

# **TAIWAN'S ECONOMIC SITUATION AND OUTLOOK**

**National Development Council  
September 2023**



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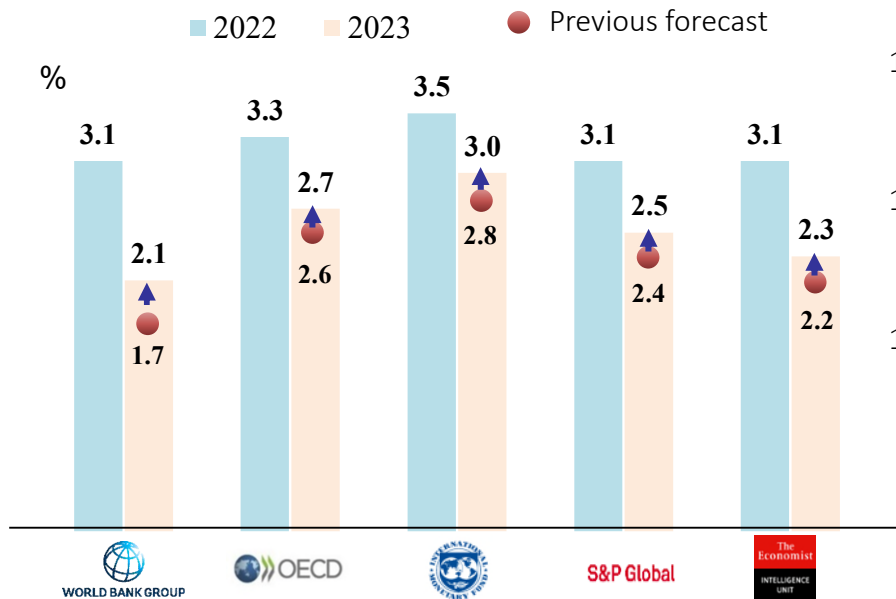


# **I. Global Economic Situation and Outlook**

# Slowing Momentum in the Global Economy and Trade Growth

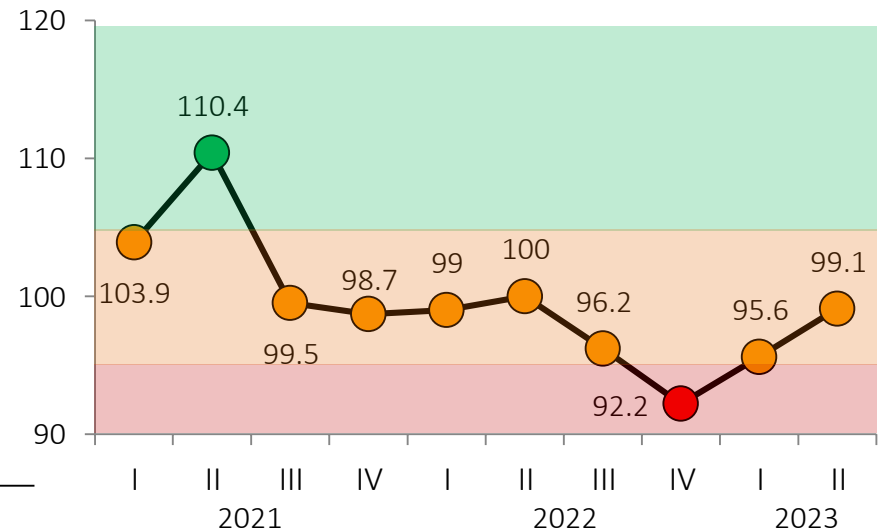
- High global inflation and tight monetary policies in major countries have slowed 2023 global economic growth. However, strong labor markets in major countries have led to slight upward revisions in this year's economic growth forecasts by leading economic institutes.
- The latest reading of the WTO Good Trade Barometer, 99.1 is slightly up on the previous quarter. Still, global demand remains sluggish, and uncertainty surrounds whether the recovery will continue.

## 2022-23 Global Economic Growth Forecasts



**Source:** 1. World Bank, *Global Economic Prospect*, Jun. 8, 2023. (Previous: Jan. 11, 2023)  
 2. OECD, *OECD Economic Outlook*, Jun. 8, 2023. (Previous: Mar. 17, 2023)  
 3. IMF, *World Economic Outlook*, Jul. 25, 2023. (Previous: Apr. 19, 2023)  
 4. S&P Global, *World Overview*, Aug. 15, 2023. (Previous: Jul. 15, 2023)  
 5. EIU, *One-click Report: World*, Aug. 16, 2023. (Previous: Jul. 18, 2023)

