



TAIWAN'S ECONOMIC SITUATION AND OUTLOOK



September 2019

National Development Council



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I. PREFACE

- ***Taiwan's Economic Situation and Outlook*** offers domestic and foreign readers a summary of the current economic situation in Taiwan, including economic growth, foreign trade, domestic demand, industrial production, employment, and prices, in addition to prospects for 2019 and 2020.
- According to the DGBAS' latest forecast, for the second quarter of 2019, real GDP grew by 2.40%. Meanwhile, real GDP is projected to grow by 2.46% and 2.58% in 2019 and 2020 ,respectively. Domestic demand is expected to be the main driver supporting GDP growth, while exports are projected to grow at a moderate pace due to the trade conflict between the U.S. and China.



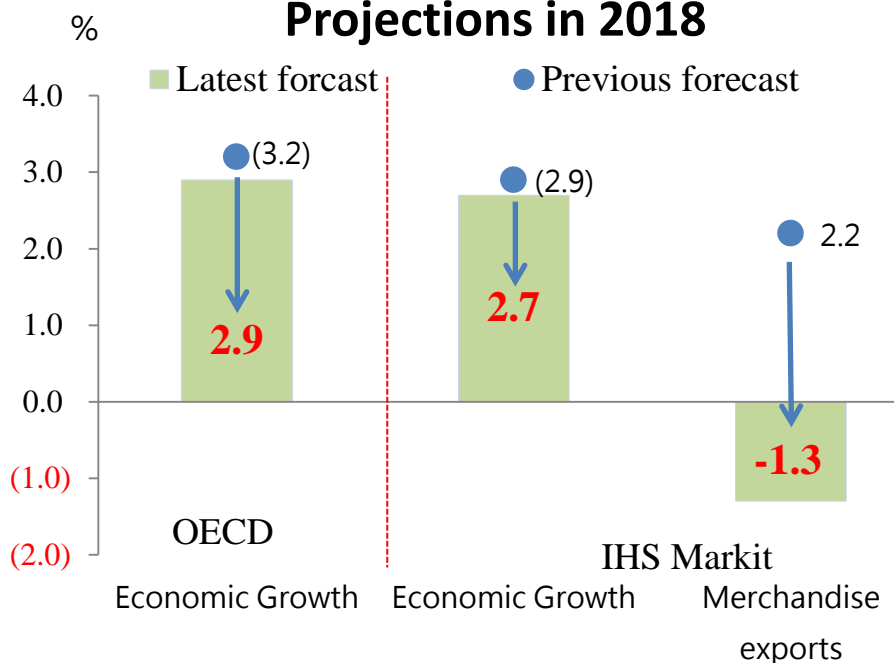
II. Global Economic Situation and Outlook



Global Economic Momentum Weakened

- The forecasts for 2019 global economic growth has been revised down by major economic institutions, mainly due to U.S.-China trade dispute.
- The new WTO's Services Trade Barometer came in at 98.4, reflecting the loss of momentum in services trade.

Global Economic and Exports Growth Projections in 2018

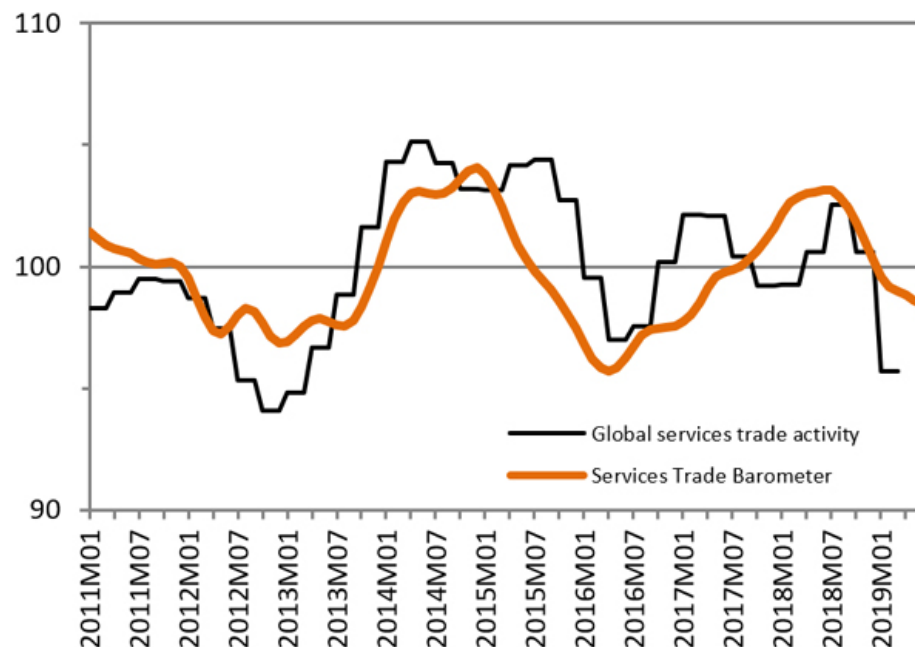


Note : The number in parentheses means the previous forecast, of which OECD is compared to May 2019, and IHS is compared to January 2019.

Source : 1.OECD Interim Economic Outlook, Sep. 19, 2019.

2. IHS Markit, *World Overview*, Sep. 18, 2019.

World Services Trade Barometer (STB)



Note : Readings greater than 100 suggest above-trend growth while those below 100 indicate the opposite.

