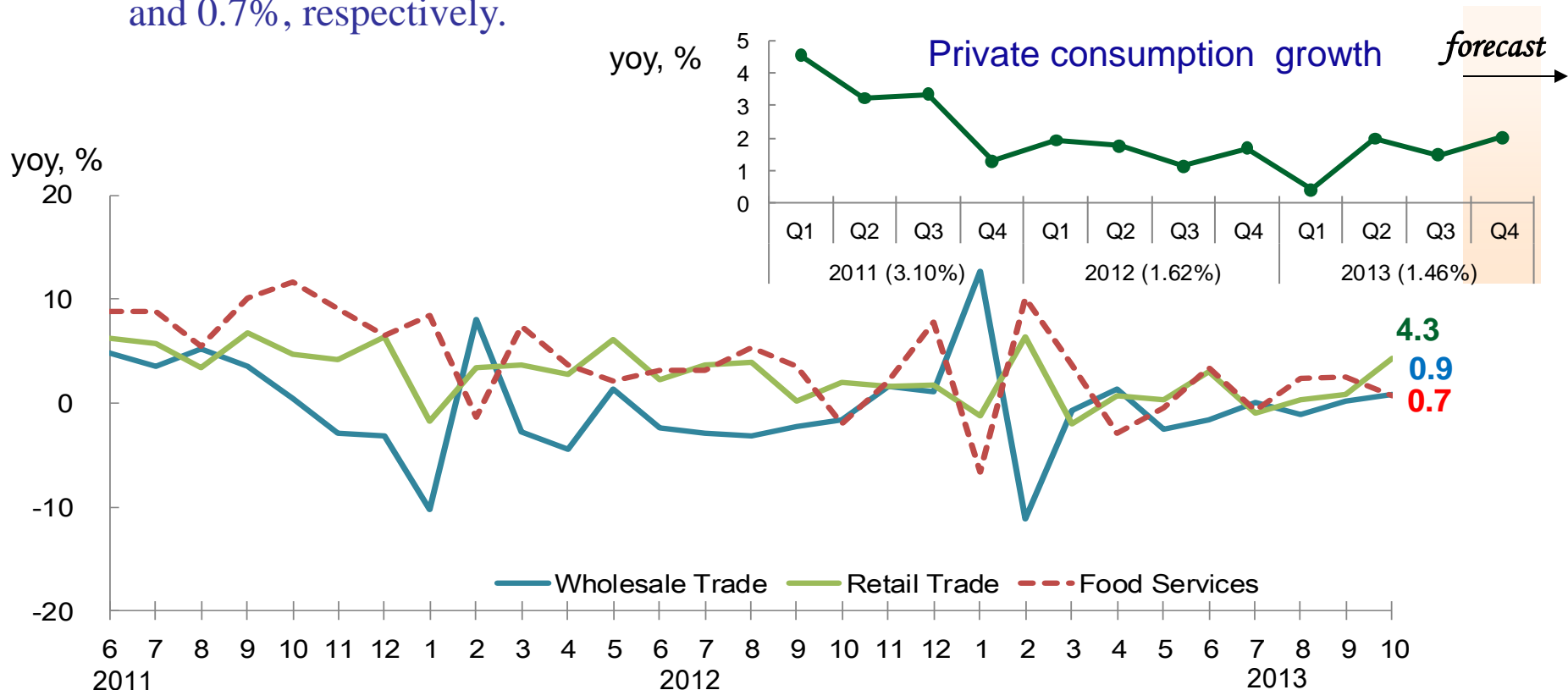
** The first 10 months of 2013 compared with the same period of previous year (%)

Source: Ministry of Finance, December 2013.

II. CURRENT DOMESTIC SITUATION

Domestic consumption

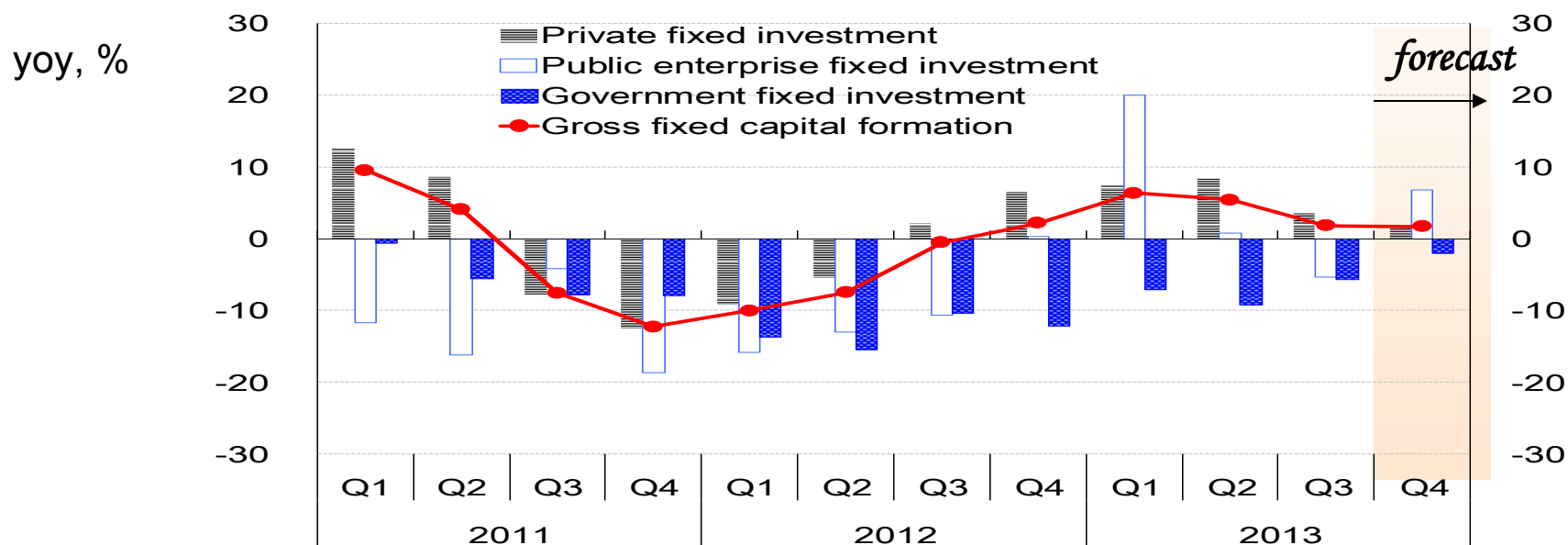
- ⇒ In Q3 2013, private consumption grew 1.48% from a year earlier. This was lower than expected, mainly as a result of consumers holding back on spending because of uncertainty about real wage improvement. Government consumption fell by 1.20%.
- ⇒ In October 2013, sales of trade and food services posted an annual increase of 1.8%. Wholesale trade, retail trade, and food & beverage services increased 0.9%, 4.3%, and 0.7%, respectively.



