



TAIWAN'S ECONOMIC SITUATION AND OUTLOOK



December 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.
- In the third quarter of 2019, Taiwan's economy grew by 2.99%. The growth momentum in Taiwan was relatively stable. In general, the return of overseas Taiwanese enterprises and the accompanying increase in investment, manufacturing, exports, and employment will help boost Taiwan's economy as a whole. According to the latest forecast of DGBAS, the real GDP is expected to grow by 2.64% and 2.72% in 2019 and 2020, respectively.

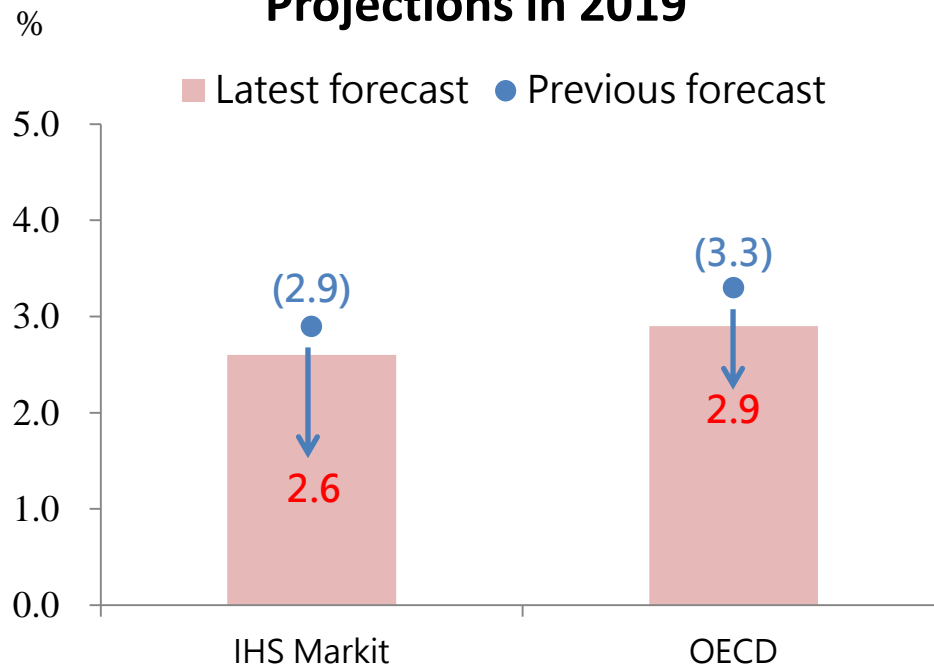


II. Global Economic Situation and Outlook

Weak Global Demand

- According to OECD latest forecast, global economy will grow by 2.9% in 2019, with downside risks continuing to mount.
- Trade disputes are creating uncertainty for businesses and will drag down investment.

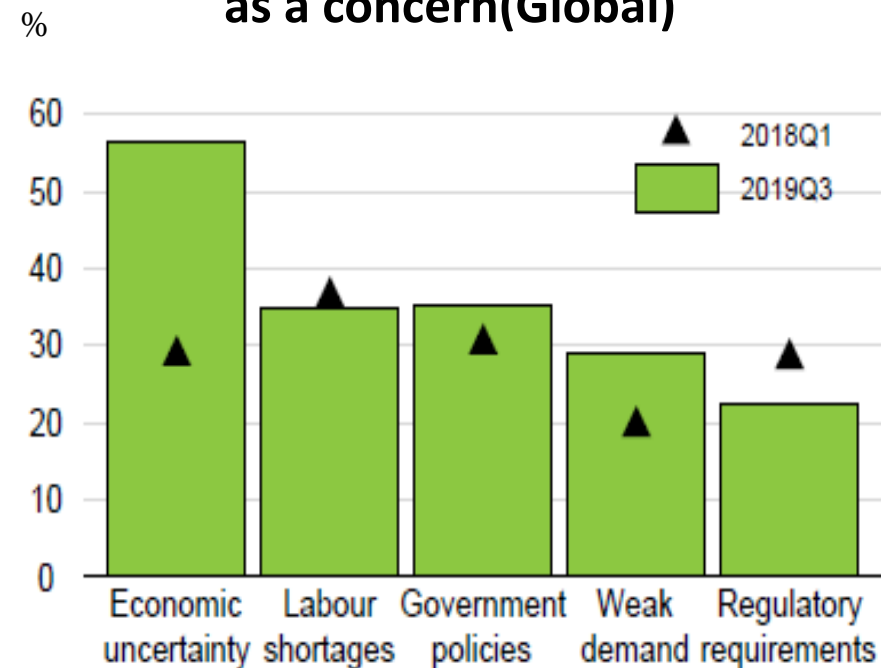
Global Economic Growth Projections in 2019