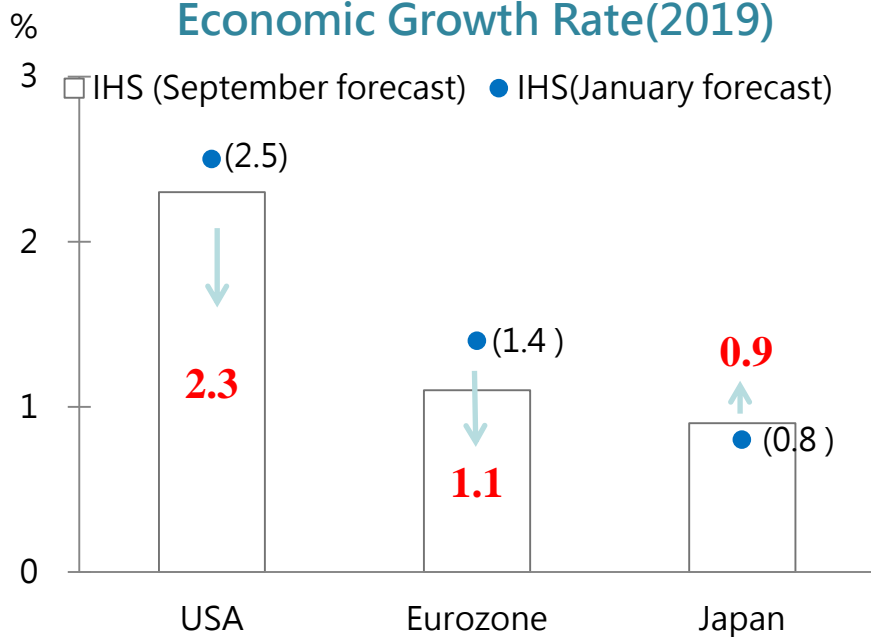
Source : WTO trade barometers, Sep. 16, 2019.



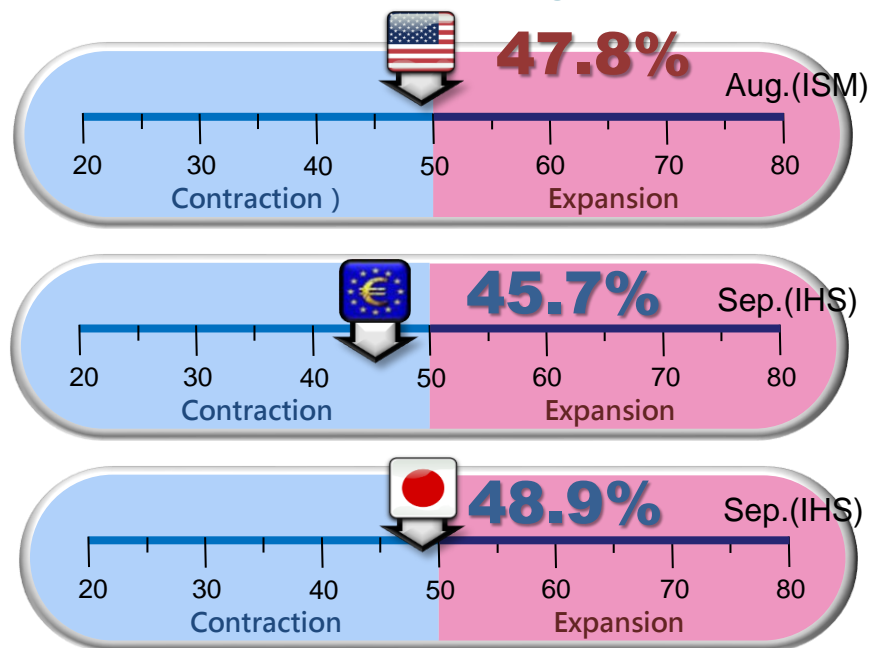
Advanced Economy Projected to Moderate

- IHS Markit revised down its projections for USA and Eurozone, while Japan foresaw a slight upward revision thanks to robust domestic demand.
- The IHS Markit Eurozone Manufacturing PMI slumped to 45.7 in September 2019, and the Japan was at 48.9 in the same month.

Economic Growth Rate(2019)



Manufacturing PMI



Note : PMI is between 0%~100%. If higher than 50%, it means manufacturing is in the expansion phase. If lower than 50%, it means it is in the contraction phase.

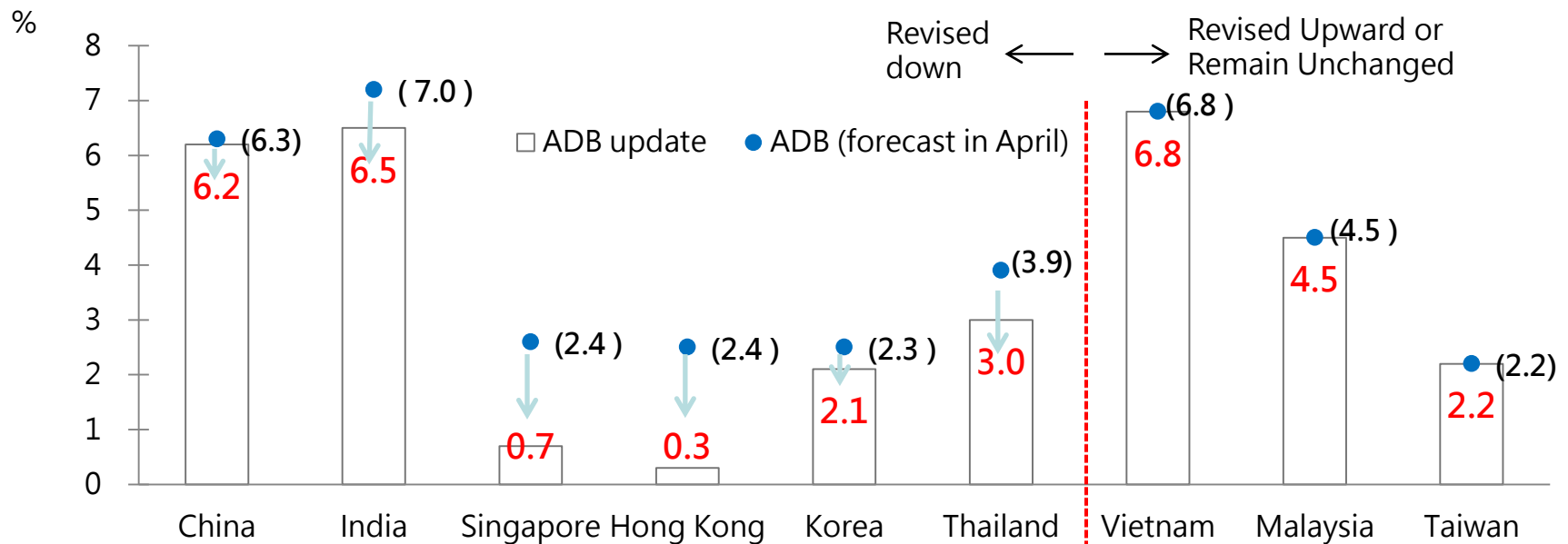
Source : ISM, IHS Markit.



