

# Taiwan's Economic Situation

## Summary

In October 2011, Taiwan's exports and imports increased by 11.7% and 11.8% year on year. But the dampening effect of European debt crisis fears and weakness in the US economy were reflected in increases of only 2.7% in export orders and 1.4% in industrial production. Consumer prices (the CPI) rose by 1.22%, and the unemployment rate climbed fractionally to 4.30%. On the financial side, October's M2 monetary aggregate growth fell to 5.54% from 5.85% in September, and the average of the stock price index dipped slightly to 7,345 points. The overall monitoring indicator flashed the "yellow-blue" signal for the third consecutive month, indicating that the economy has entered a slowing phase with heightening uncertainty of outlook.

On October 31<sup>st</sup>, the DGBAS made public the preliminary figures for the third quarter of 2011 and the outlook for 2011-2012. In Q3, the external sector cooled significantly, with real exports of goods and services growing by 2.09%, while domestic demand declined by 0.52%, slowing the quarter's real GDP growth rate to a preliminarily estimated 3.42%. In Q4, growth of the external and domestic sectors will continue to lose momentum under deteriorating global economic conditions, with real GDP growth for the whole of 2011 forecast at 4.51%. Next year, an array of rising risks and uncertainties are likely to subdue the pace of global economic growth, slowing Taiwan's export growth from canter to trot. With domestic demand expected to slacken correspondingly, real GDP is projected to grow by 4.19% in 2012.

% change on previous year	Historical Data				Current Data (2011)				
	2007	2008	2009	2010	Jul.	Aug.	Sep.	Oct.	Jan.-Oct.
GDP	5.70	0.12	-1.81	10.72	3.42	-	-	3.69	-
CPI	1.80	3.53	-0.87	0.96	1.32	1.34	1.35	1.22	1.40
Unemployment rate	3.91	4.14	5.85	5.21	4.41	4.45	4.28	4.30	4.43
Exports	10.1	3.6	-20.3	34.8	17.6	7.2	9.9	11.7	14.7
Imports	8.2	9.7	-27.5	44.2	17.0	6.4	10.8	11.8	16.3
Export orders	15.5	1.7	-8.33	20.56	11.12	5.3	2.7	2.7	10.0
Industrial production	7.8	-1.8	-8.1	26.9	3.9	3.9	1.6	1.4	7.1
Monetary aggregate (M2)	4.3	2.7	7.2	4.59	6.18	6.16	5.85	5.54	5.74
Stock market**	8,510	7,024	6,460	7,950	8,681	7,763	7,385	7,345	8,380

Note: \* The DGBAS forecasts that Taiwan's real GDP will grow 4.51% in 2011.

\*\* Stock index (monthly average).

Sources: The Central Bank of China (CBC), Directorate-General of Budget, Accounting and Statistics (DGBAS), Ministry of Economic Affairs (MOEA), and Ministry of Finance (MOF)