



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

## **November 2014**

National Development Council

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# I. PREFACE

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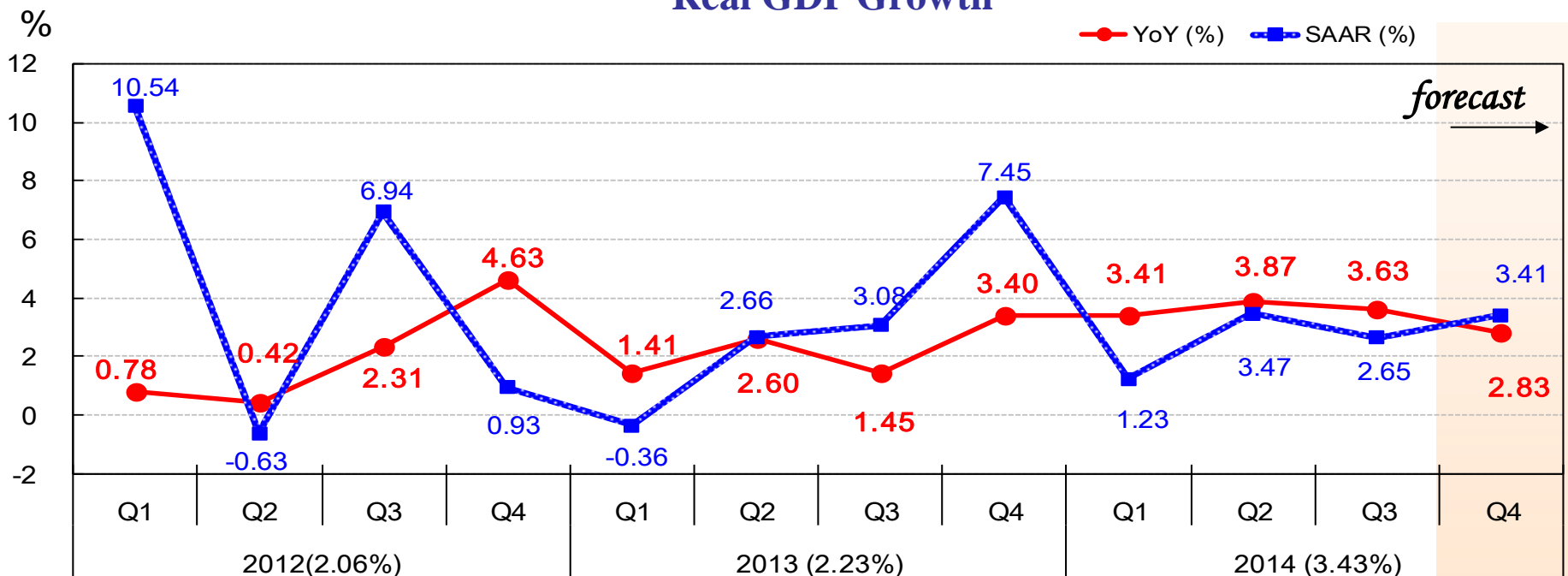
- *Taiwan's Economic Situation and Outlook* is designed to give domestic and foreign readers a concise analysis of Taiwan's current economic situation, including its economic growth, foreign trade, domestic demand, industrial production, employment, prices, and financial aspects. It also provides prospects for 2014 and 2015.
- Mainly due to the steady expansion of the domestic economy, plus the acceleration of growth in Taiwan's commodity and service exports, the real GDP growth forecast for 2014 is 3.43% in the DGBAS's latest estimation. In the whole of 2015, real GDP is forecast to grow by 3.50%.

## II. CURRENT DOMESTIC SITUATION

### *Economic Growth*

⇒ In Q3 2014, due to the significant increase of Taiwan's commodity and service exports, associated with the steady expansion of domestic demand, real GDP grew at a year-on-year rate of 3.63%, higher than the 3.62% previously projected by the DGBAS. The seasonally adjusted annual rate (SAAR) was 2.65%.

**Real GDP Growth**

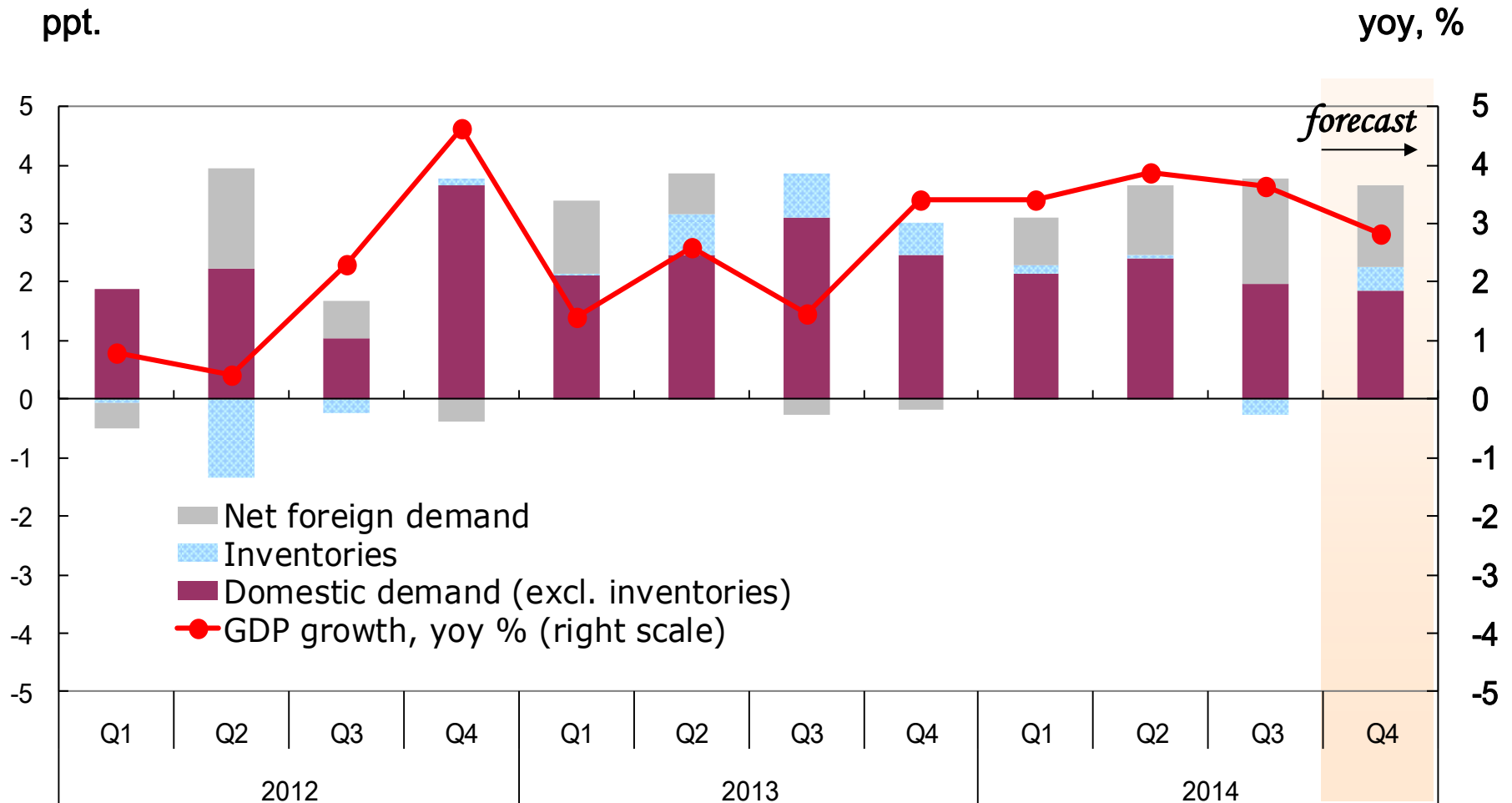


Note: The DGBAS has released revised statistics of Taiwan's National Accounts from 1951 through 2013.

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), Nov. 2014.