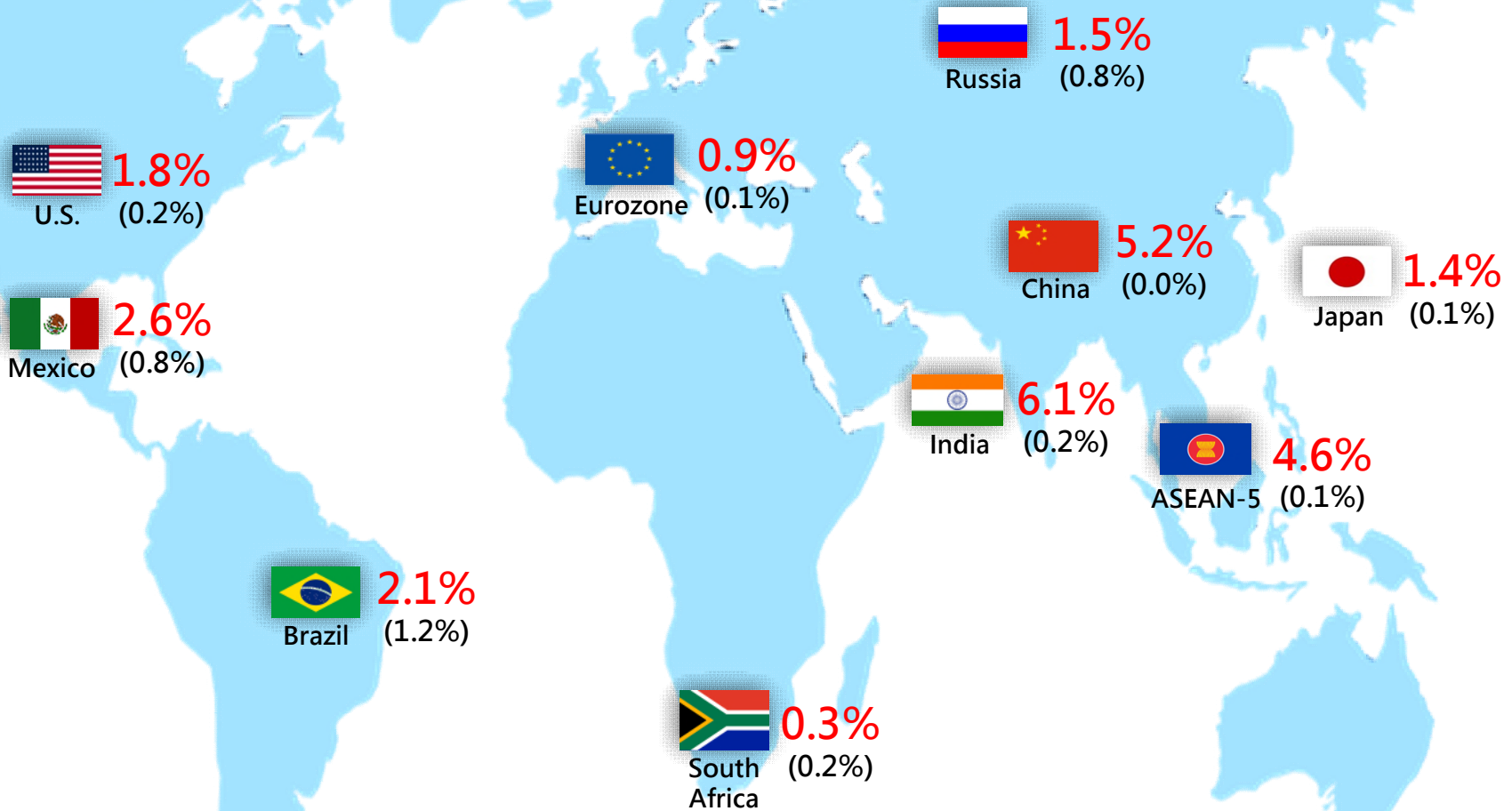
## WTO Goods Trade Barometer



**Note:**  
 Below 95: red zone, growth substantially below trend.  
 Between 95 and 105: amber zone, growth in line with trend.  
 Above 105: green zone, growth well above trend.  
**Source:** WTO, Aug. 24, 2023.



# 2023 Economic Growth Further Revised up



**Note:** (1) Figures in parathesis are differences on previous projections of April 11, 2023.


(2) ASEAN-5 are Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

**Source:** IMF, "World Economic Outlook", July 25, 2023.




# Snapshot of Worldwide Risk


## Geopolitical Conflict

- 
- The prolonged Russia-Ukraine conflict has raised tensions with NATO, potentially leading to protracted a political, economic, and military standoff, which could hinder economic development.
  - Russia's withdrawal from the Black Sea grain initiative has deepened uncertainty in the global food supply. Additionally, if Russia were to further reduce natural gas supplies to Europe, it would add volatility to the worldwide energy market.

## Major Country Interest Rate Trends

- 
- Persistent high core inflation globally may lead central banks in Europe and the U.S. to maintain high interest rates for an extended period, potentially affecting investments and weakening household purchasing power, thus suppressing global consumer demand.
  - Emerging economies facing a stronger U.S. dollar may experience significant currency depreciation, increasing the risk of sovereign debt default.

## China's Economic Slowdown

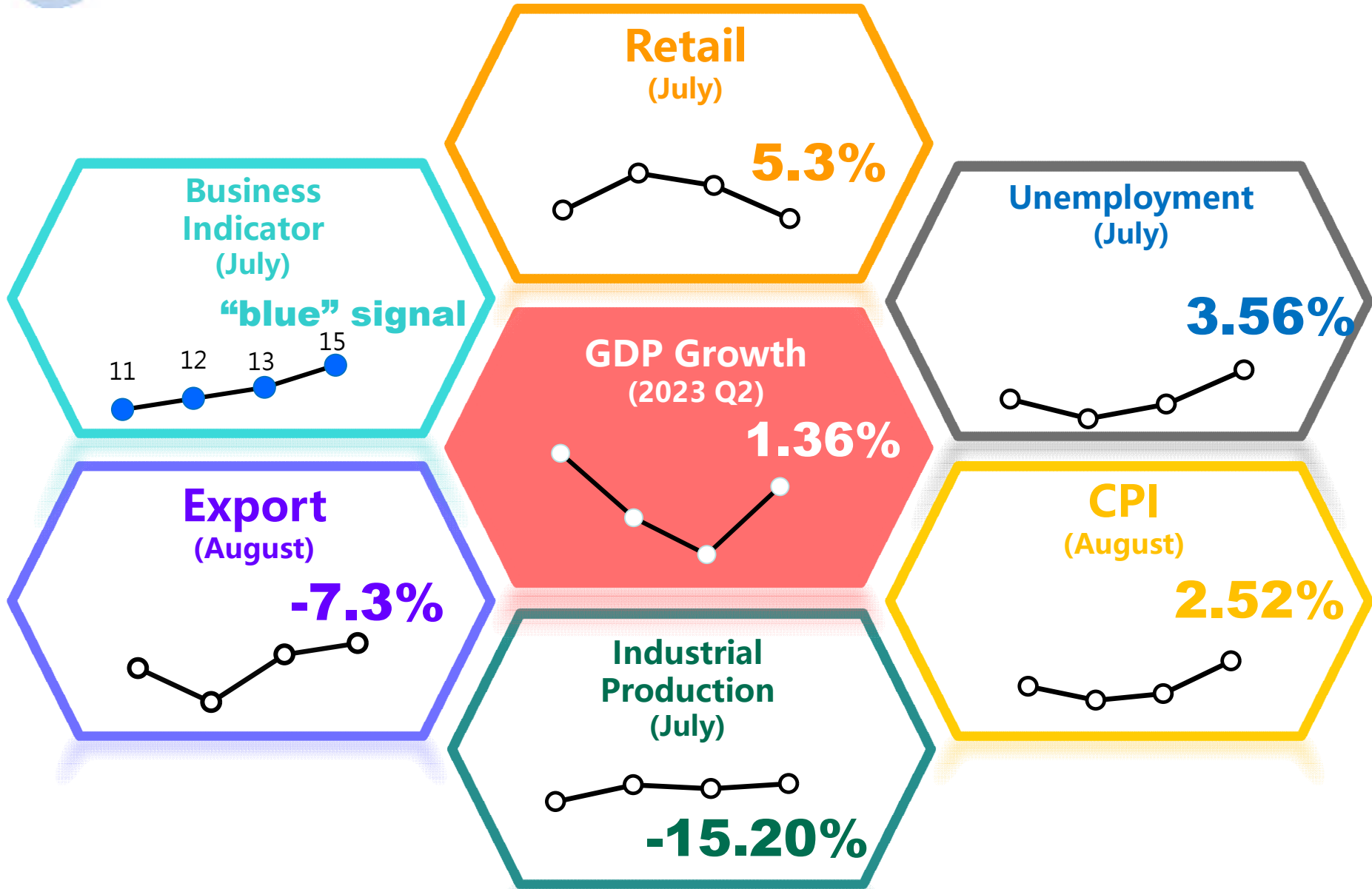
- 
- China faces low consumer confidence, sluggish investment, and rising unemployment, which could impact global economic growth.
  - Defaults by major real estate companies and financial issues affecting asset management groups have raised concerns about economic and financial risks in China. If developer defaults trigger a chain reaction, it could further drag down the economy.