Emerging Economies Slowing Down

- According to Asian Development Bank (ADB) latest report, Asian economic outlook dim due to trade war and global slowdown.
- The U.S.-China trade conflict may reshape supply chains and redirect trade from China toward other economies in developing Asia. The report forecasts economic growth in Vietnam, Malaysia, and Taiwan remain unchanged in 2019.

Emerging Economies' Economic Growth Rate



Source: ADB, Asian Development Outlook Update, Sep. 2019.

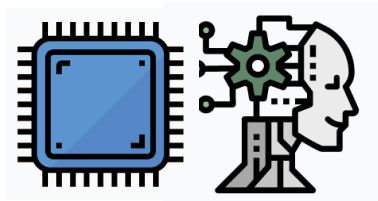


III. Current Domestic Economic Situation



Foreign Trade Rebounds Slightly

- Total **exports increased by 2.6%** year-on-year in August 2019, while Imports decreased by 2.7%.

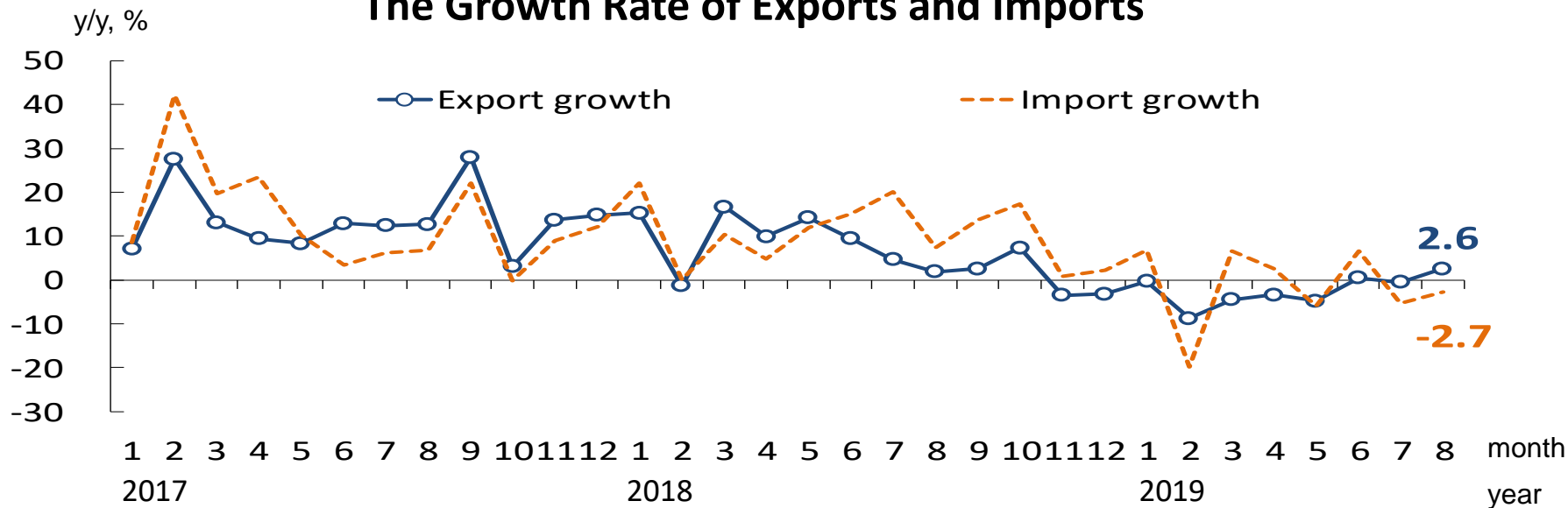


Parts of electronic product **+7.5%**



Information, communication and audio-video products **+31.4%**

The Growth Rate of Exports and Imports



Note: Since FY2016, the general trade system has been applied for compilation of external trade statistics and the historical data has been revised to FY2001.

Source: Ministry of Finance, Sep. 2019.



Industrial Production to Grow Modestly

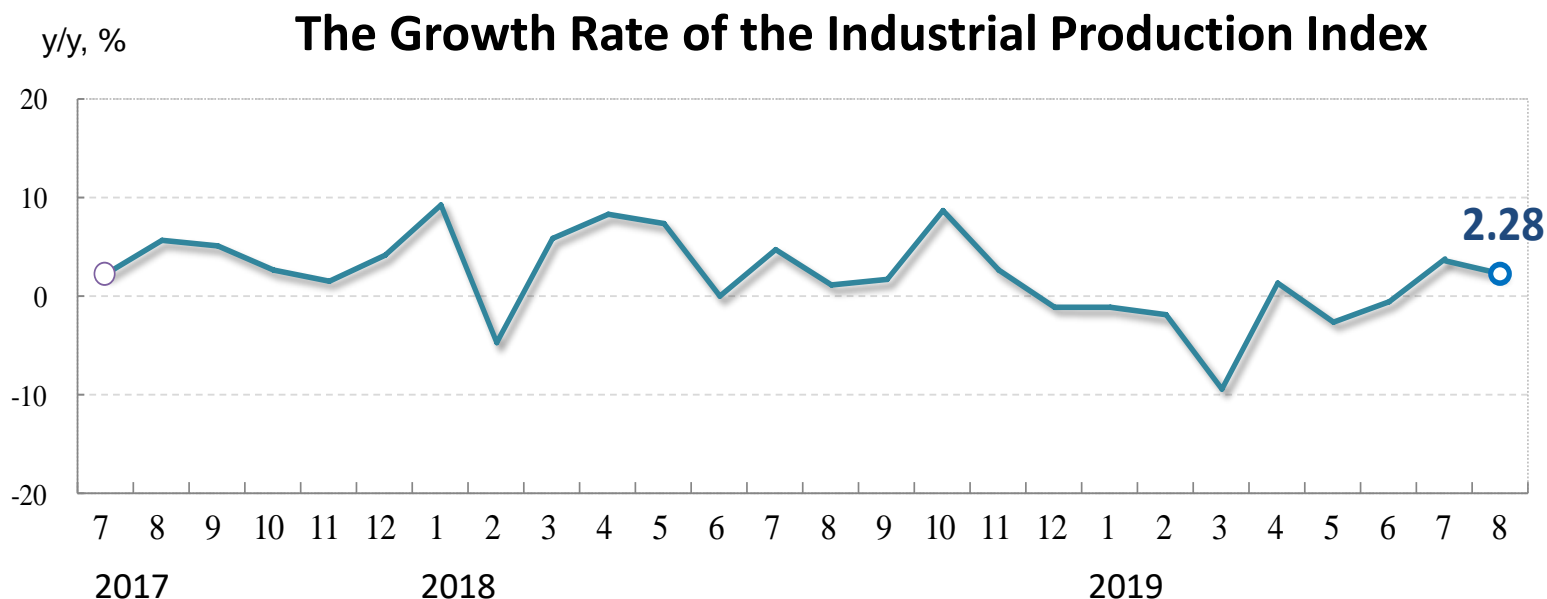
- The **Industrial Production Index (IPI)** posted an annual increase of **2.28%** in August 2019.