## II. CURRENT DOMESTIC SITUATION

### Contributions to GDP Growth (in percentage points)

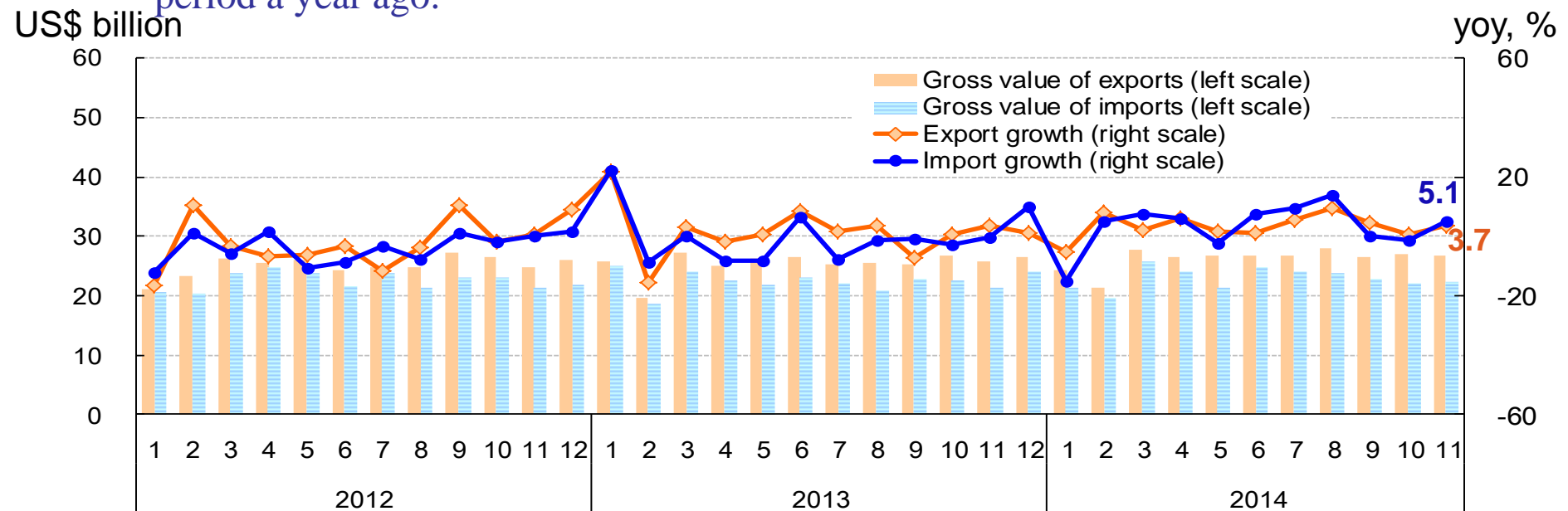


## II. CURRENT DOMESTIC SITUATION

### Foreign Trade

⇒ In November 2014, total exports expanded 3.7% year on year, mainly due to increased export of electronic products, basic metals & articles thereof, and machinery. However, imports rose by 5.1% from a year earlier, with electronic products the main contributors to the increase. The month's foreign trade yielded a balance of US\$4.22 billion in Taiwan's favor.

⇒ Exports for the January through November 2014 period were up 3.3% on the same period a year ago.



Note: Trade data 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, Dec. 2014.

## II. CURRENT DOMESTIC SITUATION

### *Major trade partners*

⇒ Compared with the same period last year, exports for the first 11 months of 2014 to USA, Europe, Japan and Mainland China (including Hong Kong) grew by 6.4%, 4.4%, 4.2% and 3.7% 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*
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
2013	1.4	-1.2	1.2	-3.5	2.2	3.9	-0.1	6.8	-9.2	0.6	1.6	3.4
2014 Jan.-Nov.	3.3	6.4	4.2	4.4	3.7	2.0	3.0	8.8	-2.4	-4.8	13.4	4.4

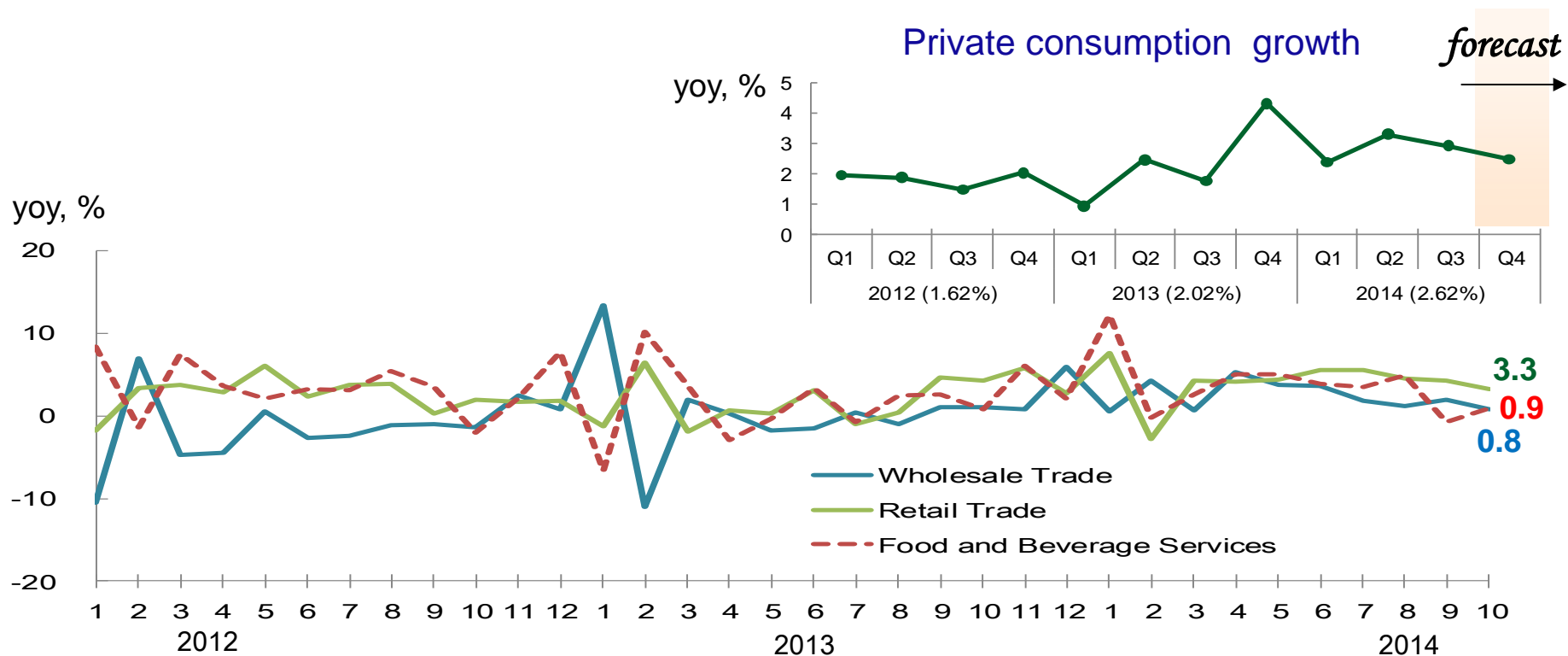
\*ASEAN 6 refers to Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Source: Ministry of Finance, Dec. 2014.

## II. CURRENT DOMESTIC SITUATION

### *Domestic Consumption*

- ⇒ In Q3 2014, private consumption grew 2.92% on a year earlier yet lower than 3.30% in Q2, mainly due to food-safety crisis damping consumers' sentiment. Government consumption increased 3.77% year on year.
- ⇒ In October 2014, sales of trade and food services posted an annual increase of 1.5%. Wholesale trade, retail trade and food & beverage services increased 0.8%, 3.3%, and 0.9% respectively.



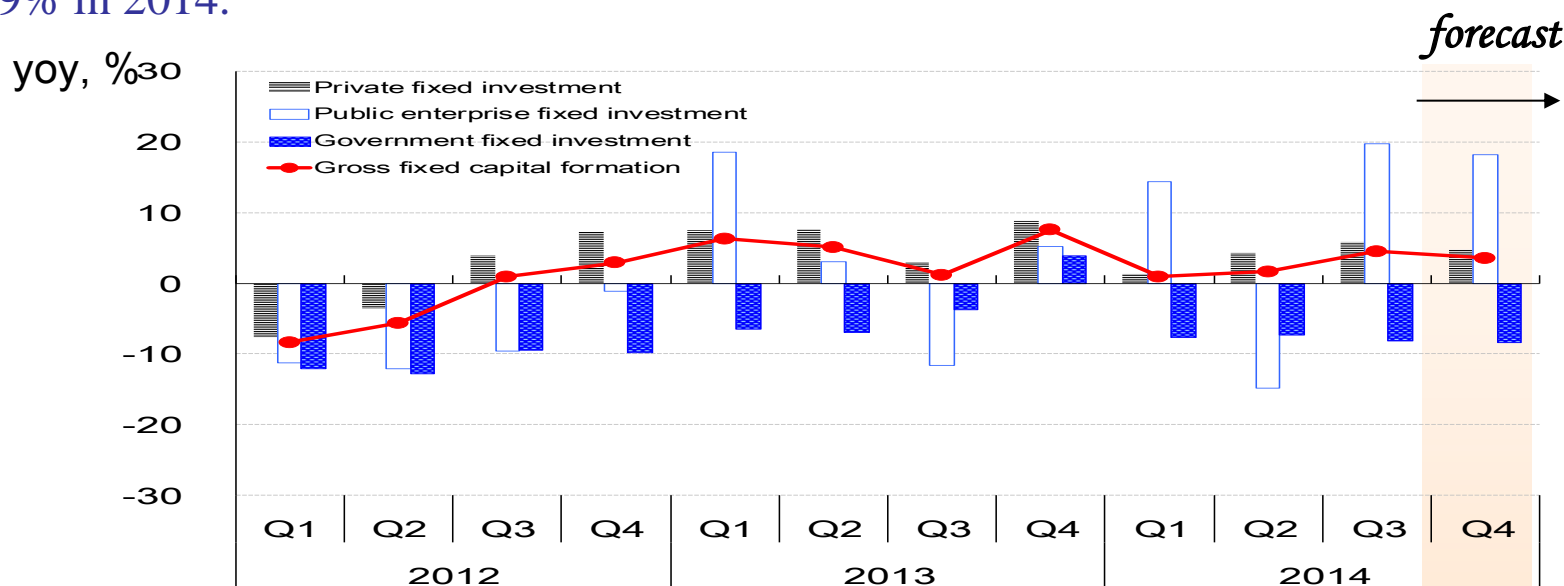
Source: Ministry of Economic Affairs, Nov. 2014.