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

Source: IHS Markit, World Overview, Dec. 15, 2019
OECD, Economic Outlook, Nov. 21, 2019.

Percent of firms citing factor as a concern(Global)

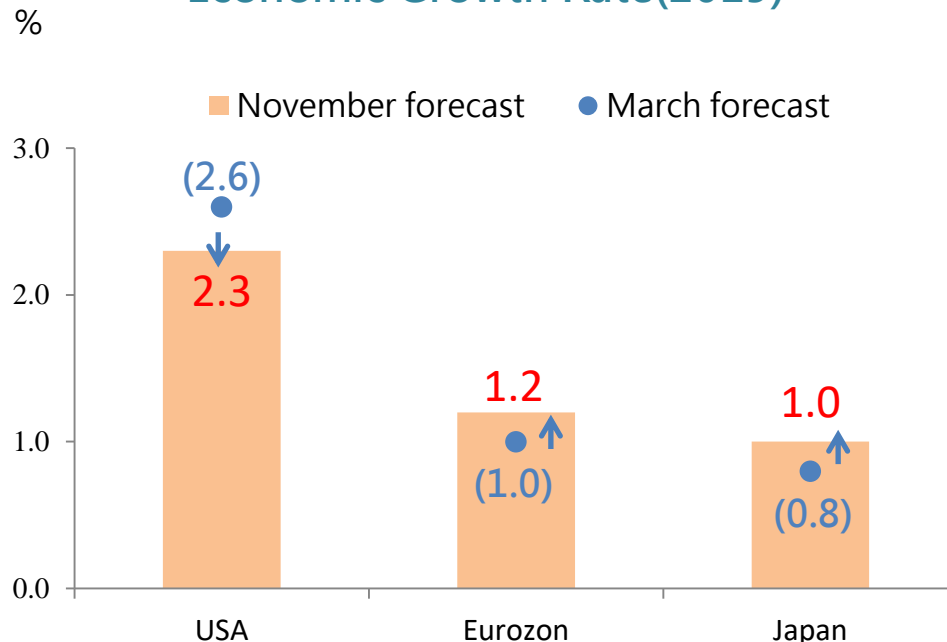


Source: OECD, *Economic Outlook*, Nov. 21, 2019.

Advanced Economies Slow Down

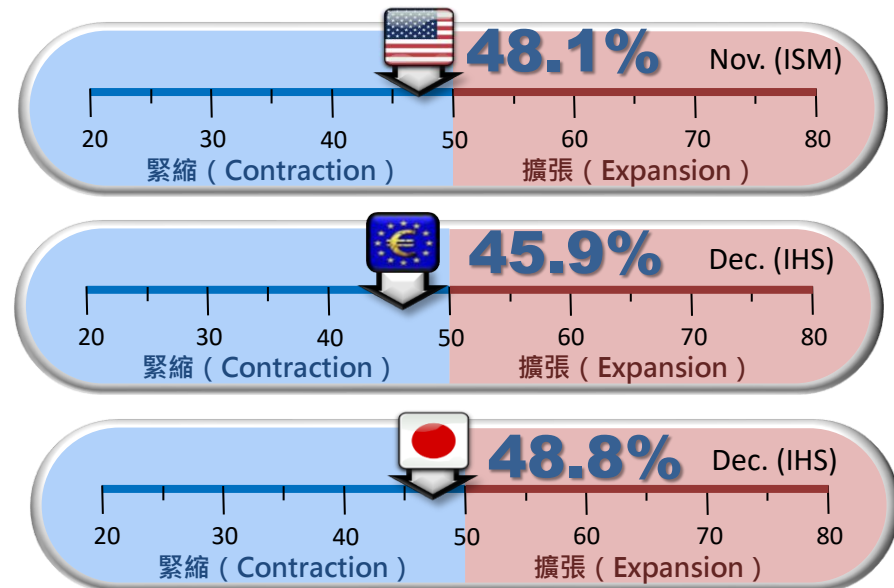
- The IHS Markit Eurozone Manufacturing PMI slumped to 45.9 in December 2019, while Japan stood at 48.8 in the same month. The economy failed to pick up momentum in December.
- The PMI in the US edged down to 48.1 in November. It was the fourth straight month of declining manufacturing activity.