II. CURRENT DOMESTIC SITUATION

Domestic Investment

⇒ In Q3 2013, gross fixed capital formation was up 1.79% yoy, with private enterprise gross fixed capital formation increasing 3.57%. The increase was mainly generated by new investment in semiconductor production, driven by the successive release of new ICT products. The DGBAS has projected that gross fixed capital formation will increase by 3.72% in 2013.



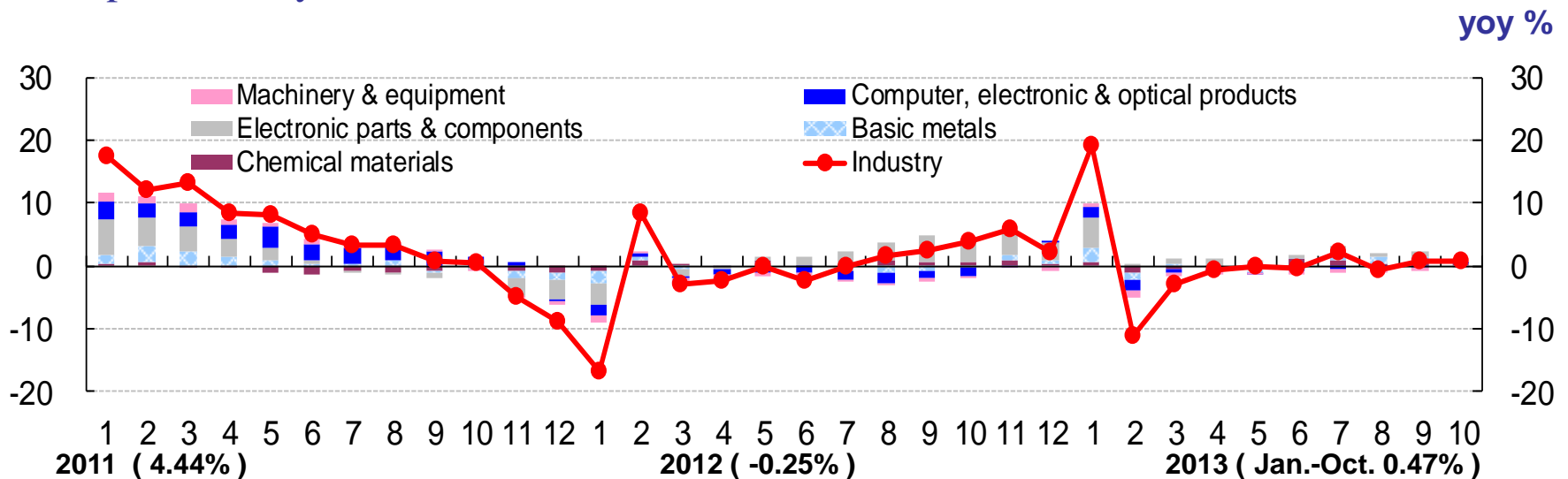
Total	-2.33	-4.01	3.72
Private	-0.25	-1.85	5.32
Government	-6.07	-12.88	-5.69
Public enterprise	-13.99	-8.09	4.59

Source: DGBAS, November 2013.

II. CURRENT DOMESTIC SITUATION

Industrial Production

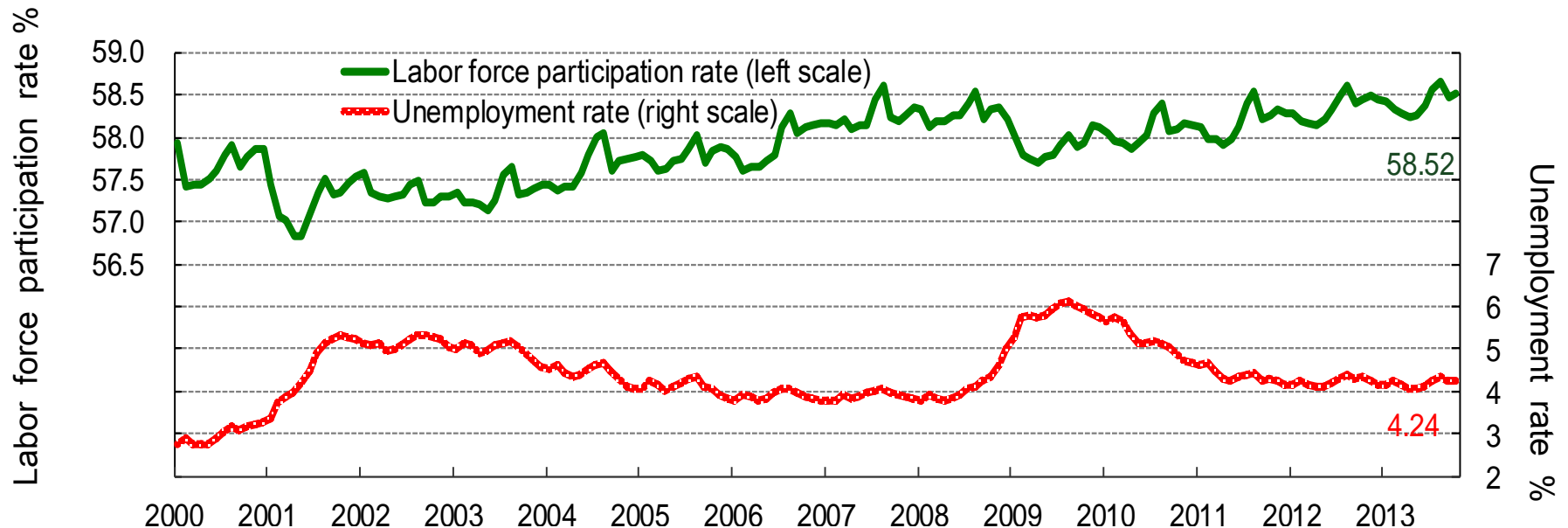
- ⇒ In October 2013, the industrial production index posted an annual increase of 0.78%, with manufacturing output up 0.49% and building construction up 15.42%.
- ⇒ The increase in manufacturing output came largely from increasing production of computer, electronic & optical products, chemical materials, and electronic parts & components, due to the increase of export orders from the USA and Europe.
- ⇒ Industrial production for the first 10 months of 2013 was up 0.47% from the same period last year.



II. CURRENT DOMESTIC SITUATION

Unemployment Rate and Labor Force Participation Rate

- ⇒ In October 2013, the unemployment rate stood at 4.24%, unchanged from the previous month. The seasonally adjusted unemployment rate was 4.17%.
- ⇒ The labor force participation rate increased by 0.05 of a percentage point from the previous month to 58.52%, up 0.07 of a percentage point from a year earlier.