## II. CURRENT DOMESTIC SITUATION

### *Domestic Investment*

- ⇒ In Q3 2014, gross fixed capital formation was up 4.52% year on year, with private enterprise gross fixed capital formation increasing 5.86%. The increase was mainly generated by new investment in semiconductor production, 4G network building, and aircraft purchases.
- ⇒ The DGBAS has projected that gross fixed capital formation will increase by 2.69% in 2014.



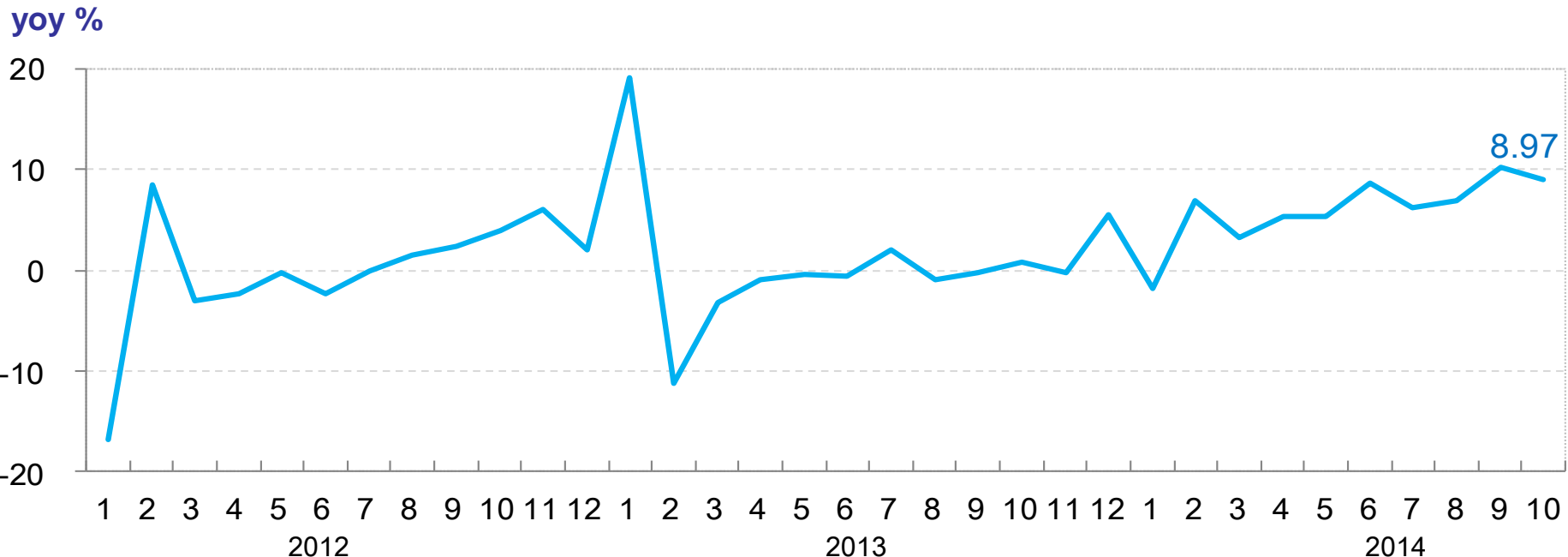
Total	-2.61	4.98	2.69
Private enterprises	-0.35	6.67	4.10
Government	-10.95	-2.70	-7.94
Public enterprises	-7.42	2.96	9.99

Source: DGBAS, Nov. 2014.

## II. CURRENT DOMESTIC SITUATION

### *Industrial Production*

- ⇒ In October 2014, the industrial production index (IPI) posted an annual increase of 8.97% following an increase of 10.16% in September.
- ⇒ Manufacturing output, which makes up more than 90% of the IPI, rose by 9.0% year on year in October, growing for the ninth consecutive month. The growth came largely from increasing demand for computers, electronics and optical products, electronic parts and components, and machinery and equipment.

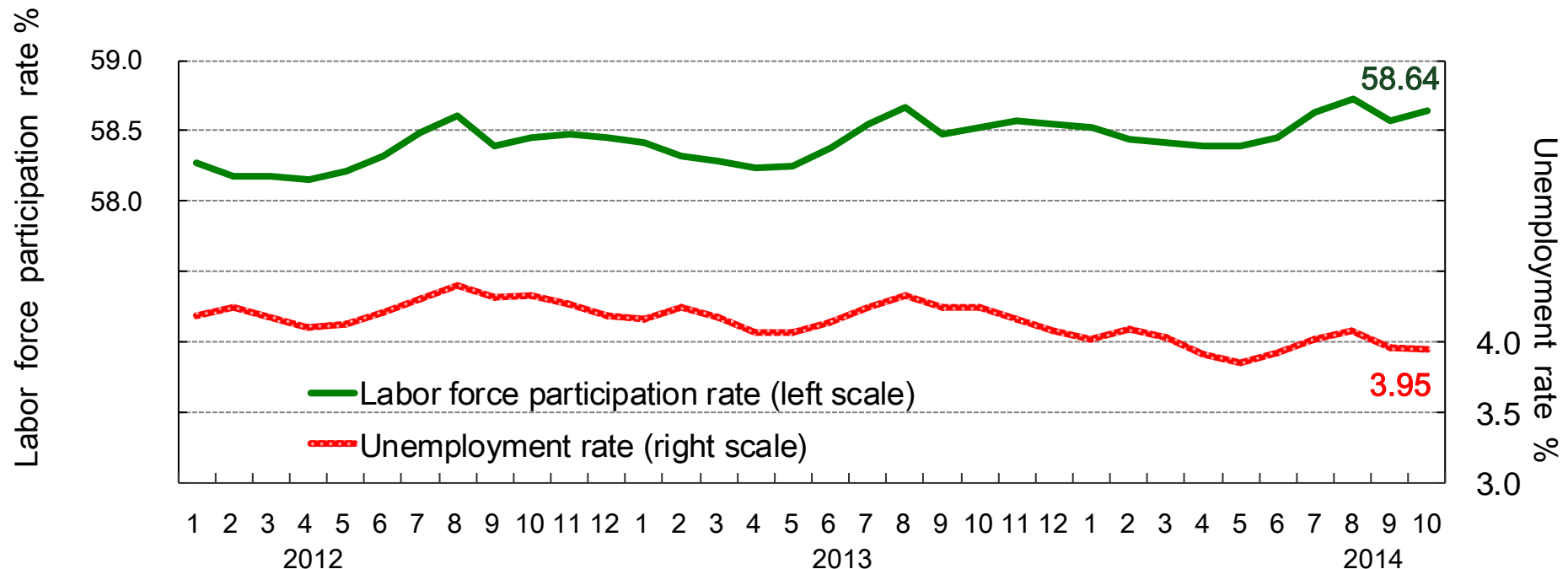


Source: Ministry of Economic Affairs, Nov. 2014.

## II. CURRENT DOMESTIC SITUATION

### *Employment*

- ⇒ In October 2014, the unemployment rate stood at 3.95%, down by 0.01 percentage points from the previous month. The seasonally adjusted unemployment rate declined by 0.03 percentage points to 3.87 %.
- ⇒ The labor force participation rate increased by 0.07 percentage points from the previous month to 58.64%, up 0.12 percentage points on a year earlier.

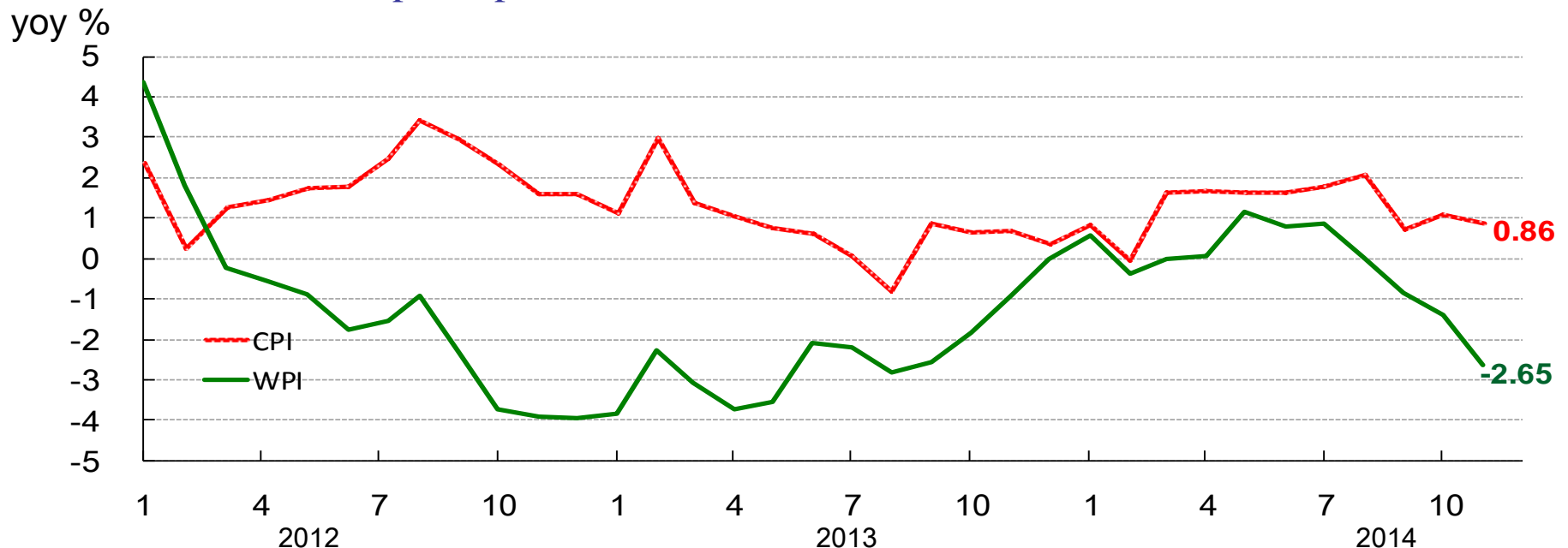


Source: DGBAS, Nov. 2014.