## **II. Current Domestic Economic Situation**



# Latest Overview of the Domestic Economy



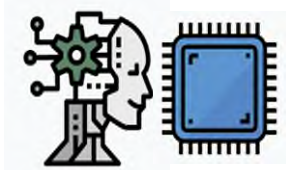
**Note:** GDP growth was preliminarily estimated by DGBAS on Aug. 18, 2023.  
All are stated as year-on-year rates except business indicator.





# Foreign Trade Continues to Show Negative Growth

- In August 2023, Taiwan's total exports contracted by 7.3% year-on-year, owing to weak global demand and continuing supply chain destocking.



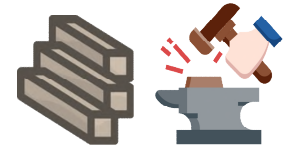
Parts of electronic products

**-11.2%**



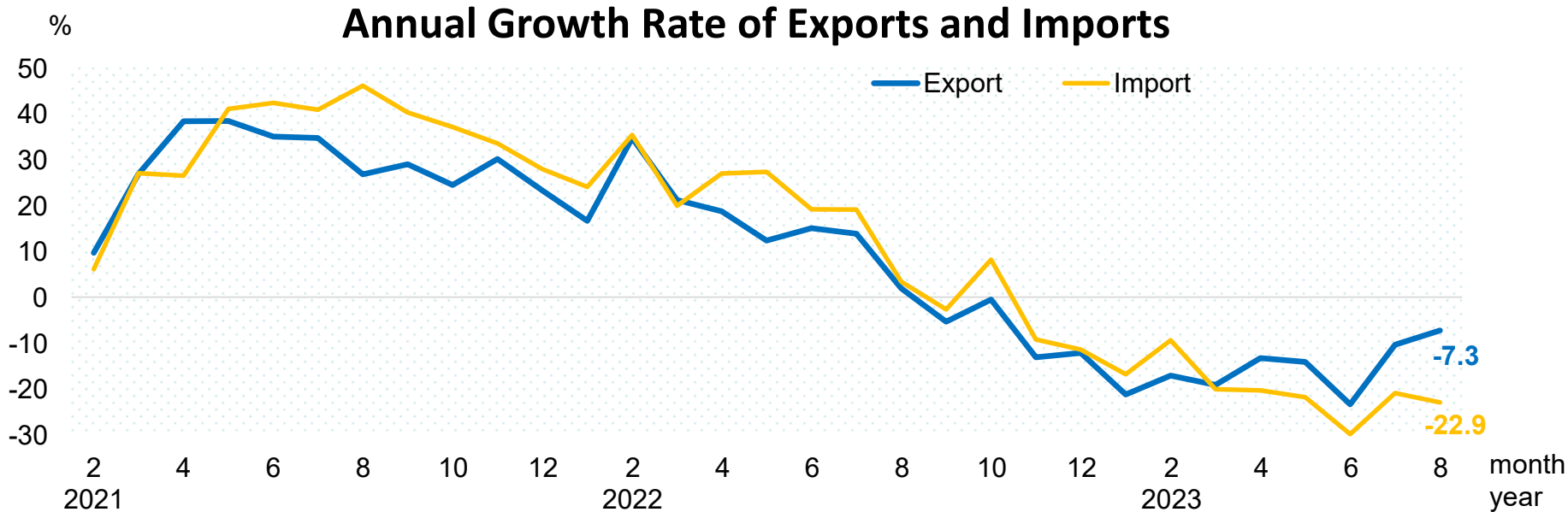
Information, communication  
and audio-video products

**43.1%**



Base metals and  
articles of base metal

**-16.8%**





# Industrial Production Slows

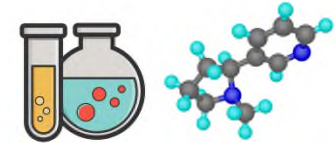
- The Industrial Production Index (IPI) decreased 15.2% year-on-year in July 2023, mainly due to sluggish global demand and inventory adjustments by supply chains.