Electronic parts and components **+9.50%**



Computers, electronic and optical products **+33.25%**



Source: Ministry of Economic Affairs, Sep. 2019.



Retail Trade Increases Continually

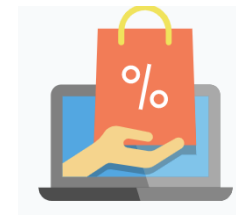
- In August 2019, retail trade increased by 4.5% year on year.



General merchandise stores **+6.4%**

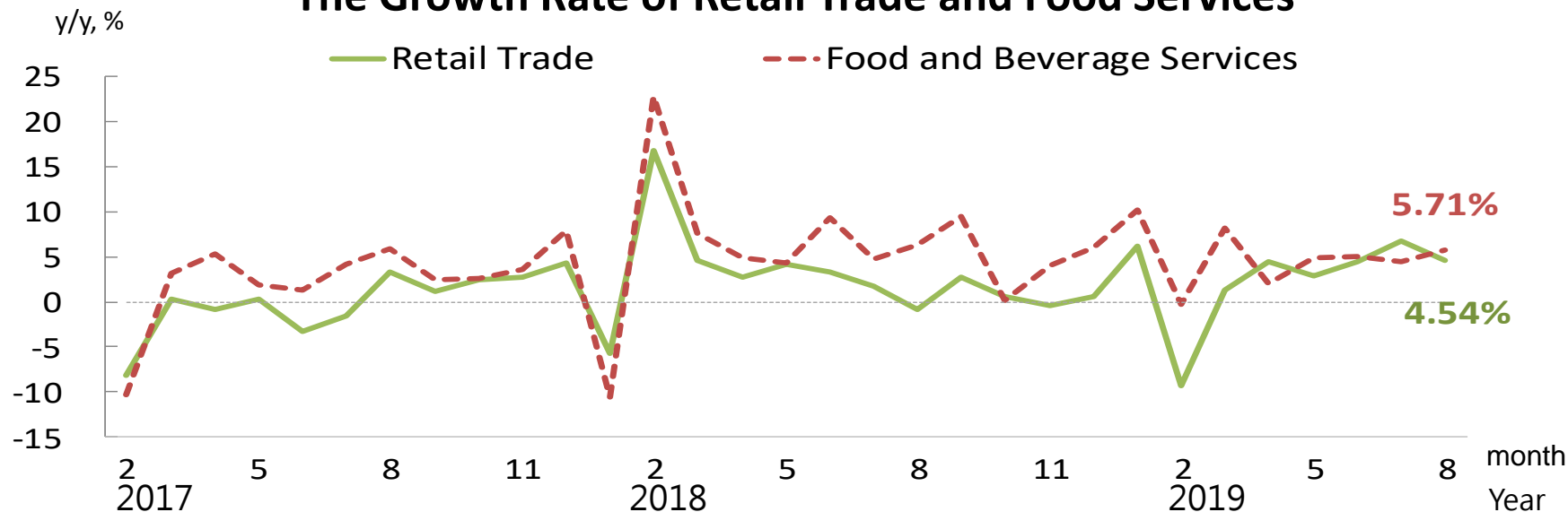


Motor vehicles, motorcycles **+3.5%**



Retail sale via mail order houses or internet **+13.3%**

The Growth Rate of Retail Trade and Food Services





Unemployment Rate Increases

- The **unemployment rate** rose by 0.07 percentage points from a month earlier to **3.89%** in August 2019.