## II. CURRENT DOMESTIC SITUATION

### *Prices*

- ⇒ In November 2014, Taiwan's CPI rose by 0.86% on the same month last year. The food index went up 3.65%, mainly due to the surging indexes for meat and food away from home. Core prices (excluding fruit, vegetable and energy prices) increased by 1.25%.
- ⇒ In the same month, the WPI decreased by 2.65% year on year, mainly because the indexes for petroleum and coal products fell. However, the indexes for computers, electronic, and optical products rose.

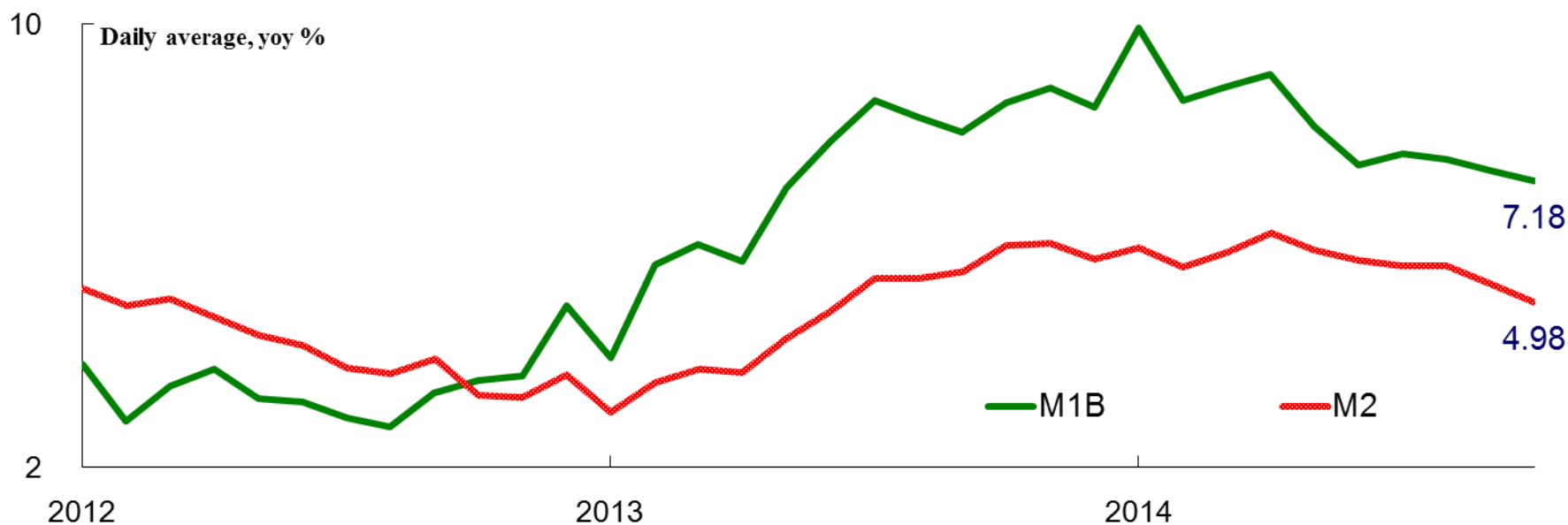


## II. CURRENT DOMESTIC SITUATION

### *Money Supply*

⇒ In October 2014, The annual growth rates of M1B and M2 decreased to 7.18% and 4.98%, respectively, mainly because of a decrease in demand deposits used for settling securities transactions amid a sluggish stock market and net foreign capital outflows.

⇒ For the first ten months of this year, the average annual growth rates of M1B and M2 were 8.18% and 5.69%, respectively.

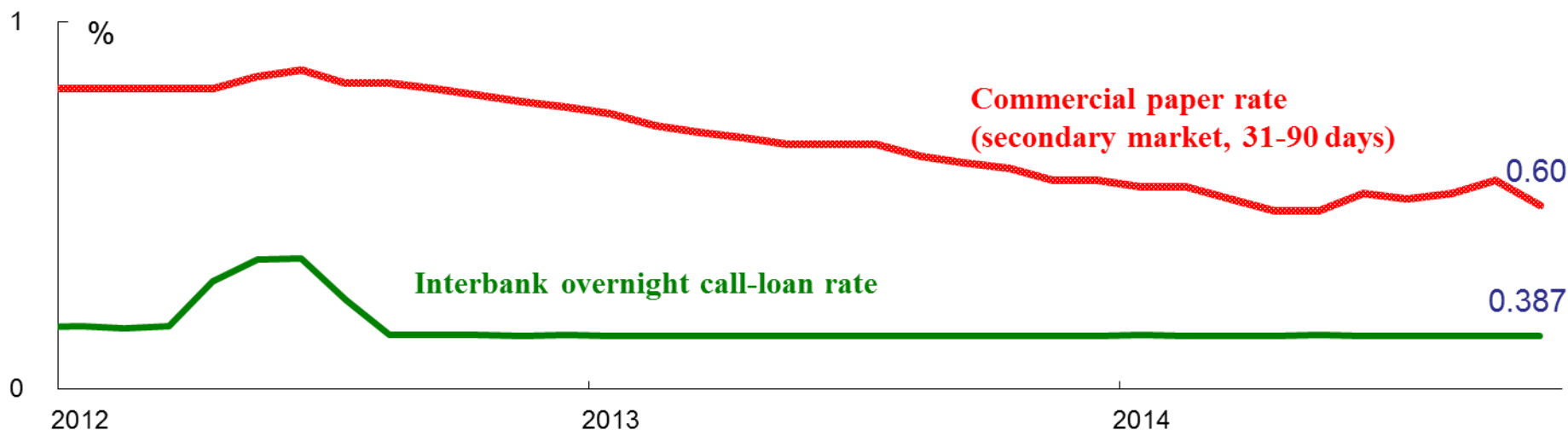


Source: Central Bank of China (Taiwan), Nov. 2014.

## II. CURRENT DOMESTIC SITUATION

### *Short-term Interest Rates*

- ⇒ In October 2014, the interbank overnight call-loan rate stood at 0.387%, and the commercial paper rate decreased to 0.60%, both reflecting that domestic interest rates were broadly stable.
- ⇒ Considering the combined factors of mild inflation outlook and a negative domestic output gap, plus lingering uncertainties in the global economy, the CBC decided to keep policy rates unchanged in September 2014. The discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral will remain at 1.875%, 2.25%, and 4.125%, respectively.

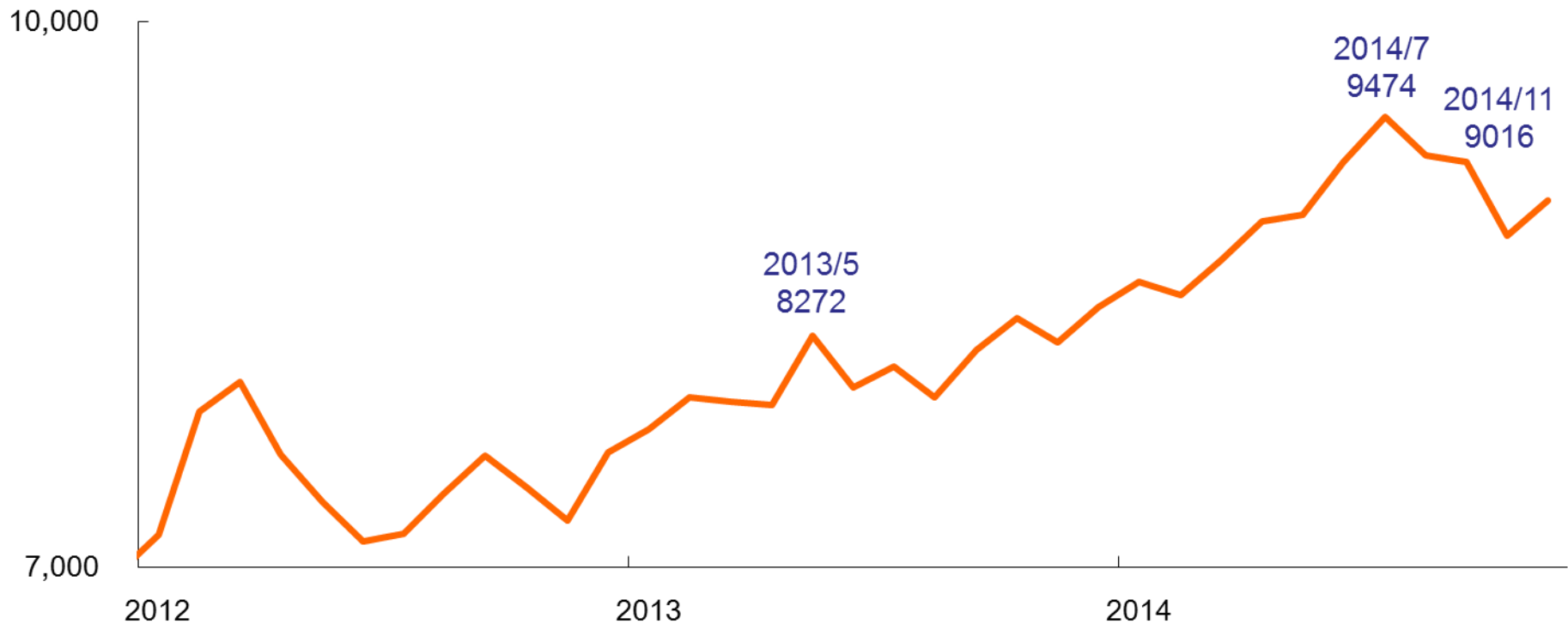


Source: Central Bank of China (Taiwan), Nov. 2014.