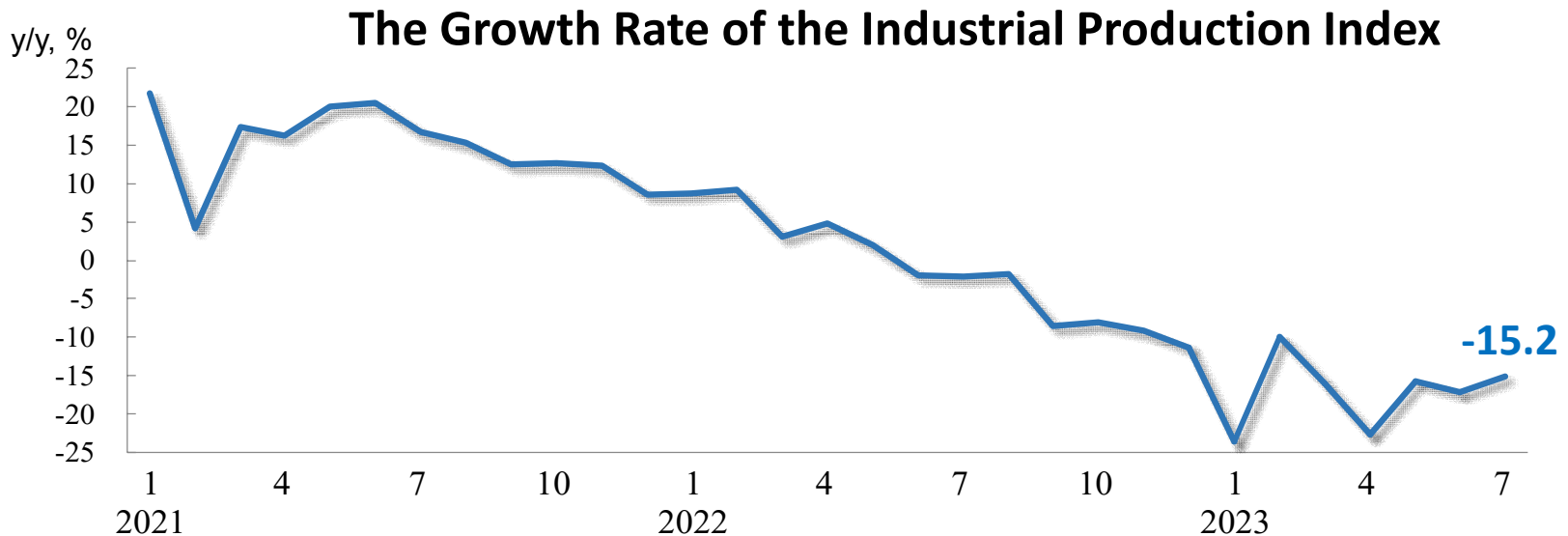
Electronic parts and components **-22.9%**



Computers, electronic & optical products **+8.2%**



Chemical raw material industry **-12.0%**





# Retail Trade Continues to Grow

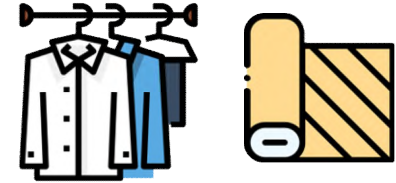
- In July 2023, retail trade sales increased by 5.3% year-on-year, marking the 23th consecutive month of growth, driven by people's increased willingness to go out and spend money.