Economic Growth Rate(2019)



Note : The number in parentheses means the forecast of March 2019.
Source: OECD, OECD Economic Outlook, Nov. 2019.

Manufacturing PMI



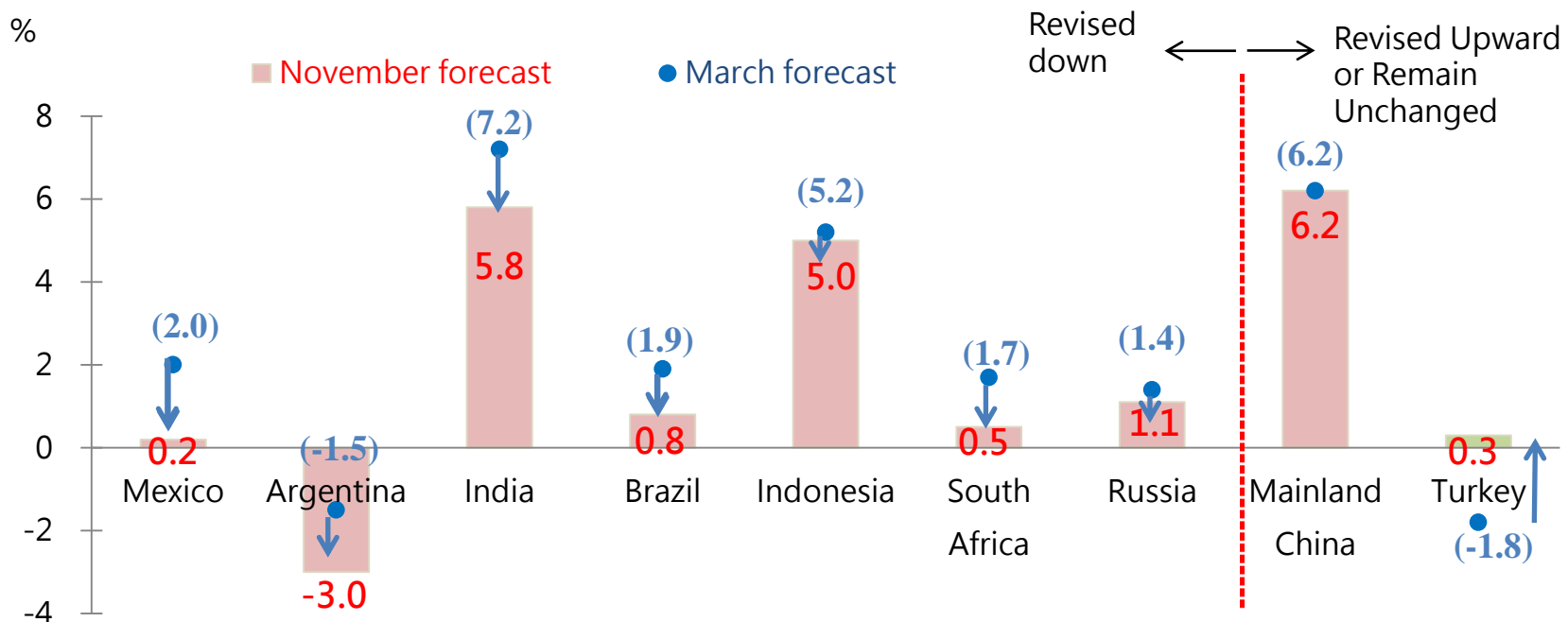
Note : PMI is between 0%~100%. If higher than 50%, it means manufacturing is in the expansion phase. If lower than 50%, it means it is in the contraction phase.