## II. CURRENT DOMESTIC SITUATION

### *Stock Index*

⇒ The TAIEX average closing price for the month of November was 9,016, up by 2.2% from October 2014, while up by 9.5% on October 2013.



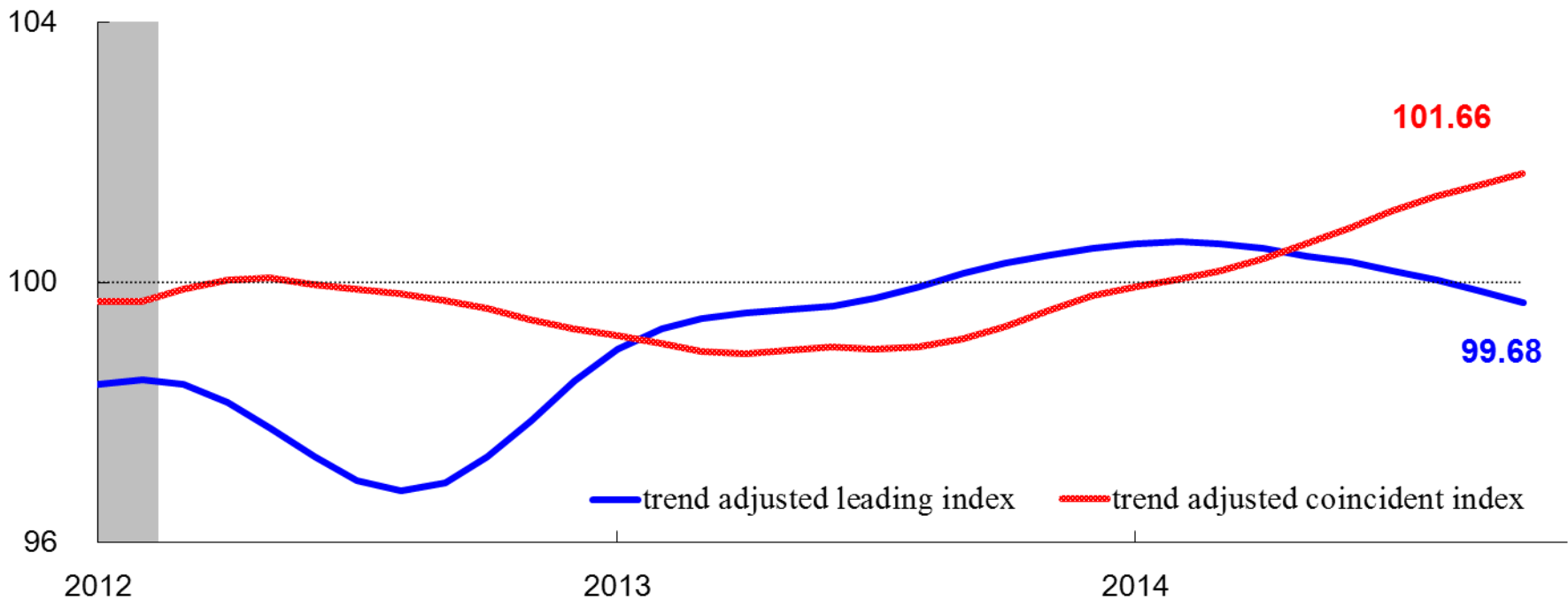
Source: Taiwan Stock Exchange, Nov. 2014.

## II. CURRENT DOMESTIC SITUATION

### *Taiwan Business Indicators*

⇒ In October 2014, the Taiwan Business Indicators showed that the domestic economy continued its steady growth.

⇒ The trend-adjusted leading index decreased by 0.18% to 99.68, and the trend-adjusted coincident index increased by 0.15% to 101.66.



Note: The shaded areas represent recessions.

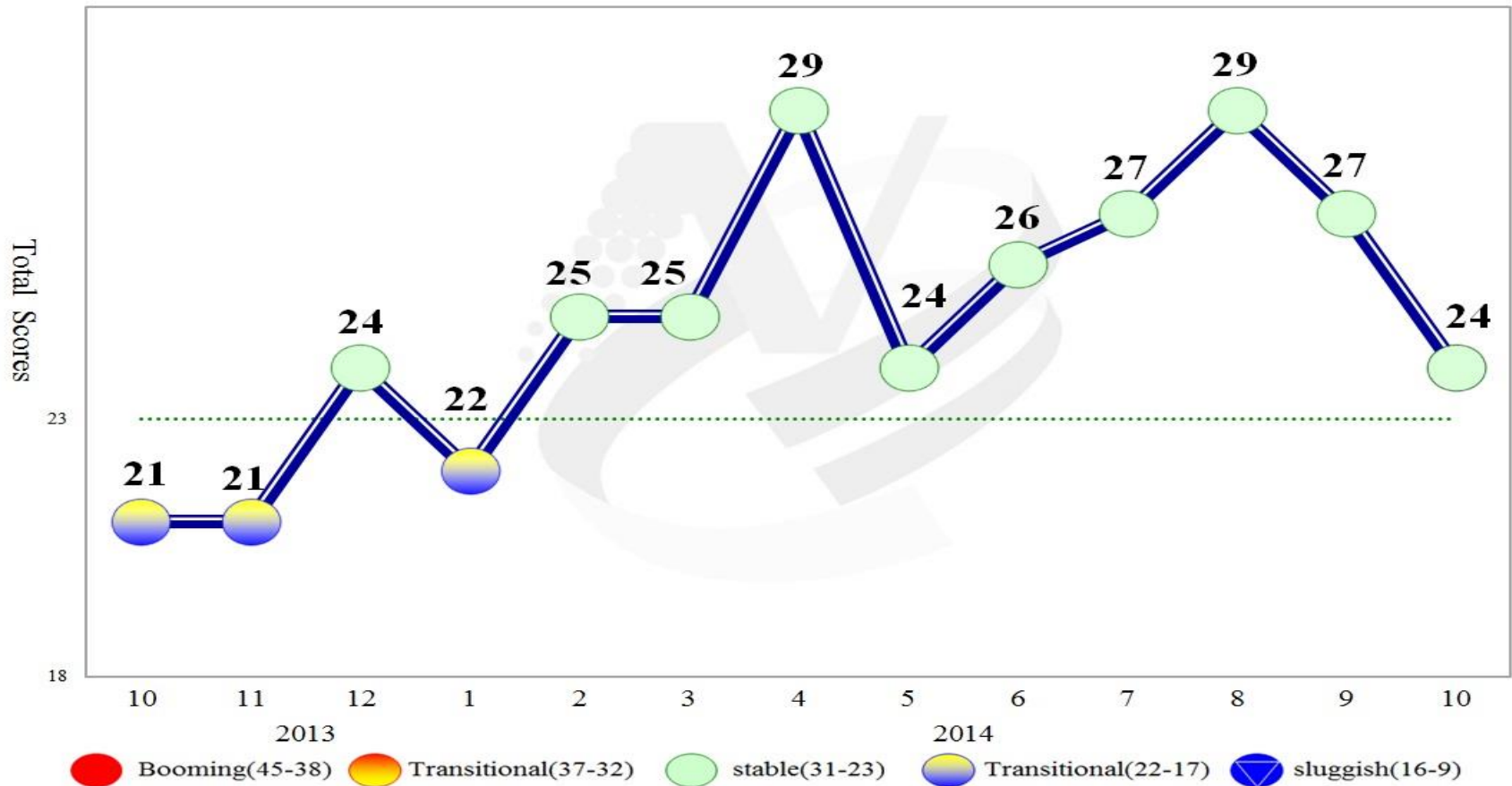
Source: National Development Council (NDC), Nov. 2014.



## II. CURRENT DOMESTIC SITUATION

### *Monitoring Indicators*

⇒ The total score of the monitoring indicators in October 2014 decreased by three points to 24, flashing the “green” signal for the ninth month in a row.



Source: NDC, Nov. 2014.