General merchandise stores **+7.5%**

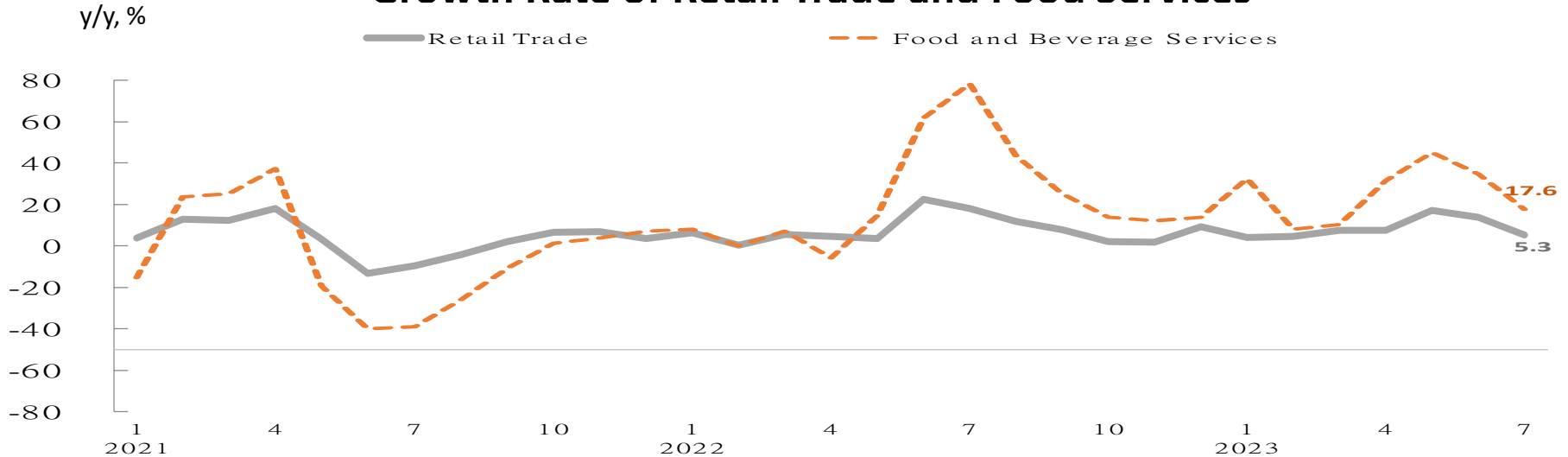


Motor vehicles and motorcycles **+15.8%**



Textiles and Clothing **+7.3%**

## Growth Rate of Retail Trade and Food Services





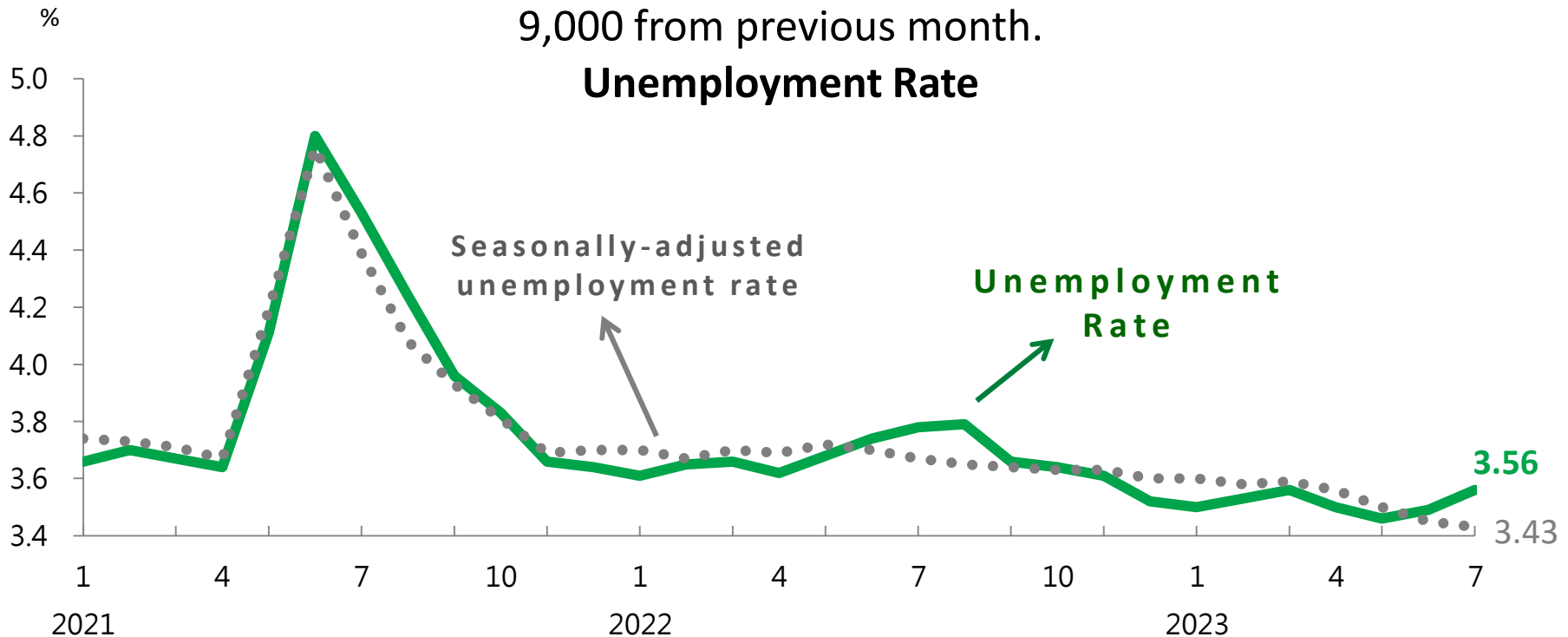
# Labor Market Remains Stable

- The unemployment rate rose by 0.07 percentage points on the previous month to 3.56% in July 2023, mainly because the number of first-time jobseekers increased as fresh graduates entered the job market.



Number of unemployed people increased by 9,000 from previous month.

## Unemployment Rate

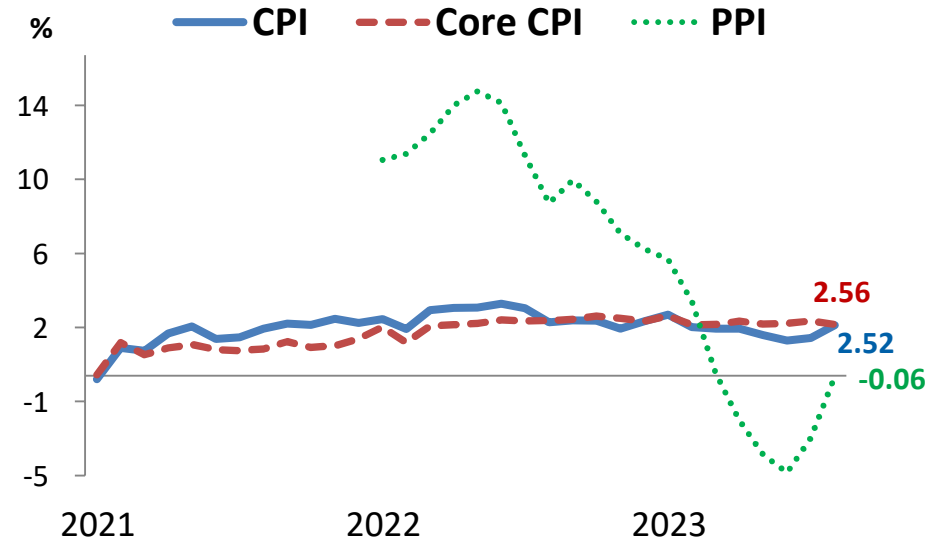
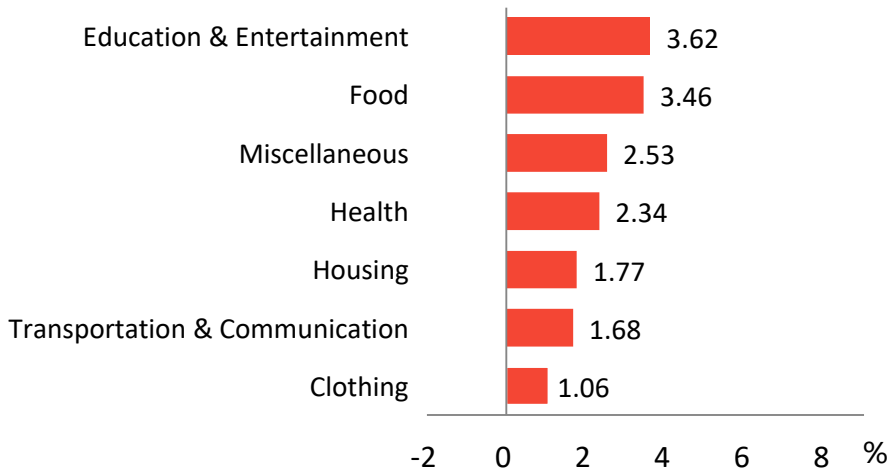




# Inflation Pressure Slows Down

- The CPI rose 2.52% year-on-year in Aug. 2023, mainly because the index for vegetables rose 13.33% due to typhoons Doksuri and Khanun; the index for services for entertainment rose 9.11% due to increase in demand; the index for meats rose 5.79% as feed costs increased. The core CPI increased 2.56%.
- The PPI decreased 0.06% year-on-year in Aug. 2023, mainly because the index for chemical materials, other chemical products and pharmaceuticals fell 7.15%. The indices for basic metals, fabricated metal products as well as petroleum and coal products fell 5.59%, 5.54% and 3.73%, respectively.