Source : ISM, IHS Markit.

Emerging Economies Remain Moderate

- According to OECD Economic Outlook, growth in many emerging-market economies remains modest, with the recovery from recessions proceeding slowly in some economies.
- The domestic uncertainties have weighed on activity in Mexico, India and Argentina. GDP growth in China continues to ease gradually, but import demand has slowed more sharply.

Emerging Economies' Economic Growth Rate



Note : The number in parentheses means the forecast of March 2019.

Source: OECD, OECD Economic Outlook, Nov. 2019.

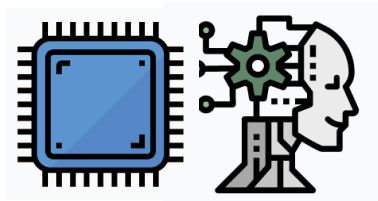


III. Current Domestic Economic Situation



Foreign Trade Rebounds Slightly

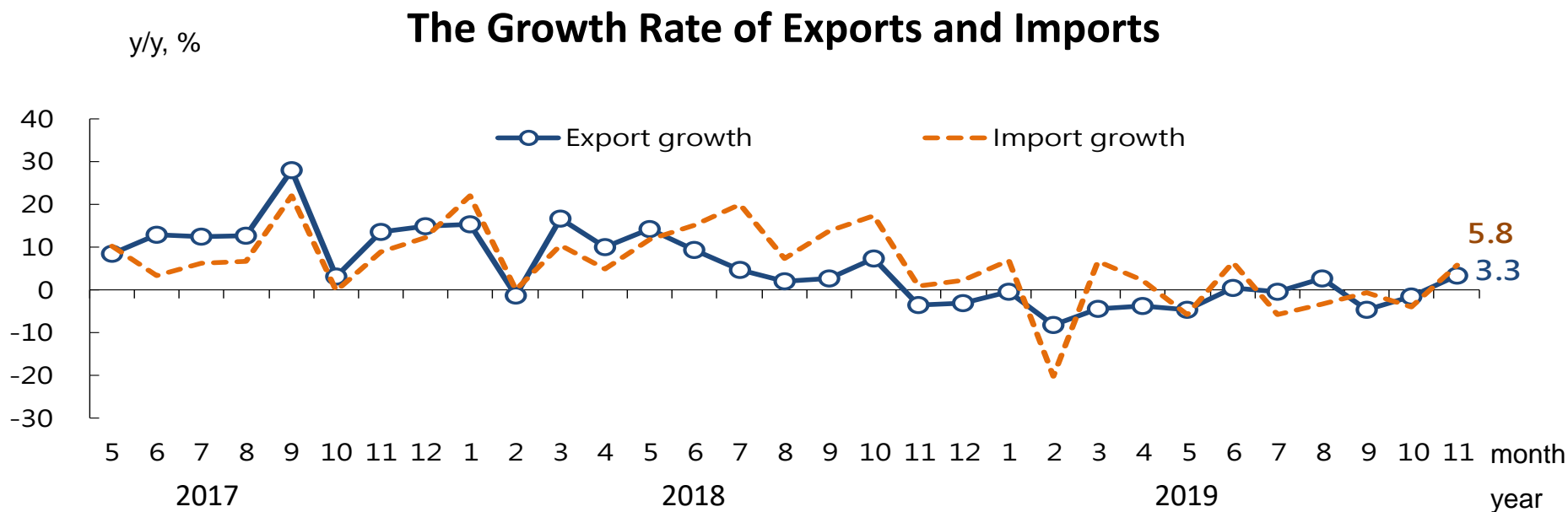
- Total exports increased by 3.3% year-on-year in November 2019, while Imports increased by 5.8%.



Parts of electronic product **+10.1%**



Information, communication and audio-video products **+22.7%**



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, Dec. 2019.