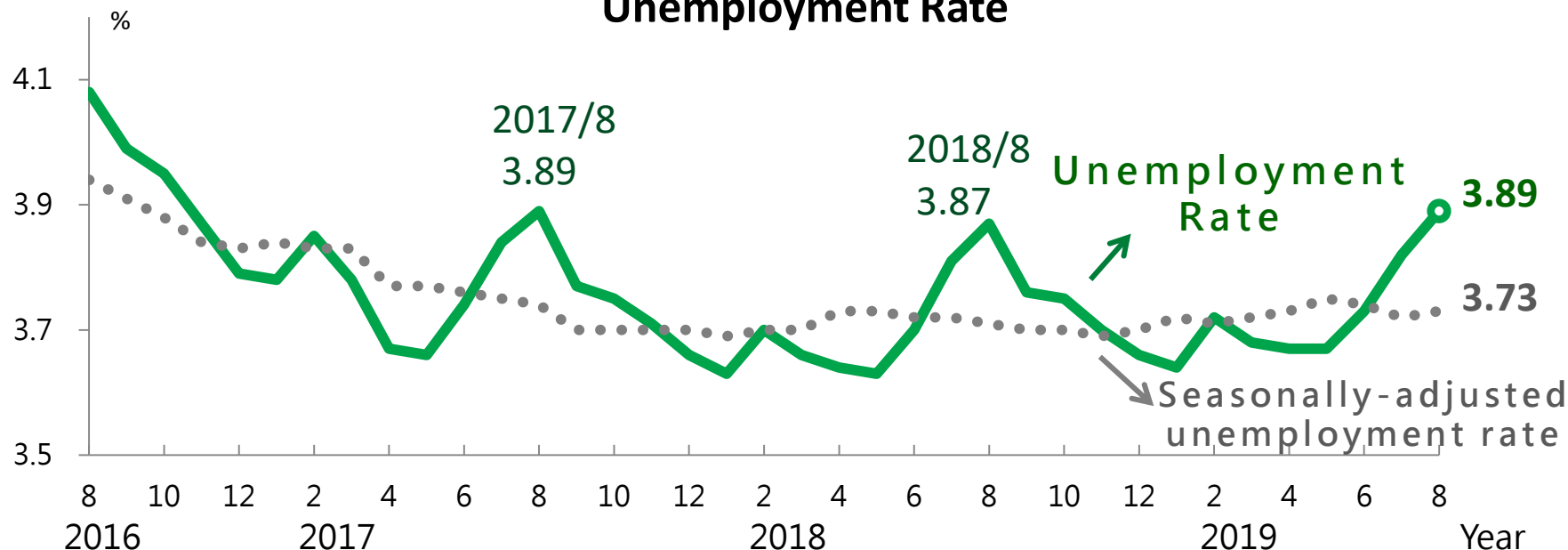


New graduates entering the workforce



Business shrunk or establishment closed

Unemployment Rate



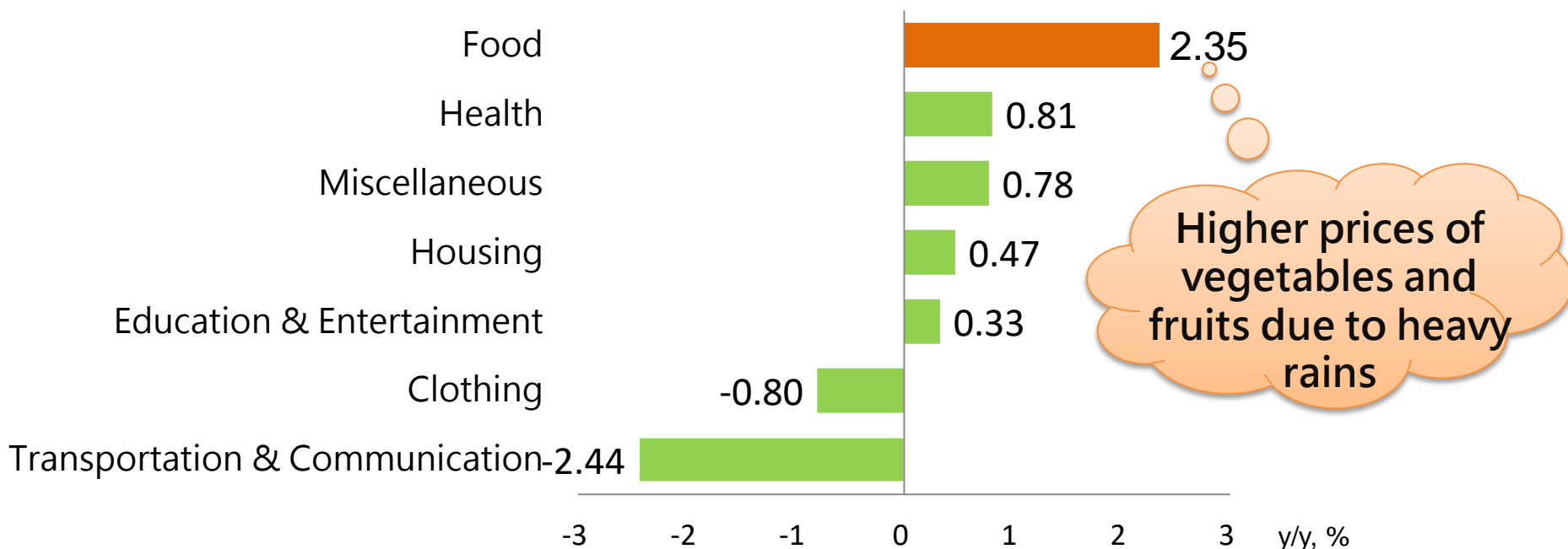
Source: DGBAS, Sep. 2019.



Consumer Prices Remain Stable

- The CPI increased 0.43% in August 2019 over the same period of the previous year, while core CPI rose by 0.39%.