## Annual Changes of Consumer Price Indices



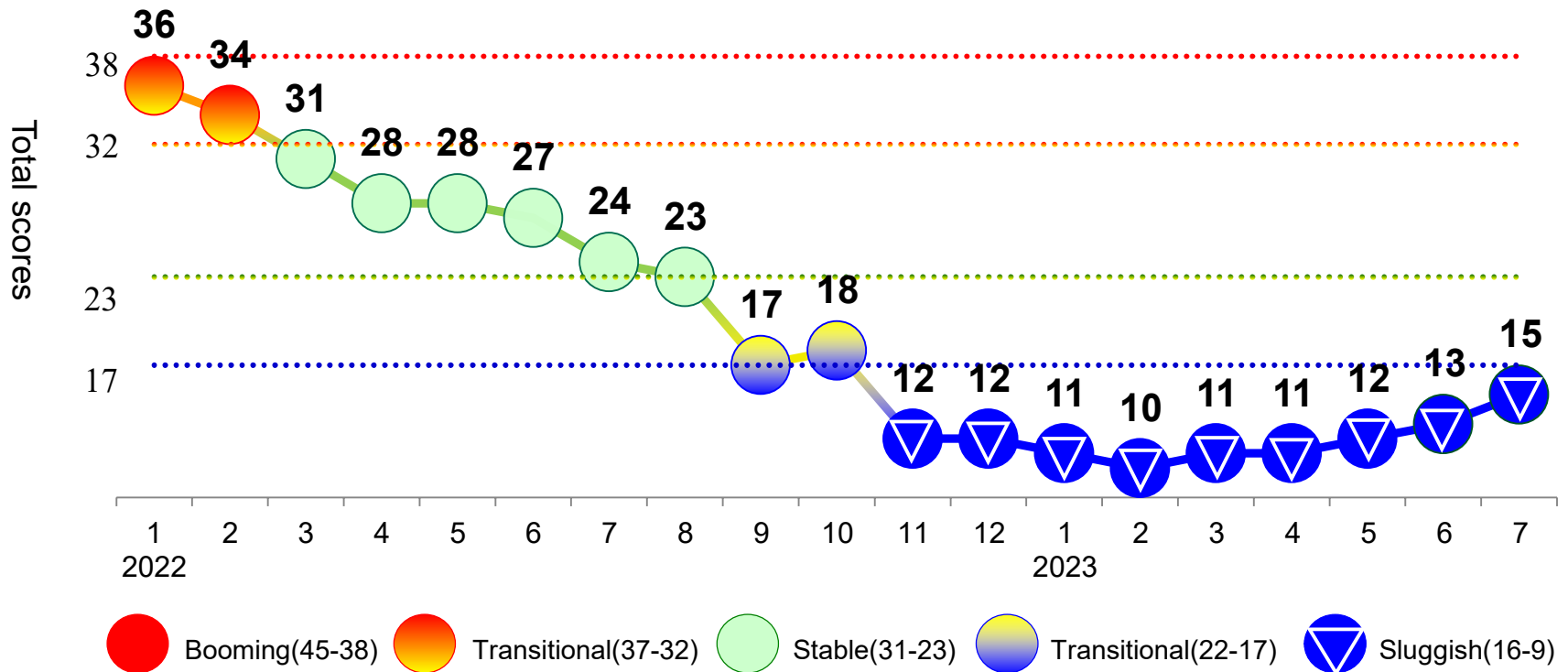
**Note:** Producer Price Index (PPI) compiled monthly from January 2021, so annual growth rate data only be available from 2022. 13



# Monitoring Indicators Stay at “Blue” Signal

- In July 2023, the overall monitoring indicator continued to flash the “blue” signal; the total score increased 2 points to 15.

## Monitoring Indicators



**Note:** The checkpoints for each component of the monitoring indicators were changed in July 2018, since they are subject to regular review and revision every five years, but the component items remain the same. As for leading indicators, there have been some changes to the components, such as “diffusion index of export orders” being substituted for “index of export orders”. Please see the link below for details:

[https://www.ndc.gov.tw/en/nc\\_199\\_36938](https://www.ndc.gov.tw/en/nc_199_36938)

**Source:** NDC, Aug. 2023.



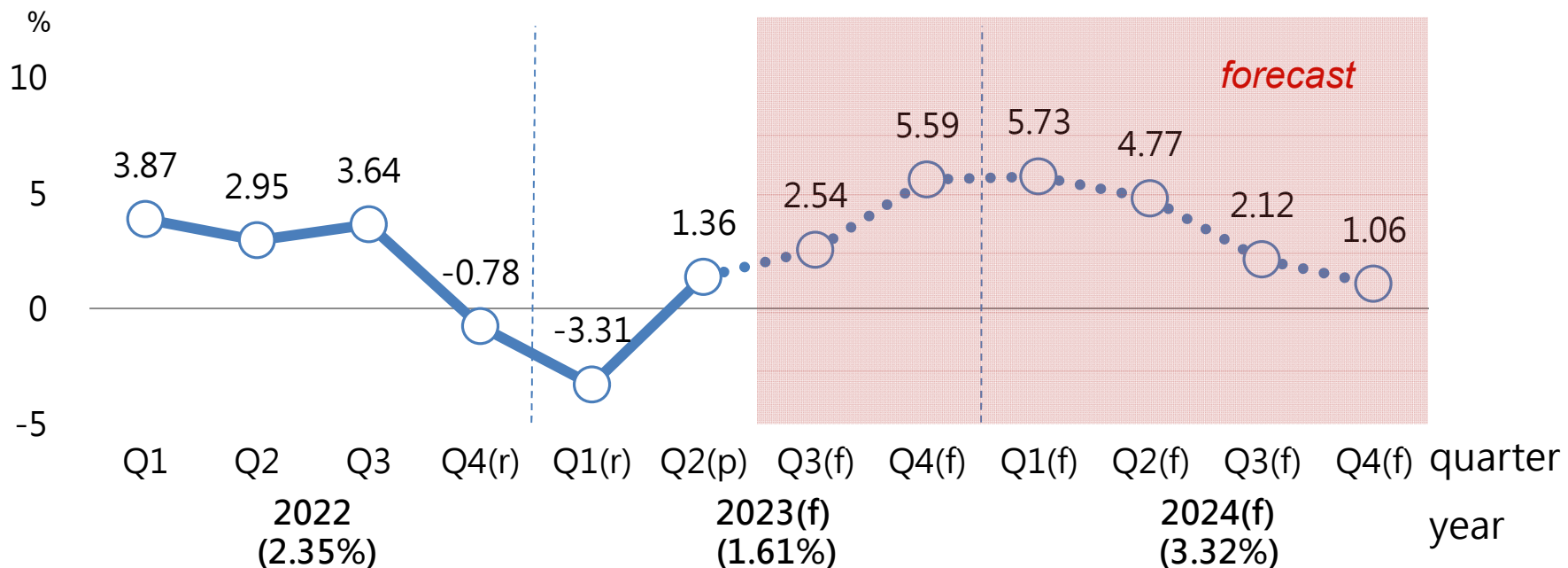
### **III. PROSPECTS FOR 2023**



# 2023 GDP Forecast Revised Downward

- Real GDP is projected to grow by 1.61% in 2023, revised downward by 0.43 percentage points on the previous forecast, due to the sustained weakness of global demand, which has had a detrimental impact on Taiwan's exports and private investment.
- According to the latest DGBAS forecast, Taiwan's real GDP will grow by 3.32% in 2024.