Industrial Production Weakens

- The Industrial Production Index (IPI) posted an annual decrease of 2.92% in October 2019.

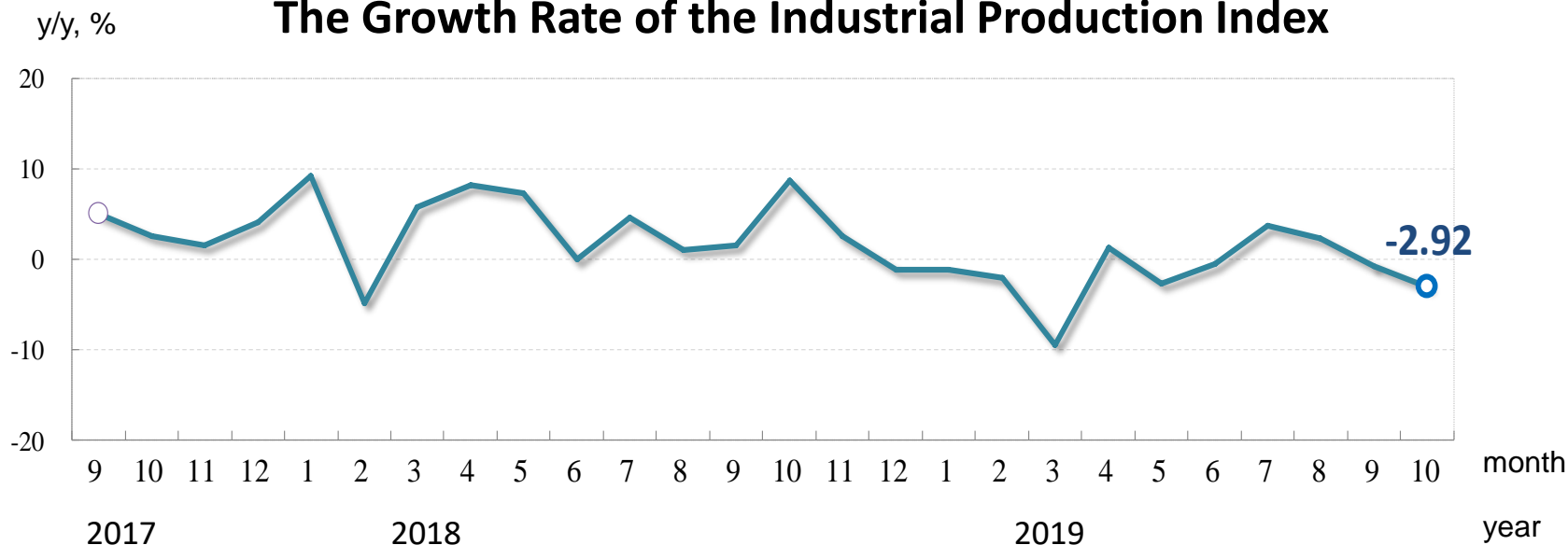


The weakening global demand
and high base effect



Computers, electronic
and optical products
+17.87%

The Growth Rate of the Industrial Production Index



Source: Ministry of Economic Affairs, Nov. 2019.



Retail Trade Sales Increases Continually

- In October 2019, retail trade sales increased by 4.2% year on year.