II. CURRENT DOMESTIC SITUATION

Prices

- ⇒ In November 2013, Taiwan's CPI increased by 0.67% from the same month last year. The increase was mainly due to higher vegetable prices, while eating out and gas became more expensive, and prices of meat, seafood and electricity stayed high. Core prices (excluding fruit, vegetable and energy prices) increased 0.20%.
- ⇒ In the same month, the WPI fell by 0.95% year on year, mainly because of drops in the prices of machinery and equipment, basic metals, computers, and electronic and optical products.



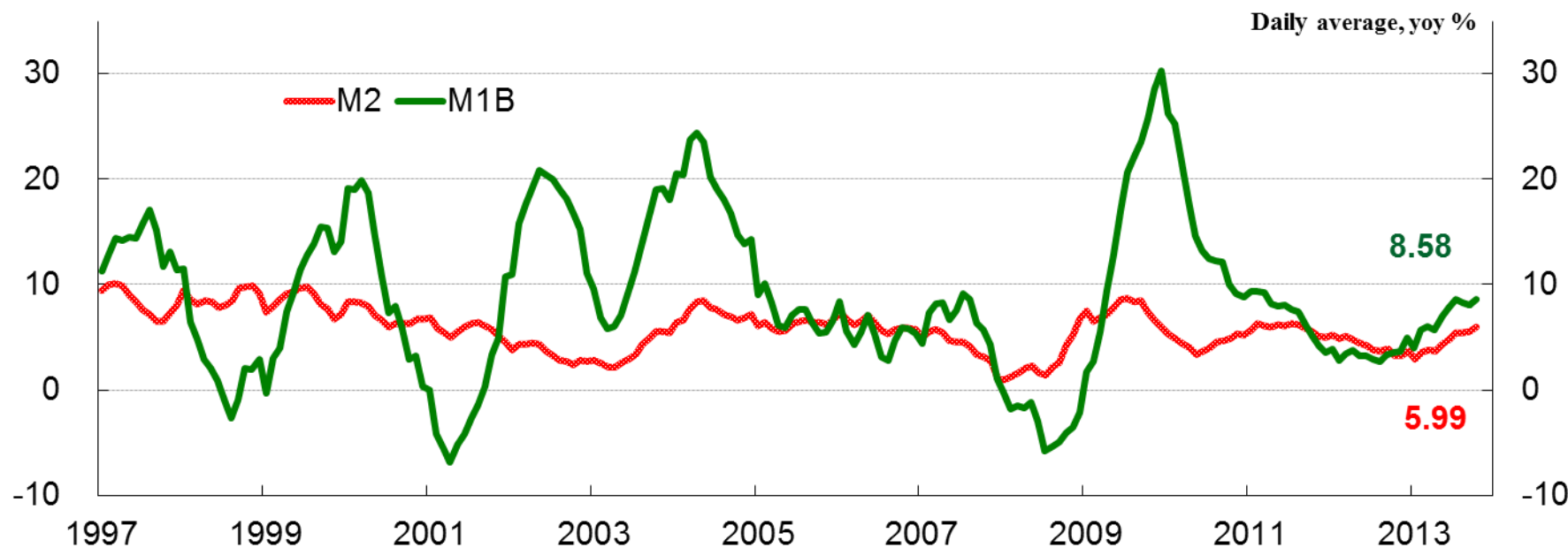
Note: The 2011-base revisions of the CPI and WPI have been completed.

Source: DGBAS, December 2013

II. CURRENT DOMESTIC SITUATION

Money Supply

- ⇒ In October 2013, the annual growth rates of M1B and M2 increased to 8.58% and 5.99%, respectively, mainly owing to net foreign capital inflows.
- ⇒ For the first ten months of this year, the average annual growth rates of M1B and M2 were 6.99% and 4.55%, respectively.

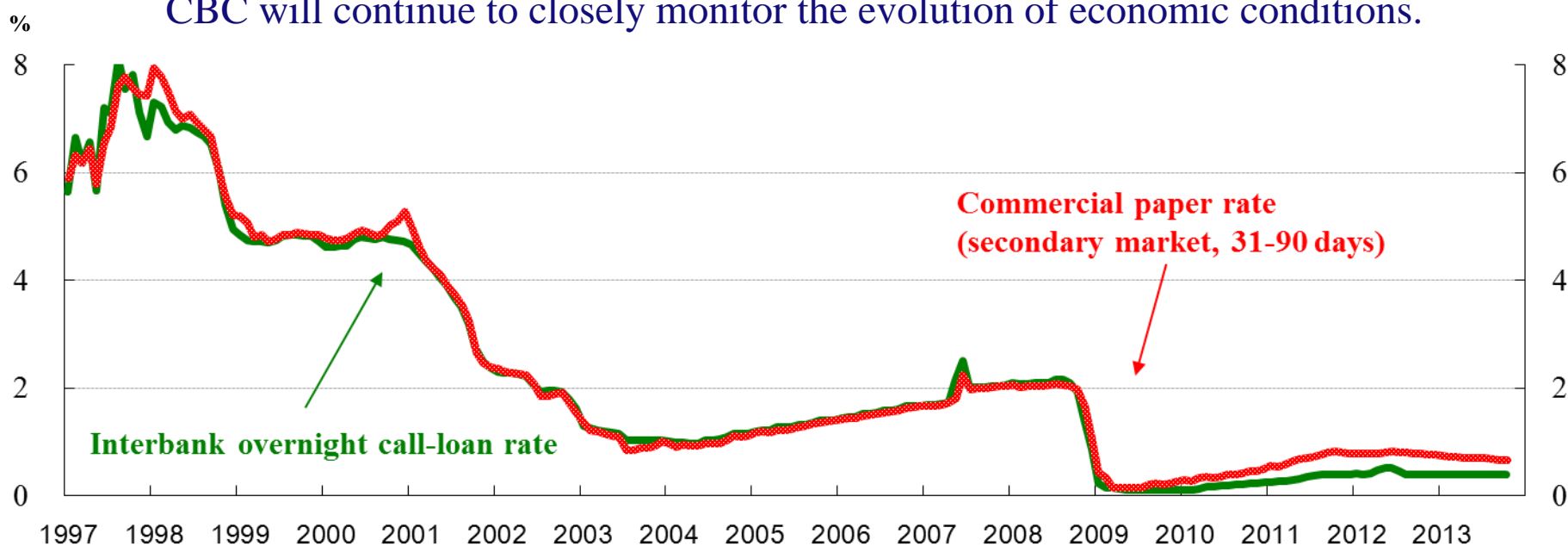


Source: Central Bank of China (Taiwan), November 2013.