## II. CURRENT DOMESTIC SITUATION

### Monitoring Indicators

⇒ Among the nine components, the TAIEX average closing price lost one point to change its individual light signal from “yellow-red” to “green”, while the customs-cleared exports and the TIER manufacturing sector composite indicator each lost one point to change its individual light signal from “green” to “yellow-blue”. The light signal for the rest of six components remained unchanged.

		2013			2014											
		10	11	12	1	2	3	4	5	6	7	8	9		10	
Total	Light															
	Score	21	21	24	22	25	25	29	24	26	27	29	27		24	
Monetary Aggregates M1B														7.3		7.2
TAIEX Average Closing Price														12.6		5.4
Industrial Production Index														8.7 <sub>r</sub>		8.1
Nonagricultural Employment														1.1		1.1
Customs-Cleared Exports														5.8		4.0
Imports of Machineries and Electrical Equipments														3.4 <sub>r</sub>		2.3
Index of producer's shipment for manufacturing														6.5 <sub>r</sub>		4.9 <sub>p</sub>
Sales of Trade and Food Services														2.3 <sub>r</sub>		1.6
The TIER Manufacturing Sector Composite Indicator														99.9 <sub>r</sub>		95.8

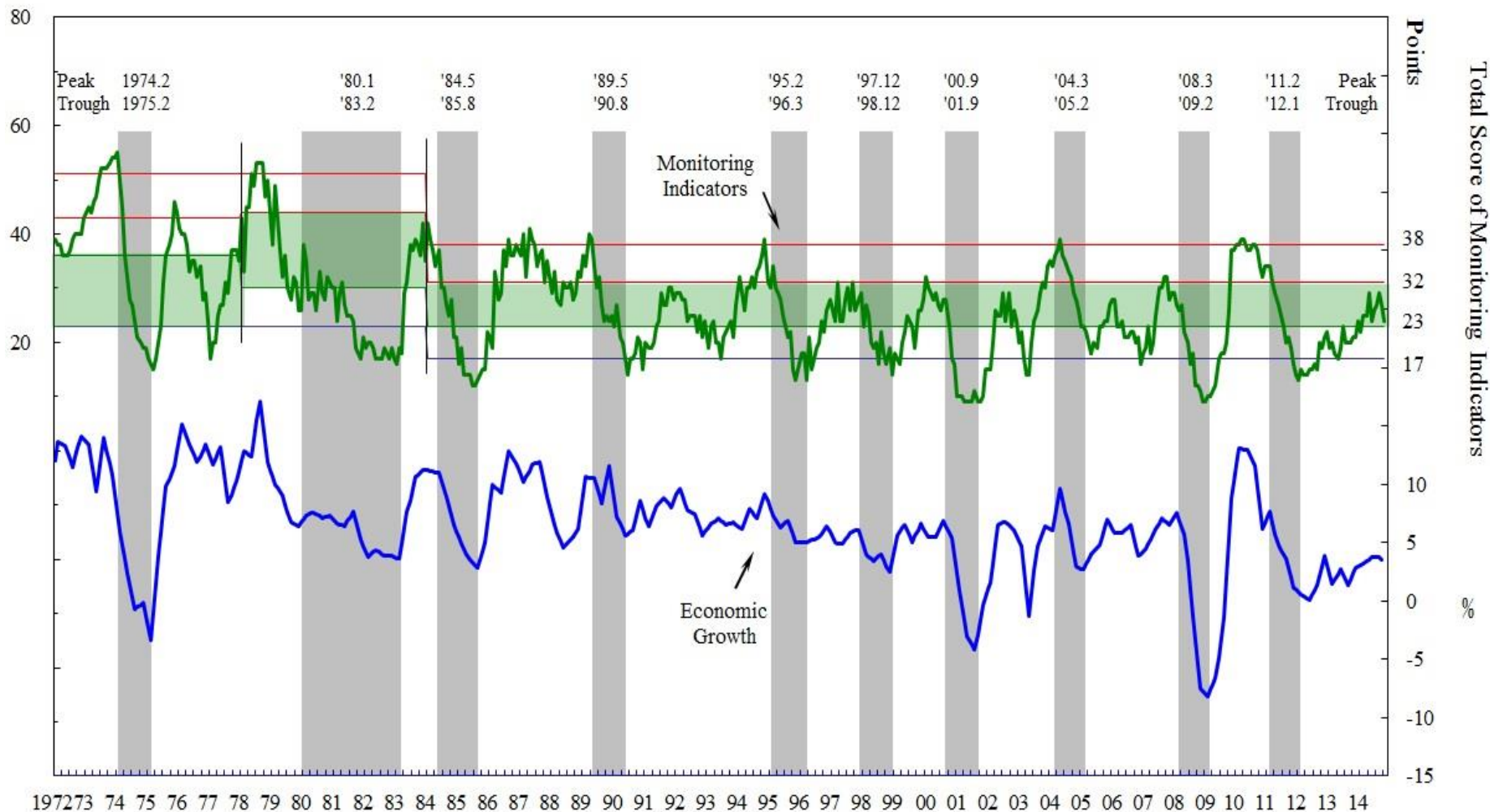
Notes : 1. Individual Components and check points are in terms of percentage changes over a one-year span, except the TIER Manufacturing Composite Indicator, which is in point (2006=100).

2. All components, except TAIEX average closing price, have been seasonally adjusted.

3. p = Preliminarily estimated, r = Revised.

## II. CURRENT DOMESTIC SITUATION

Monitoring Indicators & Economic Growth



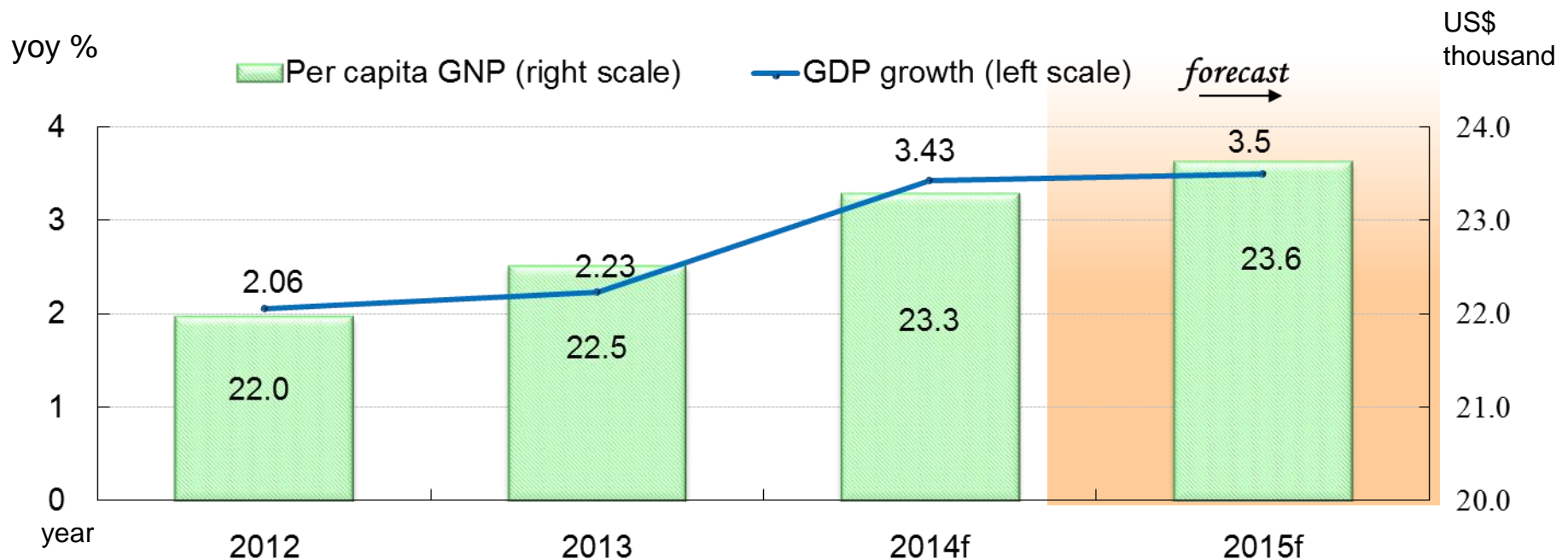
Note: The shaded areas represent recessions.

Source: NDC, Nov 2014.

### III. PROSPECTS FOR 2014 and 2015

#### *Taiwan's Economy Posting Moderate Growth*

- ⇒ The 2014 real GDP growth forecast has been revised to 3.43% in the DGBAS's latest estimation, up 0.02 percentage point on August's forecast. In the whole of 2015, real GDP is forecast to grow by 3.50%, down 0.01 percentage points from August's forecast.
- ⇒ Per capita GNP is projected to increase to US\$23,289 and US\$23,626 in 2014 and 2015, respectively.