General merchandise stores **+4.5%**

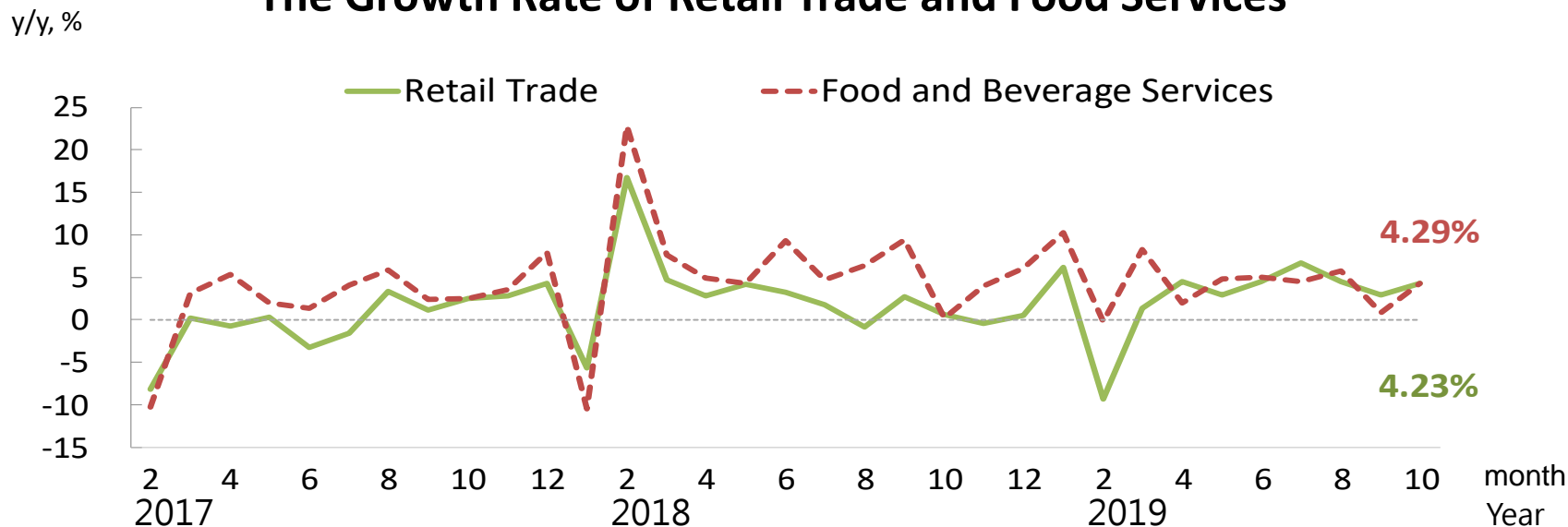


Motor vehicles, motorcycles **+17.4%**



Retail sale via mail order houses or internet **+8.7%**

The Growth Rate of Retail Trade and Food Services





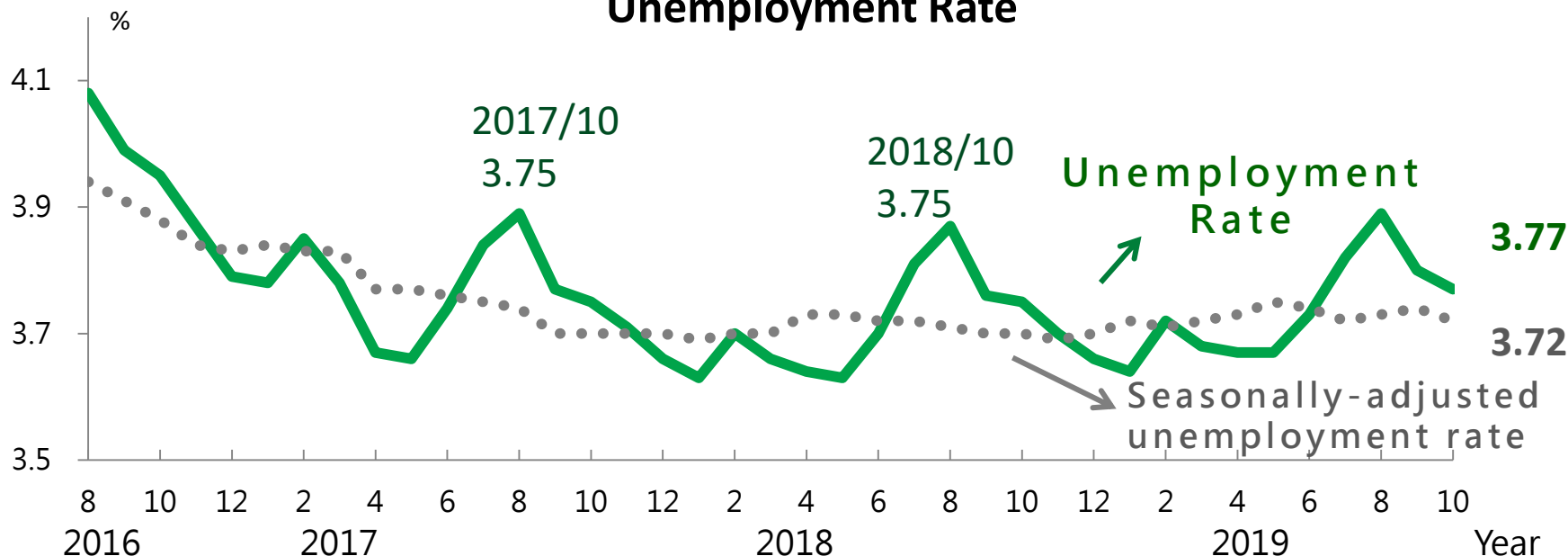
Unemployment Rate Decreases

- The unemployment rate fell by 0.03 percentage points from a month earlier to 3.77% in October 2019.