II. CURRENT DOMESTIC SITUATION

Short-term Interest Rates

- ⇒ In October 2013, interest rates remained at low levels, with the interbank overnight call-loan rate at 0.387%, up from 0.386%, and the commercial paper rate at 0.66%, down from 0.67% in September.
- ⇒ Since global economic uncertainties remain and Taiwan's economy is experiencing a mild recovery along with muted inflationary pressures, the CBC decided to keep policy rates unchanged in September 2013. In the future, the CBC will continue to closely monitor the evolution of economic conditions.

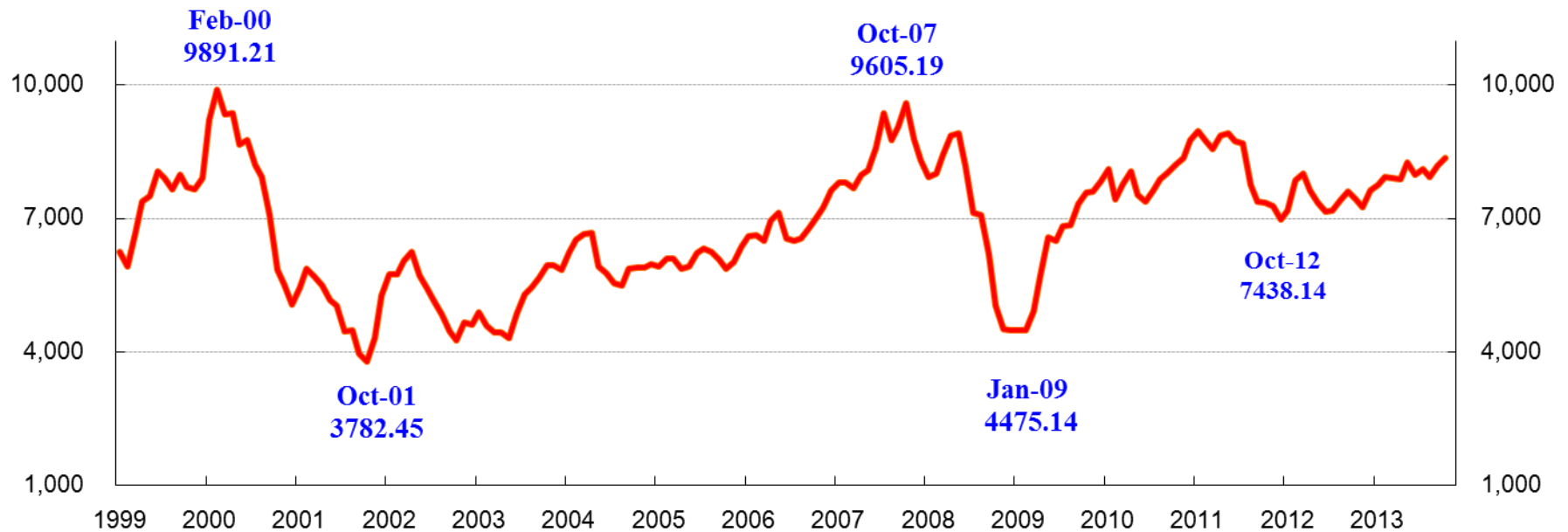


Source: Central Bank of China (Taiwan), November 2013.

II. CURRENT DOMESTIC SITUATION

Stock Index

⇒ TAIEX average closing price for the month of October was 8,366, up by 2.1% from September 2013.

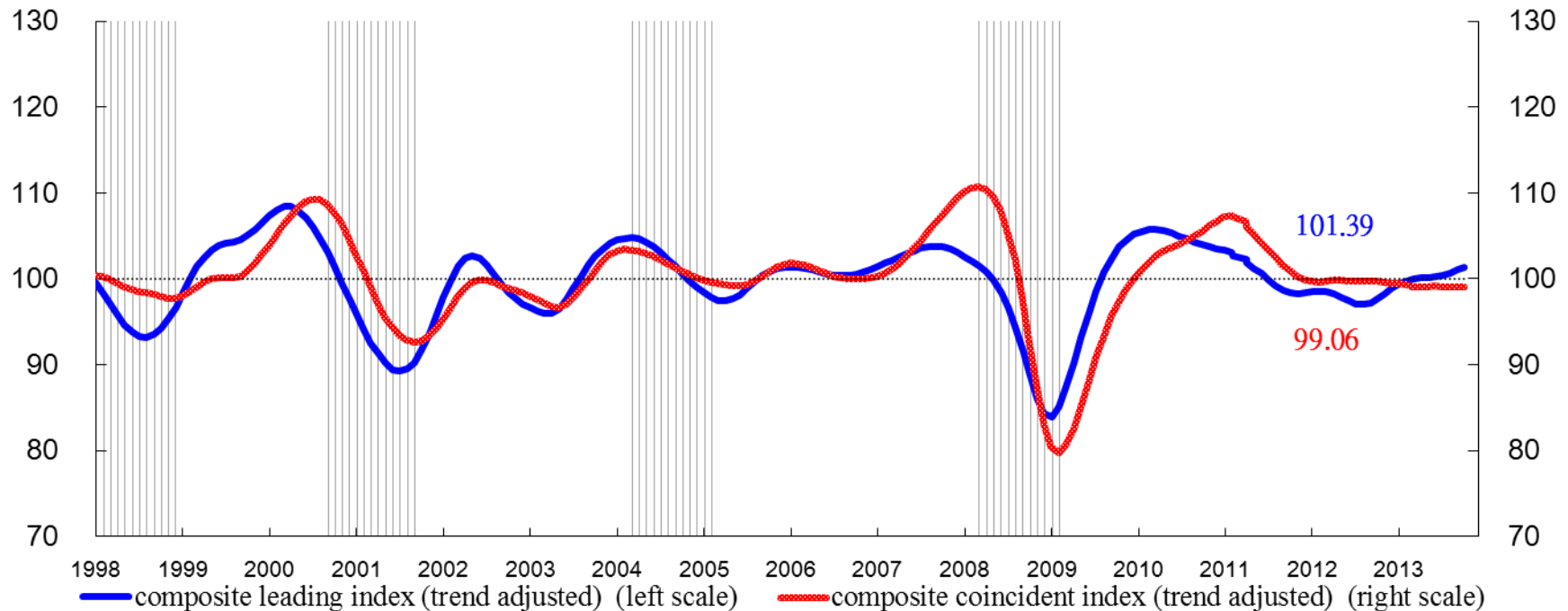


Source: Taiwan Stock Exchange, November 2013.

II. CURRENT DOMESTIC SITUATION

Taiwan Business Indicators

- ⇒ In October 2013, the Taiwan Business Indicators showed the economic recovery remaining on a slower track.
- ⇒ The composite leading (trend-adjusted) index increased by 0.34% to 101.39, and the composite coincident (trend-adjusted) index increased by 0.01% to 99.06.



Note: The shaded areas represent recessions.

Source: Council for Economic Planning and Development (CEPD), November 2013.