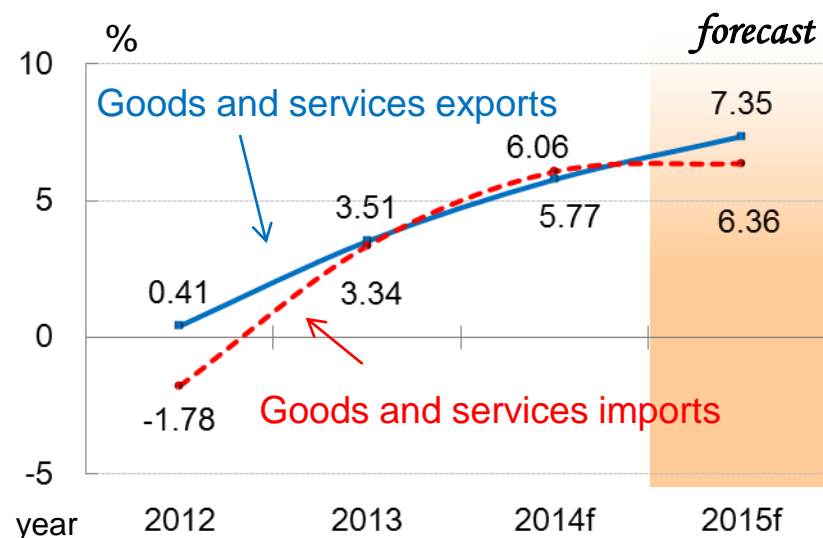
Source: DGBAS, Nov. 2014.



### III. PROSPECTS FOR 2014 and 2015

#### *Exports Expected to Gradually Gain Traction*

- ⇒ According to Global Insight's forecast, the global economic growth rate in 2015 is expected to be higher than in 2014, which should support Taiwan's export growth. In addition, with semiconductor manufacturing benefitting from its advanced technology and the rising global demand for mobile devices, exports of electronic products are expected to remain buoyant.
- ⇒ However, exports of information & communication and petrochemical products have been constrained by strong competition from global market and Mainland China's active development of local supply chains, while falling oil prices also weigh on petrochemical industry.
- ⇒ Goods and services exports are projected to increase in real terms by 5.77% and 7.35% in 2014 and 2015 respectively.
- ⇒ Goods and services imports are projected to grow by 6.06% and 6.36% in 2014 and 2015 respectively.



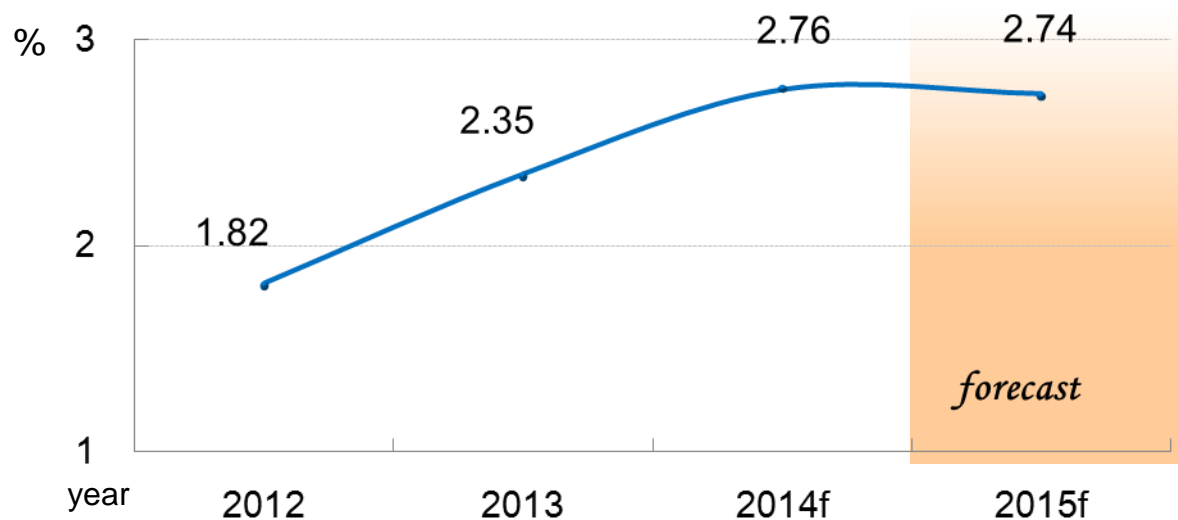
Source: DGBAS, Nov. 2014.

### III. PROSPECTS FOR 2014 and 2015

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#### *Private Consumption Set for Stable Growth*

- ⇒ Although a food safety crisis involving tainted cooking oil may slow private consumption growth in the fourth quarter of 2014, continuing improvement in the labor market will help to boost consumer confidence.
- ⇒ Private consumption is projected to rise by 2.76% and 2.74% in 2014 and 2015 respectively.

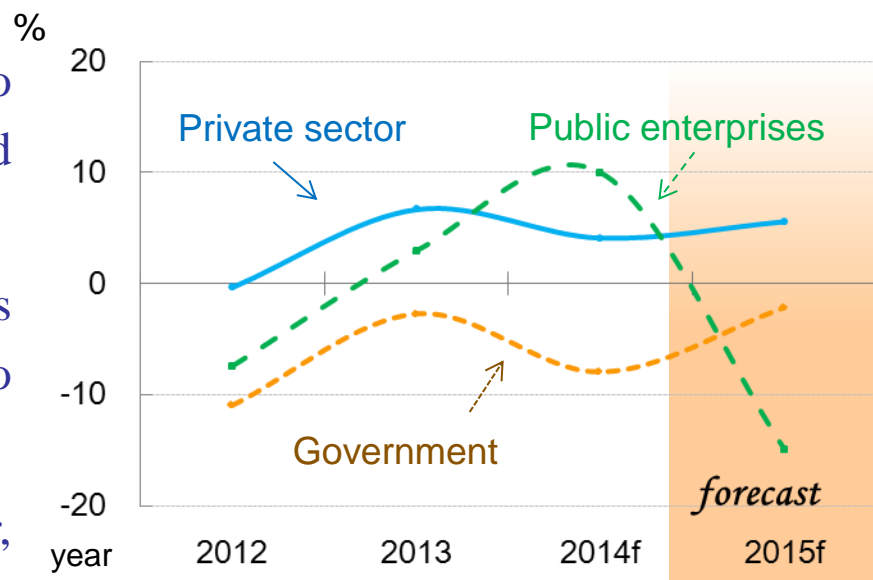


Source: DGBAS, Nov. 2014.

### III. PROSPECTS FOR 2014 and 2015

#### *Domestic Investment Maintaining Moderate Growth Pace*

- ⇒ Thanks to eager demand for advanced chips for mobile devices, as well as business opportunities involving the Internet of Things (IOT) and big data applications, semiconductor manufacturers will continue to invest in advanced technologies. In addition, with DRAM and panel manufacturers expected to turn actively to investing in capacity due to the positive industry outlook, plus airline industry expanding purchases of aircraft, private fixed investment is projected to increase by 4.10% and 5.59% in 2014 and 2015 respectively.
- ⇒ Government fixed investment is projected to decline by 7.94% and 2.13% in 2014 and 2015 respectively.
- ⇒ Public enterprises' fixed investment is expected to grow by 9.99% in 2014 but to fall by 14.96% in 2015.
- ⇒ Total fixed investment by the private sector, government and public enterprises is forecast to rise by 2.69% and 3.27% in 2014 and 2015 respectively.

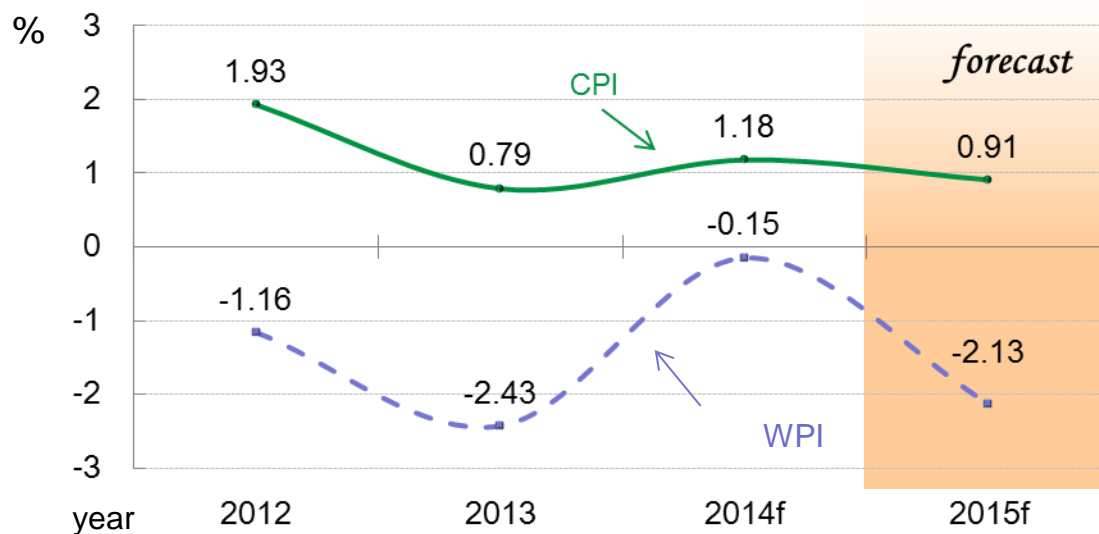


Source: DGBAS, Nov. , 2014.