**Quarterly GDP Growth Rate (y/y)**







# Fixed Investment To Remain Cautious

- The growth rate of fixed investment is expected to decrease by 4.22% in 2023. Airline companies will continue to invest to expand their fleets to cope with the increase in overseas travel. However, enterprise capital expenditure will tend to remain cautious due to uncertainty regarding global outlook and the effect of the previous year's high base.

## Growth Rate of Each Component of Fixed Investment

Unit: %

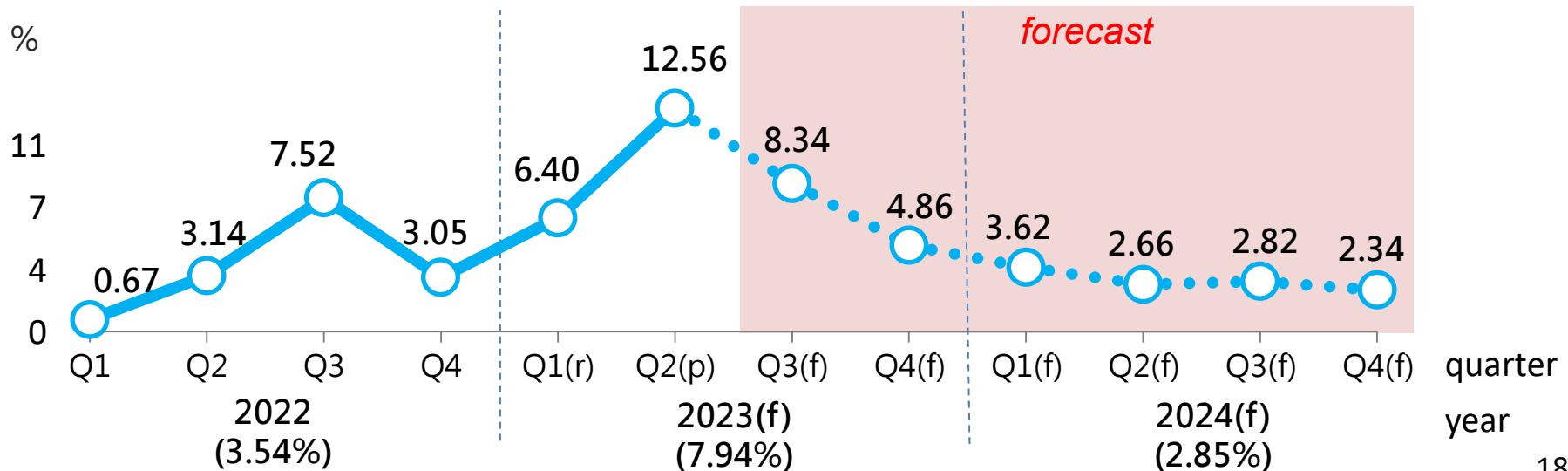
	Fixed Investment	Private Enterprises	Public Enterprises	Government
2021	14.46	18.90	5.04	-10.10
2022	6.29	6.24	13.13	3.41
2023(f)	-4.22	-5.93	5.56	4.72
Q1 (r)	-3.20	-4.84	26.41	2.15
Q2 (p)	-8.36	-11.32	10.51	8.46
Q3 (f)	-4.20	-4.43	-13.69	3.36
Q4 (f)	-1.08	-2.92	7.71	4.56
2024(f)	4.16	3.55	14.16	3.32



# Private Consumption Continues to Grow

- Real private final consumption grew by 12.56% in 2023 Q2, mainly driven by the extended recovery of spending on services such as dining out, accommodation, recreation, transportation, as well as spending on vehicles and flourishing outbound tourism.
- Real private consumption is projected to grow by 7.94% in 2023. Spending has picked up after the pandemic along with gains in recreation and dining out. Growth has also benefitted from the reopening of borders, the stabilizing labor market, the government's universal cash remittance and pandemic-related insurance payouts.

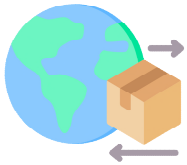
### The Growth Rate of Private Consumption (y/y)



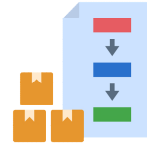


# Export Growth to Slow Down

- In 2023, real exports of goods and services are expected to decrease by 1.74%, mainly due to global economic weakness, inventory adjustments in supply chains, and the high base of the previous year.