II. CURRENT DOMESTIC SITUATION

Monitoring Indicators

⇒ The total score of the monitoring indicators in October 2013 remained at 20, flashing the “yellow-blue” signal for the fourth month in a row.

		101年（2012）			102年（2013）												
		10月	11月	12月	1月	2月	3月	4月	5月	6月	新景氣對策信號 2013年7月啟用	7月	8月	9月		10月	
														燈號	%	燈號	%
綜合判斷	燈號																
	分數	19	21	22	19	20	18	17	19	23		20	20	20 _r		20	
貨幣總計數M1B											貨幣總計數M1B				8.0		8.6
直接及間接金融											———	———					
股價指數											股價指數				7.7		12.5
工業生產指數											工業生產指數				-0.2 _r		0.2
非農業部門就業人數											非農業部門就業人數				1.0		1.0
海關出口值											海關出口值				-6.0		-0.2
機械及電機設備進口值											機械及電機設備進口值				8.6		3.1
製造業銷售值											製造業銷售量指數				-3.9 _r		-1.6 _p
商業營業額指數											商業營業額				0.0 _r		1.1
——		———									製造業營業氣候測驗點				98.0 _r		95.9

綜合判斷說明：● 紅燈 (45-38)，● 黃紅燈 (37-32)，● 綠燈 (31-23)，● 黃藍燈 (22-17)，● 藍燈 (16-9)。

註：1. 各構成項目除製造業營業氣候測驗點為點（2006=100）外，其餘均為年變動率；除股價指數外均經季節調整。

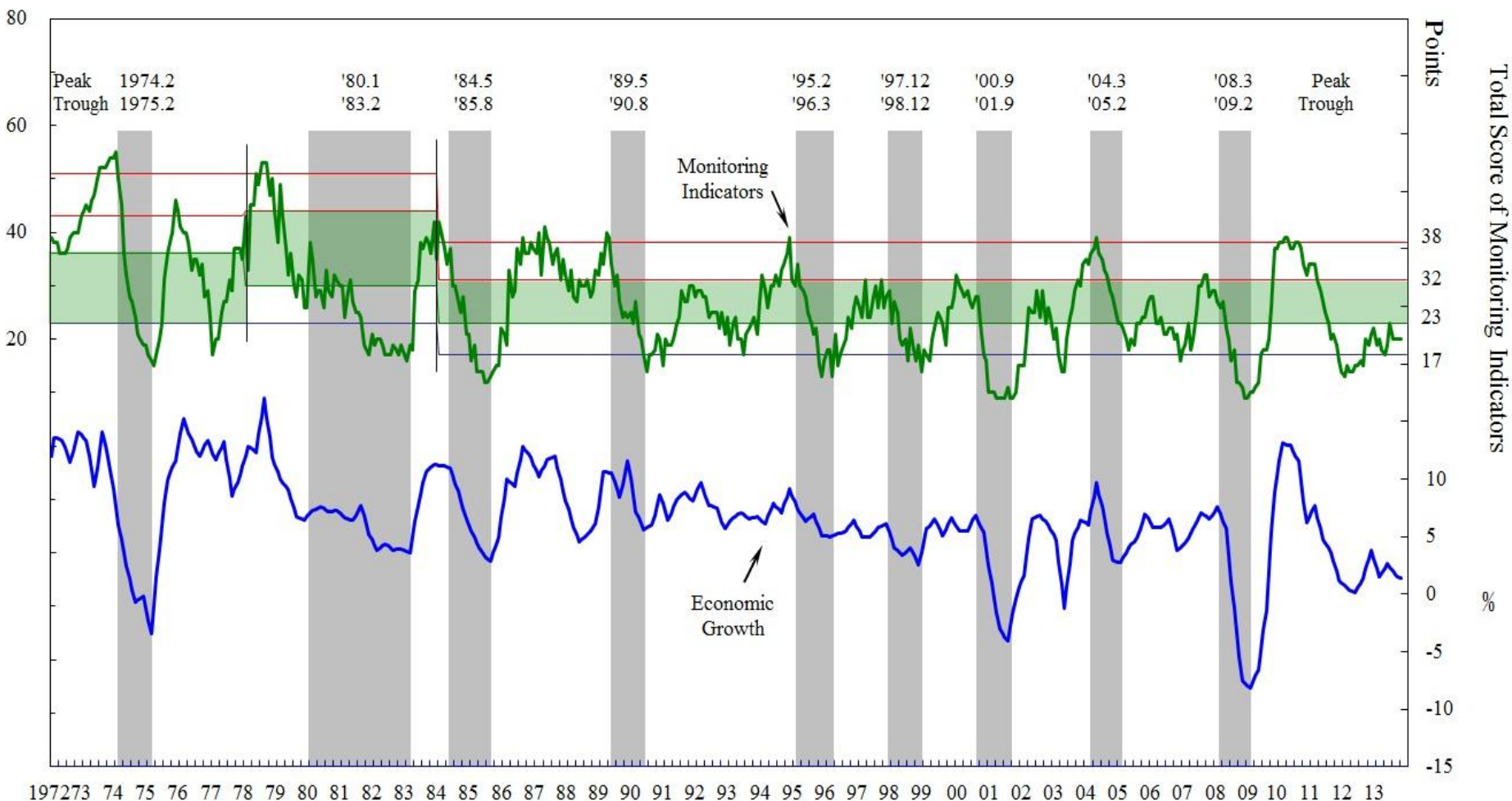
2. p 為推估值；r 為修正值。

3. 新景氣對策信號構成項目暫依舊版順序排列，俟表列月份皆為新版資料（2014年8月發布時）再重新調整指標順序。

Source: CEPD, November 2013.

II. CURRENT DOMESTIC SITUATION

Monitoring Indicators and Economic Growth



Note: The shaded areas represent recessions.