The Changes of Consumer Price Indices in August 2019



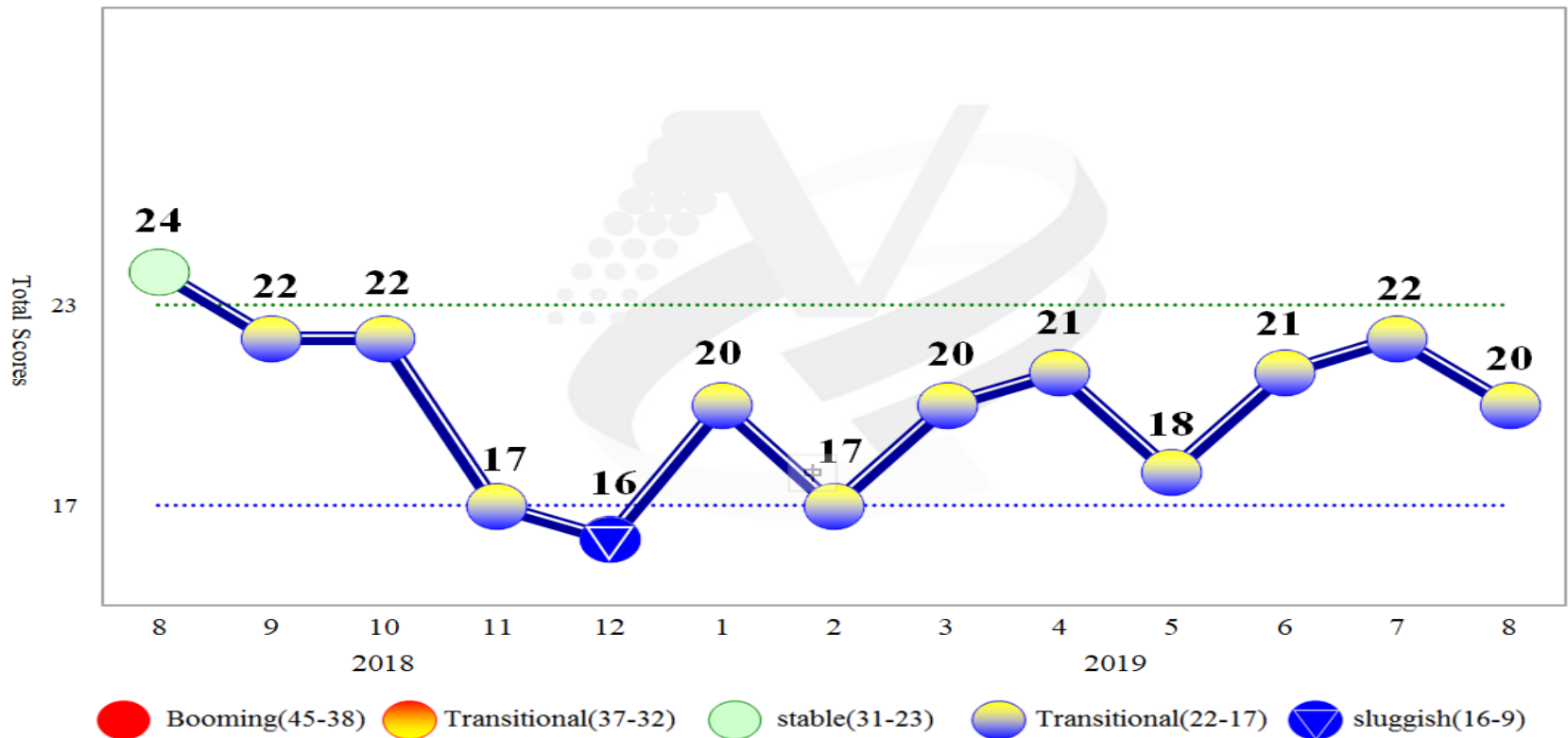
Source: DGBAS, Sep. 2019 .



Monitoring Indicators Flash “Yellow-Blue” Signal

- In August 2019, the overall monitoring indicator continued to flash the “yellow-blue” signal, as the total score decreased to 20.

Monitoring Indicators



Note: The checkpoints of each component of monitoring indicators were changed in July 2018, due to regular review and revision every five years, but the component items remain the same. As for leading indicators, there have been some changes of the components, such as “diffusion Index of export orders” substituting for “Index of export orders”. Please find the link below for more detail:

https://www.ndc.gov.tw/en/News_Content.aspx?n=4061A3F0B105B5AE&sms=E39F6CCF42B6E423&s=D1D76F75B2FF19C5

Source: NDC, Sep 2019.

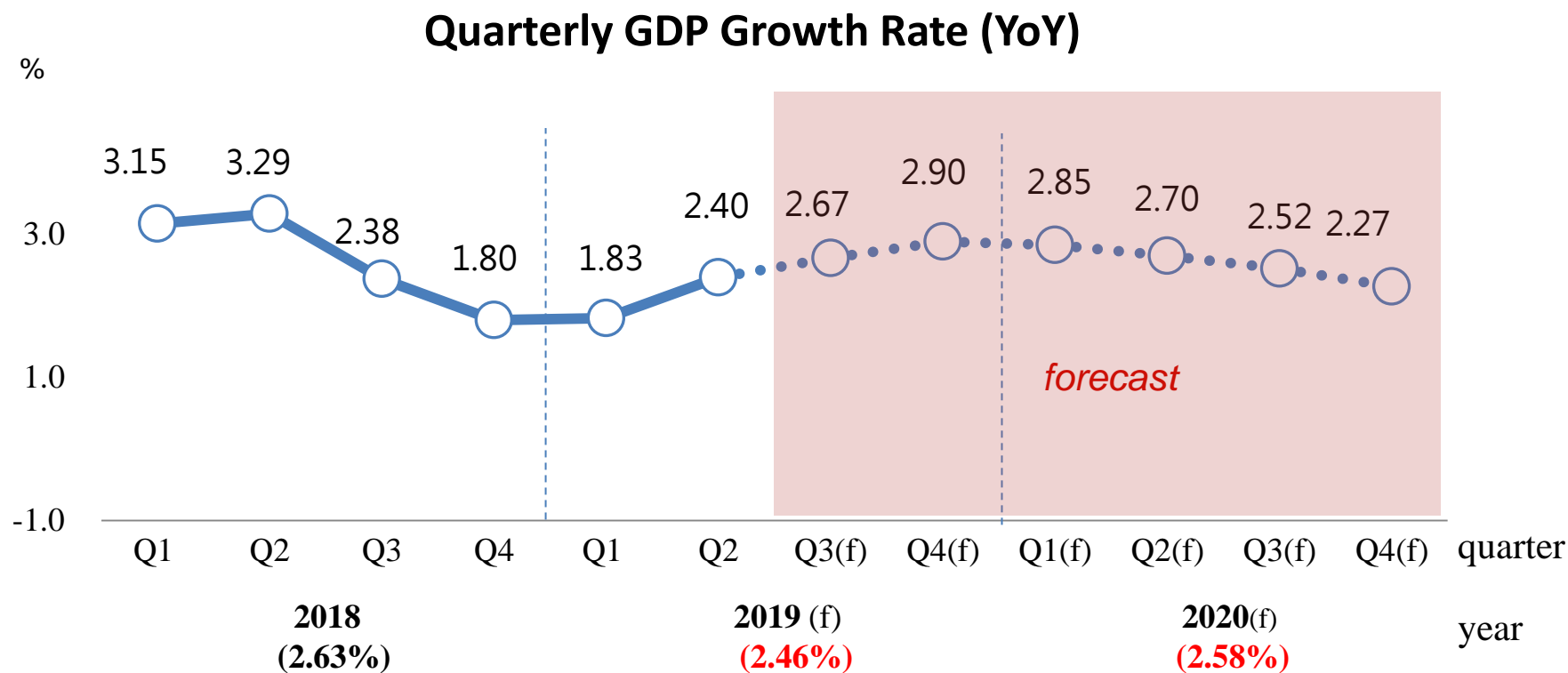


IV. PROSPECTS FOR 2019 and 2020



The Economy to Remain Stable

- In August 2019, DGBAS revised upward its projection for 2019 GDP growth to 2.46% , which will grow gradually from quarter to quarter.