### III. PROSPECTS FOR 2014 and 2015

#### *Inflationary Pressure Easing*

- ⇒ International oil prices fell sharply since mid-2014 owing to increasing oil production in the United States and a stronger US dollar. Furthermore, agricultural and industrial raw material prices also plunged since the early part of the year. The WPI is forecast to decrease by 0.15% and 2.13% in 2014 and 2015 respectively.
- ⇒ With falling oil prices and downward pressure on food prices induced by the stable climate, the CPI is forecast to rise by 1.18% and 0.91% in 2014 and 2015 respectively.



Source: DGBAS, Nov. 2014.



# Forecasts for Taiwan's Economy

	Real GDP (yoy, %)		Consumer Prices Index (yoy, %)	
	2014 <sub>f</sub>	2015 <sub>f</sub>	2014 <sub>f</sub>	2015 <sub>f</sub>
<b>DGBAS (2014.11)</b>	3.43 [3.41]	3.50 [3.51]	1.18 [1.64]	0.91 [1.46]
<b>TIER (2014.11)</b>	3.44 [3.28]	3.48	1.31 [1.43]	1.17
<b>CIER (2014.12)</b>	3.43 [3.46]	3.50 [3.53]	1.19 [1.52]	0.89 [1.54]
<b>Yuanta-Polaris (2014.9)</b>	3.57 [3.18]	3.49	1.60 [1.60]	1.50
<b>TRI (2014.12)</b>	3.36 [3.10]	3.43	1.31 [1.46]	0.85
<b>IEAS (2014.12)</b>	3.42 [3.31]	3.38	1.17 [1.52]	0.72
<b>Global Insight (2014.12)</b>	3.5 [3.5]	3.6 [3.7]	1.2 [1.3]	1.0 [1.5]
<b>EIU (2014.12)</b>	3.6 [3.7]	3.2 [3.5]	1.4 [1.5]	1.8 [1.9]
<b>IMF (2014.10)</b>	3.5 [3.1]	3.8 [3.9]	1.4 [1.4]	2.0 [2.0]
<b>ADB (2014.12)</b>	3.6 [3.4]	3.6 [3.3]	1.4 [1.4]	1.5 [1.5]

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

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- According to Global Insight's forecast, the global economic growth rate in 2015 is expected to be higher than 2014, which should support Taiwan's export growth. In addition, with the launches of mobile and other portable electronic devices, exports of electronic products are expected to remain buoyant.
- On the domestic demand side, semiconductor manufacturers' continuing investment in advanced technologies, together with DRAM and panel manufacturers expected to turn actively to investing in capacity due to the positive industry outlook, plus airline industry expanding purchases of aircraft, should support private investment growth. Consumer spending will maintain its steady growth thanks to the improving labor market.
- However, there are some factors which may negatively affect Taiwan's economic growth rate, including Mainland China's active development of local supply chains, the weak economy in the Eurozone and Japan, tighter liquidity conditions following the expected increase in US policy interest rates in 2015, and the signing of an FTA between Mainland China and Korea, which means caution is still needed in the near future.

# STATISTICAL ANNEX TABLES

## I. Growth Rates In Chained Volume Indexes (change on 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				
2007	6.52	1.83	2.42	2.20	1.14	1.88	2.20	-2.80	--	--	10.45	2.89
2008	0.70	-2.44	-1.69	1.54	-11.13	-14.15	-1.98	0.44	--	--	0.55	-4.13
2009	-1.57	-4.51	0.01	3.22	-8.81	-15.32	2.37	14.07	--	--	-8.42	-13.22
2010	10.63	10.29	3.76	1.05	19.31	27.63	7.49	-2.92	--	--	25.67	28.03
2011	3.80	0.57	3.12	1.95	-1.15	1.20	-13.44	-5.78	--	--	4.20	-0.46
2012	2.06	0.63	1.82	2.16	-2.61	-0.35	-7.42	-10.95	--	--	0.41	-1.78
2013	2.23	2.01	2.35	-1.15	4.98	6.67	2.96	-2.70	--	--	3.51	3.34
<b>2014<sub>f</sub></b>	<b>3.43</b>	<b>3.38</b>	<b>2.76</b>	<b>3.16</b>	<b>2.69</b>	<b>4.10</b>	<b>9.99</b>	<b>-7.94</b>	--	--	<b>5.77</b>	<b>6.06</b>
Q1	3.41	2.35	2.37	4.17	0.94	1.40	14.36	-7.63	--	--	4.26	2.91
Q2*	3.87	3.50	3.30	2.35	1.63	4.32	-14.82	-7.34	--	--	5.03	4.70
Q3 <sub>p</sub>	3.63	4.29	2.92	3.77	4.52	5.86	19.81	-8.09	--	--	7.53	9.11
Q4 <sub>f</sub>	2.83	3.36	2.47	2.47	3.56	4.85	18.26	-8.43	--	--	6.11	7.41
<b>2015<sub>f</sub></b>	<b>3.50</b>	<b>2.42</b>	<b>2.74</b>	<b>-0.62</b>	<b>3.27</b>	<b>5.59</b>	<b>-14.96</b>	<b>-2.13</b>	--	--	<b>7.35</b>	<b>6.36</b>
Q1 <sub>f</sub>	3.12	2.50	2.64	-2.07	4.48	6.41	-15.85	-1.87	--	--	7.71	7.33
Q2 <sub>f</sub>	3.66	2.74	2.58	0.01	4.69	5.88	0.63	-1.55	--	--	7.40	6.65
Q3 <sub>f</sub>	3.54	1.91	2.75	-1.10	3.03	4.73	-13.99	-1.10	--	--	6.93	5.09
Q4 <sub>f</sub>	3.65	2.54	2.99	0.50	1.10	5.37	-21.82	-3.46	--	--	7.38	6.43

Note : 1. Comprehensive revisions are carried out and result in revisions that extend back from 2014Q2.

2.P = preliminary; f = forecast; r = revised. Source: DGBAS, Aug. 2014.

# STATISTICAL ANNEX TABLES

## II. Contributions to GDP Growth Rate (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				
2007	6.52	1.38	1.33	0.32	0.28	0.35	0.03	-0.11	-0.55	5.14	6.87	1.73
2008	0.70	-2.24	-0.91	0.22	-2.66	-2.64	-0.03	0.02	1.11	2.94	0.39	-2.55
2009	-1.57	-4.25	0.01	0.49	-2.04	-2.66	0.04	0.58	-2.70	2.68	-5.91	-8.59
2010	10.63	9.56	2.08	0.17	4.12	4.13	0.13	-0.13	3.20	1.07	15.50	14.44
2011	3.80	0.53	1.65	0.29	-0.27	0.21	-0.24	-0.24	-1.14	3.27	2.98	-0.29
2012	2.06	0.59	0.99	0.33	-0.61	-0.06	-0.11	-0.44	-0.12	1.47	0.30	-1.18
2013	2.23	1.86	1.29	-0.18	1.11	1.16	0.04	-0.09	-0.36	0.37	2.48	2.10
<b>2014<sub>f</sub></b>	<b>3.43</b>	<b>3.08</b>	<b>1.50</b>	<b>0.46</b>	<b>0.60</b>	<b>0.72</b>	<b>0.13</b>	<b>-0.26</b>	<b>0.52</b>	<b>0.35</b>	<b>4.01</b>	<b>3.66</b>
Q1 <sub>r</sub>	3.41	2.16	1.32	0.60	0.20	0.21	0.16	-0.17	0.03	1.25	2.95	1.70
Q2 <sub>p</sub>	3.87	3.18	1.79	0.34	0.35	0.77	-0.19	-0.23	0.70	0.69	3.52	2.83
Q3 <sub>f</sub>	3.63	3.88	1.58	0.55	1.00	1.04	0.22	-0.25	0.76	-0.25	5.21	5.46
Q4 <sub>f</sub>	2.83	3.02	1.31	0.37	0.79	0.83	0.32	-0.36	0.55	-0.18	4.26	4.44
<b>2015<sub>f</sub></b>	<b>3.50</b>	<b>2.18</b>	<b>1.47</b>	<b>-0.09</b>	<b>0.72</b>	<b>0.99</b>	<b>-0.21</b>	<b>-0.06</b>	<b>0.09</b>	<b>1.32</b>	<b>5.17</b>	<b>3.86</b>
Q1 <sub>f</sub>	3.12	2.30	1.47	-0.30	0.98	1.19	-0.17	-0.04	0.15	0.82	5.30	4.48
Q2 <sub>f</sub>	3.66	2.47	1.38	0.00	1.03	1.06	0.01	-0.04	0.05	1.20	5.23	4.04
Q3 <sub>f</sub>	3.54	1.73	1.46	-0.16	0.67	0.85	-0.16	-0.03	-0.25	1.81	4.91	3.10
Q4 <sub>f</sub>	3.65	2.26	1.55	0.07	0.24	0.87	-0.50	-0.13	0.39	1.39	5.27	3.88

Note : 1. Comprehensive revisions are carried out and result in revisions that extend back from 2014Q2.

2.P = preliminary; f = forecast; r = revised. Source: DGBAS, Aug. 2014.

# Thank you

This summary was prepared by the Department of Economic Development of the National Development Council (NDC). Quarterly updates can be found on the NDC's website at <http://www.ndc.gov.tw/encontent/m1.aspx?sNo=0001444>. For inquiries, please send an e-mail to aurelia@ndc.gov.tw.