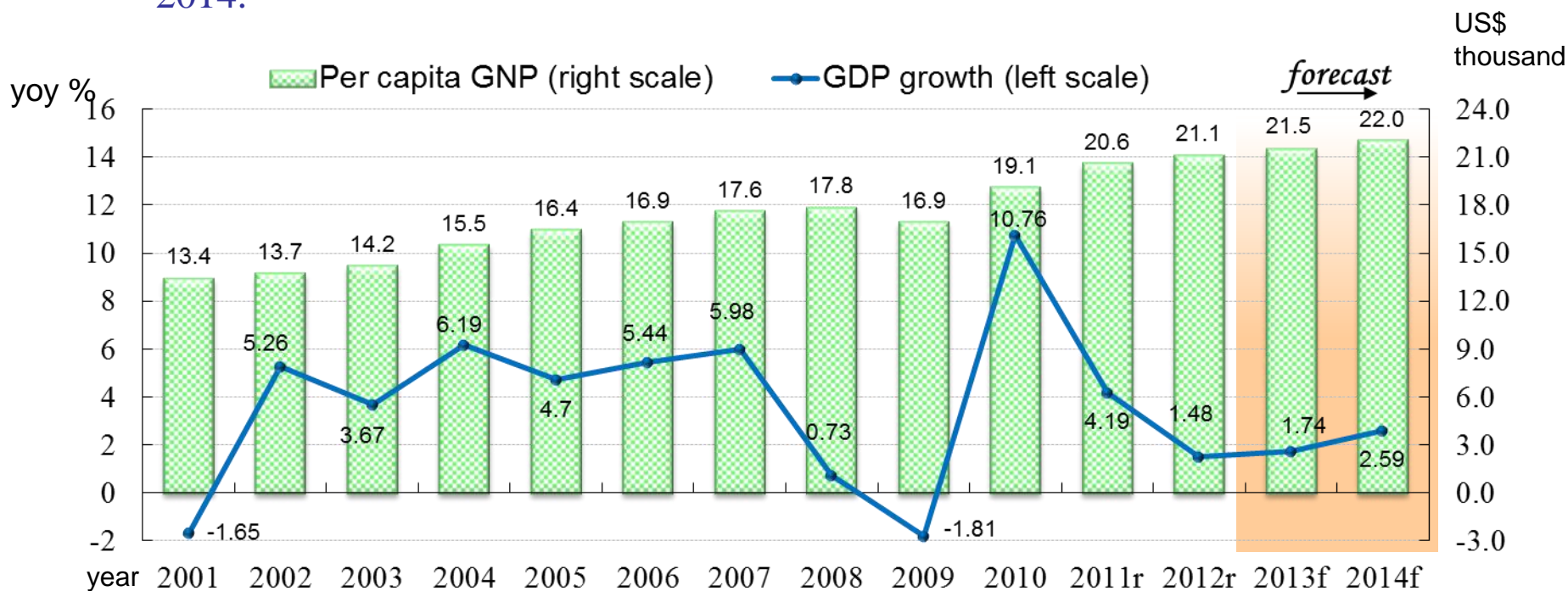
Source: CEPD, November 2013.

III. PROSPECTS FOR 2013 and 2014

Taiwan economy's growth momentum expected to remain moderate

⇒ Mainly due to the weaker-than-expected export outlook in the second half of 2013, the 2013 real GDP growth forecast has been revised to 1.74% in the DGBAS's latest estimation, down 0.57 of a percentage point from August's forecast of 2.31%. In 2014, Taiwan's real GDP is projected to grow by 2.59%.

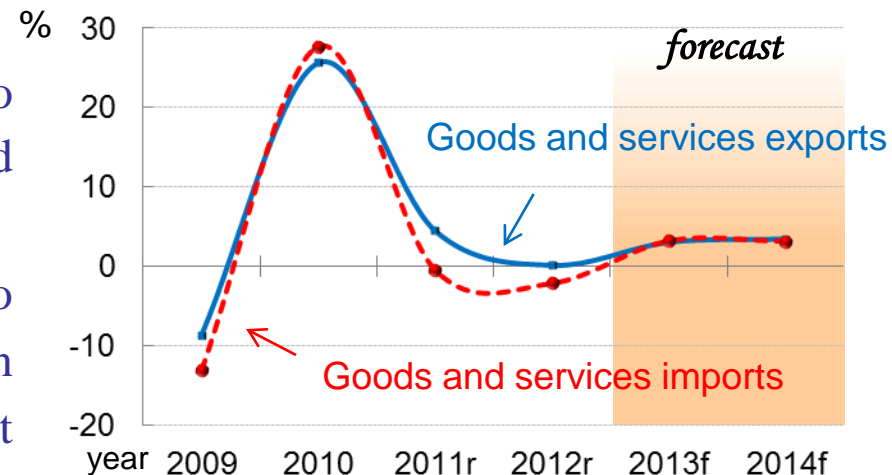
⇒ Per capita GNP is projected to increase to US\$21,452 in 2013 and US\$22,008 in 2014.



III. PROSPECTS FOR 2013 and 2014

Exports reporting very small gains

- ⇒ With the weak demand and sliding price of LCD panels due to inventory adjustment in mainland China, the impact of annual repairs on the exports of mineral products, plus the gradual localization of supply chains in some industries in mainland China, Taiwan's goods exports are expected to increase by only 0.44% in 2013.
- ⇒ The IMF has forecast that world trade will grow by 4.9% in 2014, higher than 2.9% in 2013, as the global outlook for 2014 is brighter. However, domestic enterprises will still face greater competitive stress from (1) a downturn in the PC and NB markets, (2) the growing international competition in smartphones and tablet PC industries weighing on domestic producers and related electronic parts suppliers, (3) mainland China's active development of supply chain localization, and (4) cross-strait competition leading to industry overcapacity.
- ⇒ Goods and services exports are projected to increase in real terms by 3.02% in 2013 and 3.41% in 2014.
- ⇒ Goods and services imports are projected to grow by 3.20% in 2013 and 3.14% in 2014, on the back of rising demand induced by export and investment.

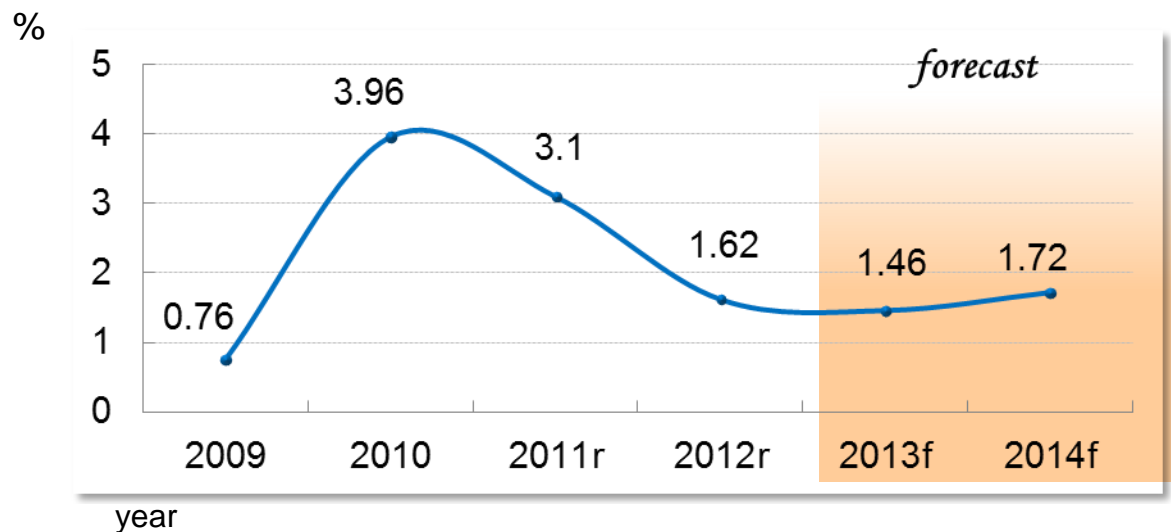


Source: DGBAS, November 2013.