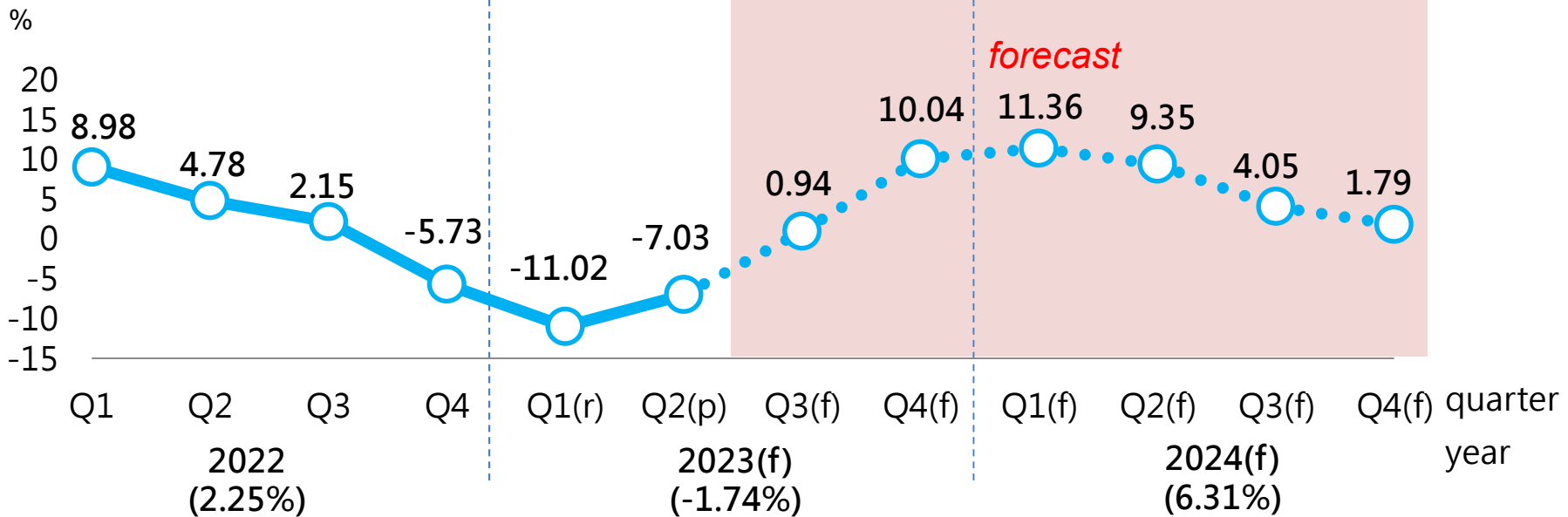


Global demand slow down



Inventory adjustment of the industrial chain

## Growth Rate of Real Goods and Service Exports (y/y)





# Moderate Inflation is Forecast

- The CPI is forecast to increase 2.14% in 2023, mainly reflecting the rise in housing rental, food away from home and entertainment expenses due to increased demand. However, inflation is forecast to be moderate, with the CPI gently rising by 1.58% in 2024.



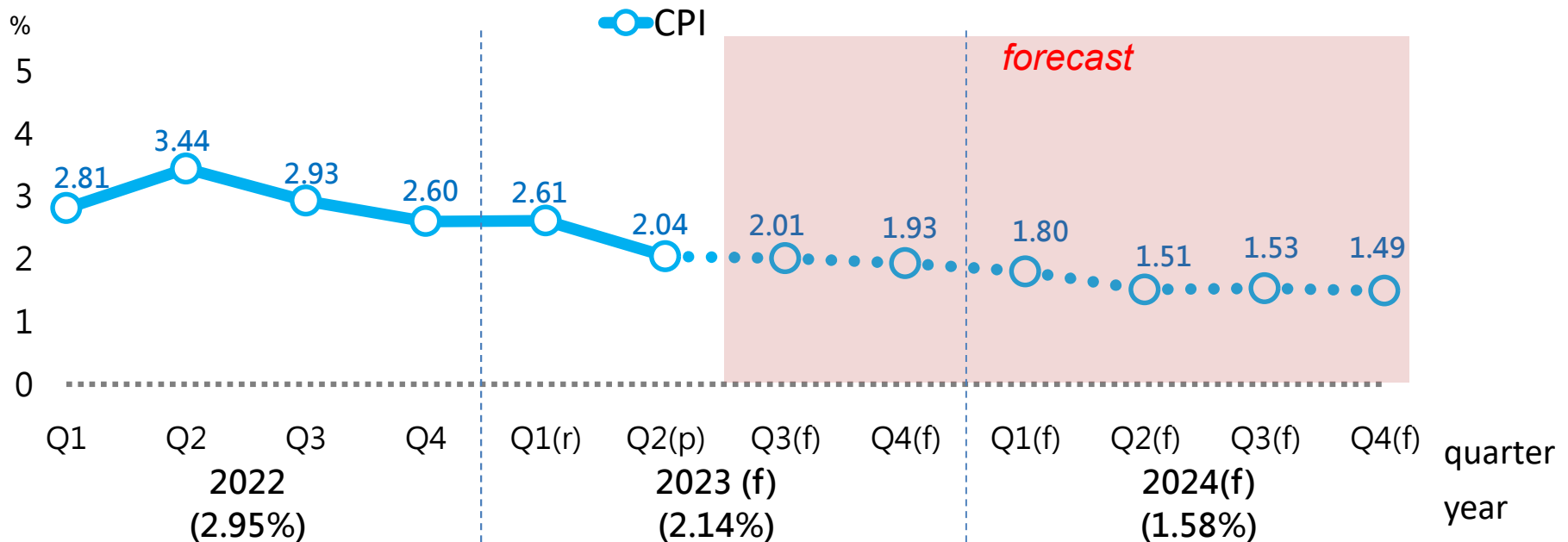
residential rent



food away from home



entertainment expenses





## Forecasts for Taiwan's Economy

	Real GDP (yoy, %)		Consumer Price Index (yoy, %)	
	2023 (f)	2024 (f)	2023 (f)	2024 (f)
<b>DGBAS (2023.8.18)</b>	1.61	3.32	2.14	1.58
<b>CBC (2023.6.16)</b>	1.72	-	2.24	-
<b>TIER (2023.7.25)</b>	1.66	-	2.15	-
<b>CIER (2023.7.20)</b>	1.60	2.88	2.10	1.73
<b>S&amp;P Global (2023.8.15)</b>	0.93	3.03	2.01	1.68
<b>ADB (2023.7.19)</b>	1.5	2.7	2.0	2.0

Note:

- DGBAS = Directorate-General of Budget, Accounting and Statistics, ROC (Taiwan); CBC = Central Bank of Republic of China (Taiwan); CIER = Chung-Hua Institution for Economic Research, Taipei; TIER = Taiwan Institute of Economic Research, Taipei; ADB = Asian Development Bank ; IMF = International Monetary Fund.
- (f) indicates forecast.



## IV.CONCLUSION

- Global economic growth forecasts have been revised up due to strong labor market conditions in developed economies. However, the pace of global economic growth is falling in 2023 compared with 2022 due to the demand crunch caused by inflation, tightening monetary policies and slow economic recovery in China.
- On the domestic side, according to the latest DGBAS forecast, real GDP is projected to grow by 1.61% in 2023, lower than 2.35% in 2022. In addition, the main economic institutions forecast that Taiwan's real GDP growth rate for 2023 will be 0.93%-1.72%.
- In order to build a more sustainable and prosperous Taiwan, the Executive Yuan has recently approved a budget of NT\$2.88 trillion (US\$90.6 billion) for fiscal year 2024, a rise of 7.2% on 2023. The financial blueprint is focused on key areas, including social welfare (the proportion of the proposed budget is 27.5%), education, science and culture (19.5%), economic development (15.1%), and national defense (15%).



Thank you