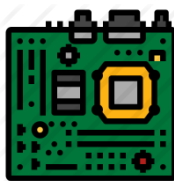
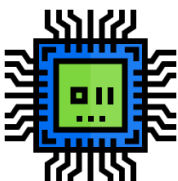


Investment Expected to Remain Robust

- The growth rate of **fixed investment** is expected to go up to **5.96% in 2019**, slowing to 3.56% in 2020.



Returning overseas
Taiwanese companies



Continuing investment
of semiconductor
manufacturing



Government's strengthening
of infrastructure investment

The Growth Rate of Each Component of Fixed Investment

Unit : %

	Fixed Investment	Private Enterprises	Government	Public Enterprises
2018	2.47	1.79	2.53	13.78
2019 (f)	5.96	5.01	10.69	8.35
Q1	6.85	7.04	6.60	4.43
Q2	7.51	6.48	12.17	11.31
Q3(f)	3.04	1.27	11.96	10.97
Q4(f)	6.71	5.63	10.89	6.77
2020 (f)	3.56	3.12	2.92	11.37



Private Consumption to Grow at a Stable Pace

- Real private consumption is forecast to grow by 2.03% in 2019, rising to 2.05% in 2020.



The minimum wage hike



Individual income tax cuts

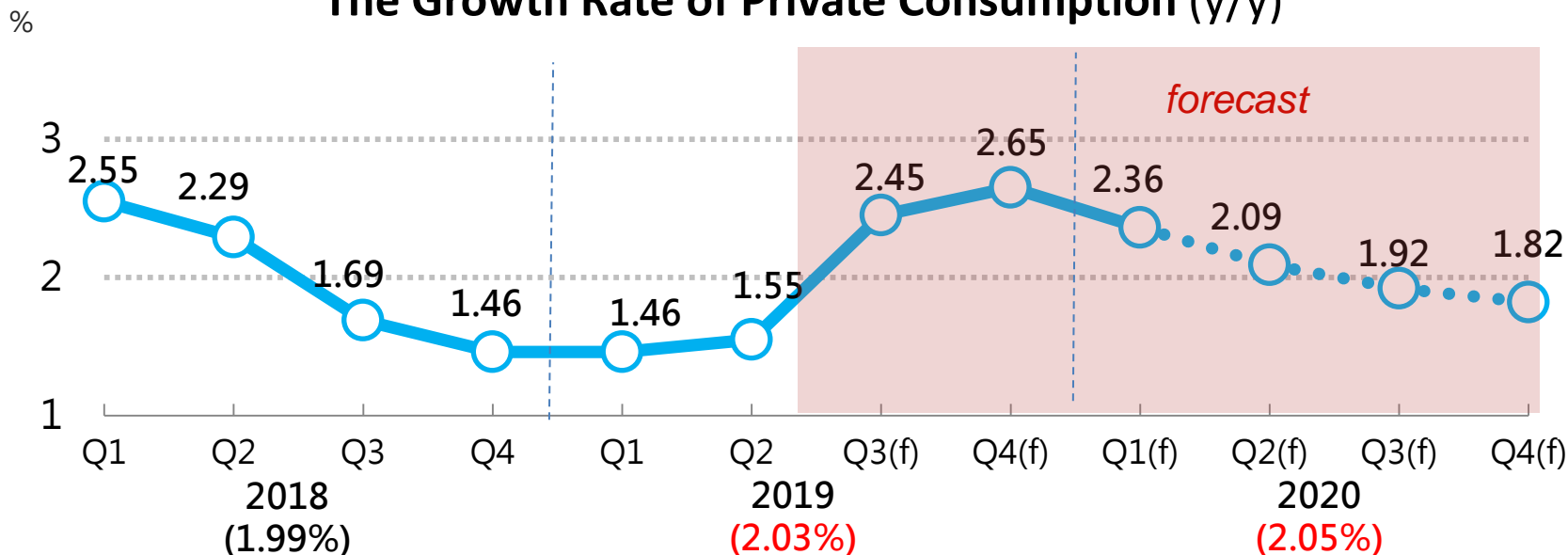


Travel subsidy program



Subsidy for energy-efficient appliance replacement

The Growth Rate of Private Consumption (y/y)



Source: DGBAS, Aug. 2019.