III. PROSPECTS FOR 2013 and 2014

Flat Growth Forecast for Private Consumption

- ⇒ Despite recent concerns over food safety, there are some bright spots in private consumption in the fourth quarter. Automobile dealers' vigorous market promotion is driving an uptick in car sales, while the wealth effect generated by higher stock prices (compared with the low base in the same quarter last year) is also helping spending.
- ⇒ However, with real wage growth remaining constrained, it is hard to see any significant improvement in consumer confidence in the near future. Under these conditions, private consumption is projected to rise by 1.46% in 2013 and 1.72% in 2014.

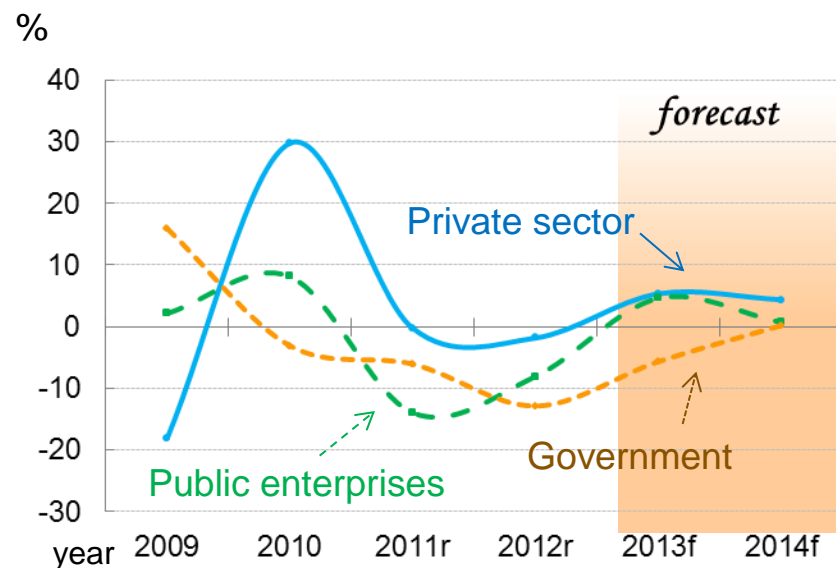


Source: DGBAS, November 2013.

III. PROSPECTS FOR 2013 and 2014

Domestic investment posting moderate growth

- ⇒ Semiconductor manufacturers with a technological edge are expected to continue to invest in advanced technologies. In addition, telecom companies' gradual build-up of the 4G LTE system, plus plans for aircraft purchase in the airline industry, should bolster private investment growth. However, with many other industries remaining cautious, private investment will post only moderate growth.
- ⇒ Private fixed investment is projected to increase by 5.32% in 2013 and 4.37% 2014, down 0.59 and 0.45 percentage points from August's forecast, respectively.
- ⇒ Government fixed investment is projected to decline by 5.69% in 2013 but rise by 0.17% in 2014.
- ⇒ Public enterprises' fixed investment is expected to grow by 4.59% in 2013 and 0.70% in 2014.
- ⇒ Total fixed investment by the private sector, government and public enterprises is forecast to rise by 3.72% in 2013 and 3.57% in 2014.

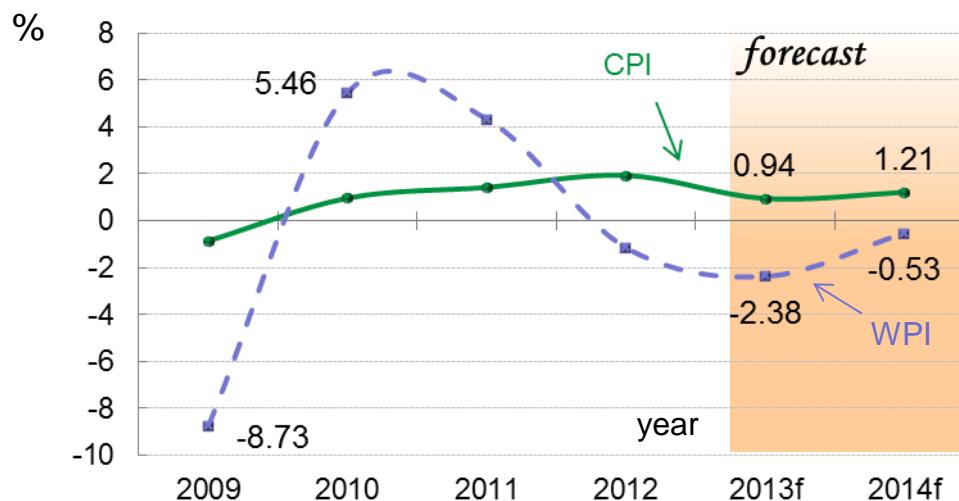


Source: DGBAS, November 2013.

III. PROSPECTS FOR 2013 and 2014

Inflation expected to be steady

- ⇒ Oil prices have recently fluctuated in high territory but are expected to fall in the future with a stronger oil supply. In addition, with the weak prices of agricultural commodities and industrial raw materials, the WPI is forecast to decrease by 2.38% and 0.53% in 2013 and 2014 respectively.
- ⇒ On the CPI front, rising prices of electricity and high-speed rail and domestic airline fares will exert upward pressure on domestic prices, while this will be offset by stability in housing rental and a downward drift in import prices. Under these conditions, the CPI is forecast to rise by 0.94% in 2013 and 1.21% in 2014.



Source: DGBAS, November 2013.

Forecasts for Taiwan's Economy

	Real GDP (yoy, %)		Consumer Prices (yoy, %)	
	2013 _f	2014 _f	2013 _f	2014 _f
DGBAS (2013.11)	1.74 [2.31]	2.59 [3.37]	0.94 [1.07]	1.21 [1.39]
TIER (2013.11)	1.93 [2.52]	3.11	0.74 [1.14]	1.04
CIER (2013.12)	1.72 [2.01]	3.03 [3.21]	0.85 [0.96]	1.32 [1.66]
Yuanta-Polaris (2013.9)	2.38 [2.47]	3.45	1.09 [1.26]	1.42
TRI (2013.6)	2.14 [3.57]	-	1.33 [1.37]	-
IEAS (2012.7)	2.35 [3.05]	-	1.24 [1.40]	-
Global Insight (2013.11)	1.9 [2.6]	3.2 [3.8]	0.8 [0.8]	1.3 [1.3]
EIU (2013.12)	2.0 [2.0]	2.9 [2.9]	0.9 [1.2]	1.3 [2.0]
World Bank (2012.12)	4.0 [4.4]	-	-	-
IMF (2013.10)	2.2 [3.0]	3.8 [3.9]	1.2 [2.0]	2.0 [2.0]
ADB (2013.10)	2.3 [3.5]	3.3 [3.9]	0.9 [1.6]	1.4 [1.8]

DGBAS = Directorate-General of Budget, Accounting and Statistics, ROC (Taiwan); TIER = Taiwan Institute of Economic Research, Taipei; CIER = Chung-Hua Institution for Economic Research, Taipei; IEAS = Institute of Economics, Academia Sinica; Yuanta-Polaris = Yuanta-Polaris Research Institute; TRI = Taiwan Research Institute; EIU = Economist Intelligence Unit; IMF = International Monetary Fund; ADB = Asian Development Bank.

[] indicates the value of previous forecasts.

P = preliminary; f = forecast

IV. CONCLUSION

- With recent leading indicators in main 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, sizeable short- and long-term downside risks still remain, such as political stalemate in the United States and a tough employment situation in the eurozone, which may threaten the fragile recovery of the global economy, and represent a negative factor for Taiwan's exports.
- In the internal sector, semiconductor manufacturers continuing to invest in advanced technologies, plus telecom companies' gradual build-up of the 4G LTE system, should bolster private investment growth. Private consumption is expected to grow moderately amid the stimulus of smart mobile device launches and festive season spending, despite the stagnation of real wages.
- In order to ease the impact of weakness in the global economy, the government will actively promote export to emerging markets. For the internal sector, the government will accelerate the implementation of the project to strengthen promotion of investment in Taiwan by overseas Taiwanese businesses and the development of Free Economic Pilot Zones (FEPZs). These and other government initiatives should ensure that Taiwan's economy gradually improves.

STATISTICAL ANNEX TABLES

I. 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				
2006	5.44	0.97	1.49	-0.71	0.07	3.31	-8.61	-11.21	--	--	11.41	4.57
2007	5.98	1.42	2.08	2.09	0.55	1.36	1.57	-4.46	--	--	9.55	2.98
2008	0.73	-2.35	-0.93	0.83	-12.36	-15.58	-1.98	1.18	--	--	0.87	-3.71
2009	-1.81	-3.71	0.76	4.01	-11.25	-18.15	2.14	15.94	--	--	-8.68	-13.10
2010	10.76	9.45	3.96	0.44	21.12	29.76	8.11	-3.10	--	--	25.63	27.70
2011 _r	4.19	0.71	3.10	2.17	-2.33	-0.25	-13.99	-6.07	--	--	4.46	-0.48
2012 _r	1.48	0.23	1.62	0.96	-4.01	-1.85	-8.09	-12.88	--	--	0.11	-2.16
2013_f	1.74	1.56	1.46	-0.24	3.72	5.32	4.59	-5.69	--	--	3.02	3.20
Q1 _r	1.44	2.02	0.39	0.70	6.36	7.44	20.05	-7.15	--	--	4.53	6.42
Q2 _r	2.69	0.81	1.98	-1.18	5.43	8.45	0.83	-9.24	--	--	5.05	3.09
Q3 _p	1.66	0.98	1.48	-1.20	1.79	3.57	-5.40	-5.69	--	--	1.69	0.69
Q4 _f	1.22	2.41	2.01	0.72	1.70	1.83	6.76	-2.00	--	--	1.09	2.83
2014_f	2.59	2.21	1.72	0.69	3.57	4.37	0.70	0.17	--	--	3.41	3.14
Q1 _f	2.24	1.27	1.89	0.36	2.97	3.57	-3.81	1.18	--	--	2.26	0.85
Q2 _f	2.35	2.52	1.60	1.43	2.10	2.41	4.37	-1.09	--	--	2.44	2.71
Q3 _f	2.53	2.74	1.54	1.21	4.97	5.77	6.23	-0.75	--	--	3.19	3.75
Q4 _f	3.21	2.28	1.84	-0.16	4.16	5.81	-2.25	1.27	--	--	5.62	5.19

P = preliminary; f = forecast; r = revised. Source: DGBAS, November 2013.

STATISTICAL ANNEX TABLES

II. Contributions to GDP Growth (in percentage points)

	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				
2006	5.44	0.95	0.92	-0.09	0.02	0.59	-0.16	-0.42	0.10	4.49	7.34	2.85
2007	5.98	1.34	1.23	0.25	0.12	0.24	0.02	-0.14	-0.27	4.65	6.49	1.85
2008	0.73	-2.11	-0.53	0.10	-2.61	-2.62	-0.03	0.03	0.94	2.84	0.61	-2.23
2009	-1.81	-3.24	0.43	0.46	-2.07	-2.56	0.03	0.45	-2.05	1.42	-6.11	-7.53
2010	10.76	8.07	2.28	0.05	3.51	3.49	0.12	-0.10	2.23	2.69	16.78	14.09
2011	4.19	0.60	1.67	0.24	-0.42	-0.03	-0.21	-0.18	-0.89	3.59	3.31	-0.28
2012	1.48	0.19	0.87	0.11	-0.68	-0.24	-0.10	-0.34	-0.10	1.29	0.08	-1.21
2013_f	1.74	1.25	0.78	-0.03	0.60	0.68	0.05	-0.13	-0.10	0.49	2.22	1.73
Q1 _r	1.44	1.66	0.22	0.07	0.98	0.97	0.14	-0.12	0.39	-0.22	3.25	3.47
Q2 _p	2.69	0.67	1.06	-0.13	0.90	1.10	0.01	-0.22	-1.17	2.02	3.76	1.73
Q3 _f	1.66	0.79	0.79	-0.13	0.30	0.48	-0.05	-0.13	-0.16	0.87	1.24	0.38
Q4 _r	1.22	1.87	1.03	0.08	0.27	0.21	0.11	-0.05	0.49	-0.66	0.81	1.46
2014_f	2.59	1.78	0.92	0.07	0.59	0.58	0.01	0.00	0.20	0.82	2.54	1.72
Q1 _f	2.24	1.05	1.05	0.04	0.48	0.49	-0.03	0.02	-0.52	1.19	1.67	0.48
Q2 _f	2.35	2.02	0.85	0.15	0.36	0.33	0.05	-0.02	0.66	0.33	1.86	1.53
Q3 _f	2.53	2.20	0.81	0.13	0.83	0.79	0.06	-0.02	0.43	0.33	2.35	2.02
Q4 _f	3.21	1.79	0.95	-0.02	0.67	0.67	-0.04	0.03	0.20	1.42	4.15	2.73

P = preliminary; f = forecast; r = revised. Source: DGBAS, November 2013.

Thank you

This summary is prepared by the Department of Economic Research of the Council for Economic Planning and Development (CEPD). Quarterly updates can be found on the CEPD's website at <http://www.cepd.gov.tw/encontent>. For inquiries send an e-mail to bci@cepd.gov.tw.