Exports Continue to Grow

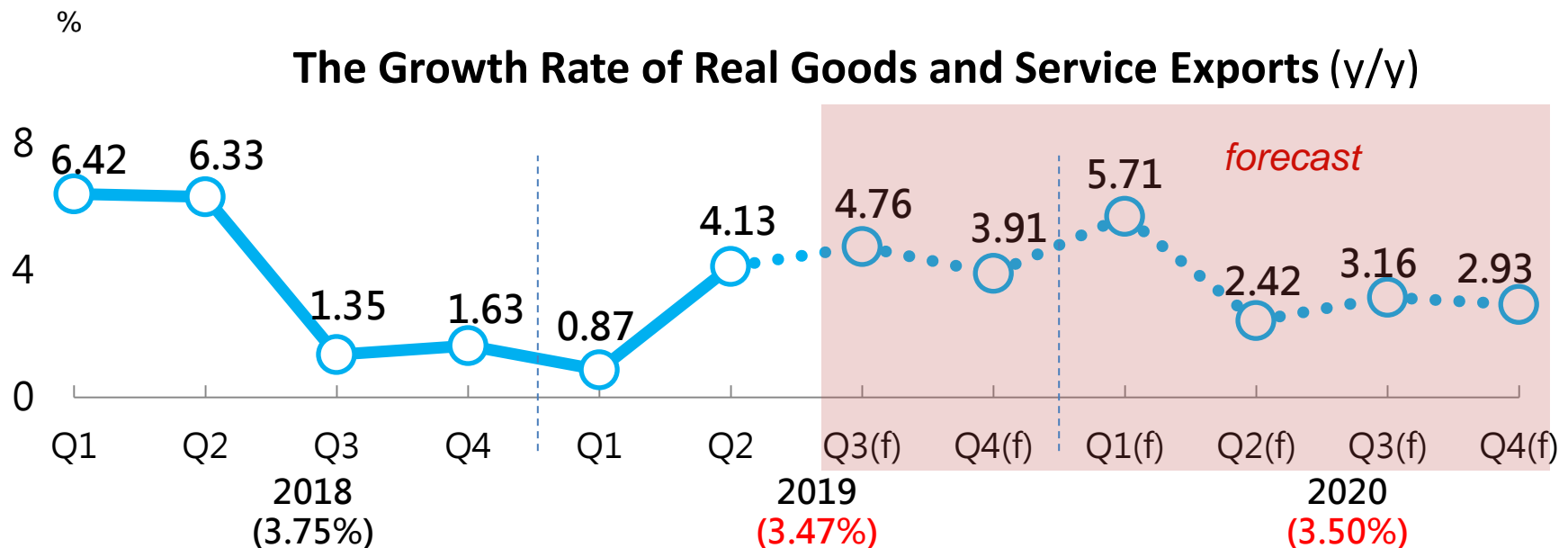
DGBAS revised upward its projection of real exports of goods and services growth to 3.47% in 2019, improving to 3.50% in 2020.



The reshoring of manufacturing companies will increase the domestic production capacity



Order transfer amid U.S.-China trade conflict



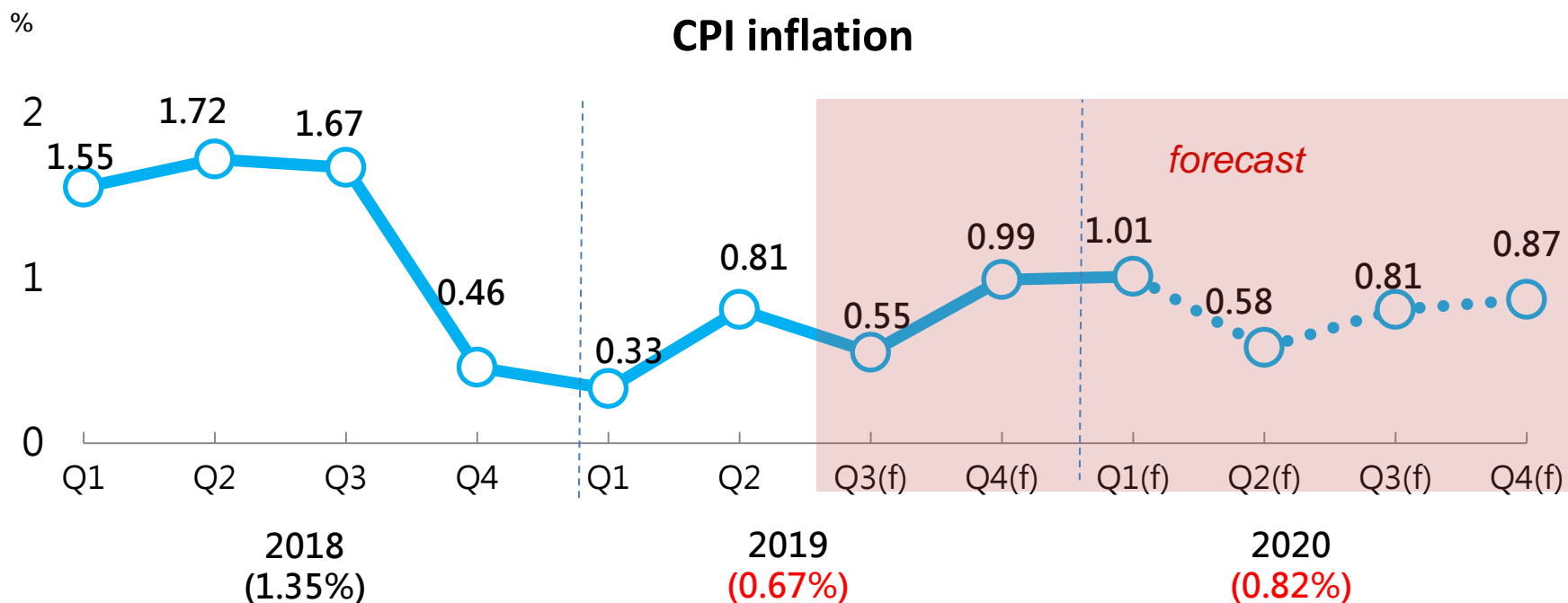


Inflation Rate Remains Stable

- The CPI will increase slightly by 0.67% in 2019, rising to 0.82% in 2020.



The falling raw material prices





Forecasts for Taiwan's Economy

	Real GDP (yoy,%)		Consumer Price Index (yoy, %)	
	2018	2019 _f	2018	2019 _f
DGBAS (2019.8)	2.63	2.46	1.35	0.67
TIER (2019.7)		2.12		0.85
CIER (2019.7)		2.06		0.87
IEAS (2019.7)		2.01		0.85
IHS Markit (2019.9)		2.0		0.7
ADB (2019.9)		2.2		0.9
IMF (2019.4)		2.5		1.1

Note:

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

2.f = forecast



V. CONCLUSION

- IHS Markit forecasts the global economy will maintain growth with a slower pace of 2.7% in 2019, as U.S.-China trade tensions and political uncertainties, including the path of Brexit, are adding to downside risks.
- On the domestic side, according to the DGBAS' latest forecast, the real GDP is predicted to grow 2.46% and 2.58% in 2019 and 2020, mainly due to the reshoring of manufacturing companies and order transfer amid U.S.-China trade conflict to spur exports and investment.
- The government has implemented the Forward-looking Infrastructure Development Program ,3 programs to attract investment in Taiwan, and the subsidy programs for domestic travel and energy-efficient appliance replacement. These measures should help boost economic growth in 2019.

Thank you