The number of unemployed persons decreased by 4,000 persons from last month.

Unemployment Rate

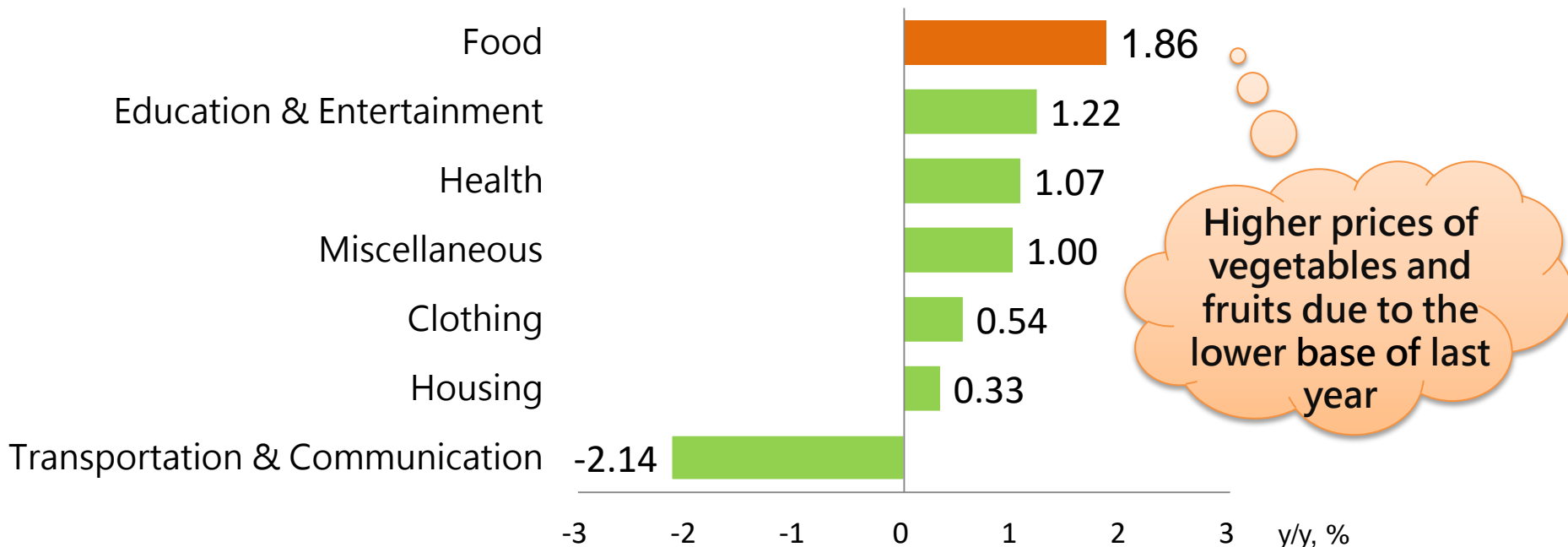




Consumer Prices Remain Stable

- The CPI increased 0.59% in November 2019 over the same period of the previous year, while core CPI rose by 0.55%.

The Annual Changes of Consumer Price Indices in November 2019



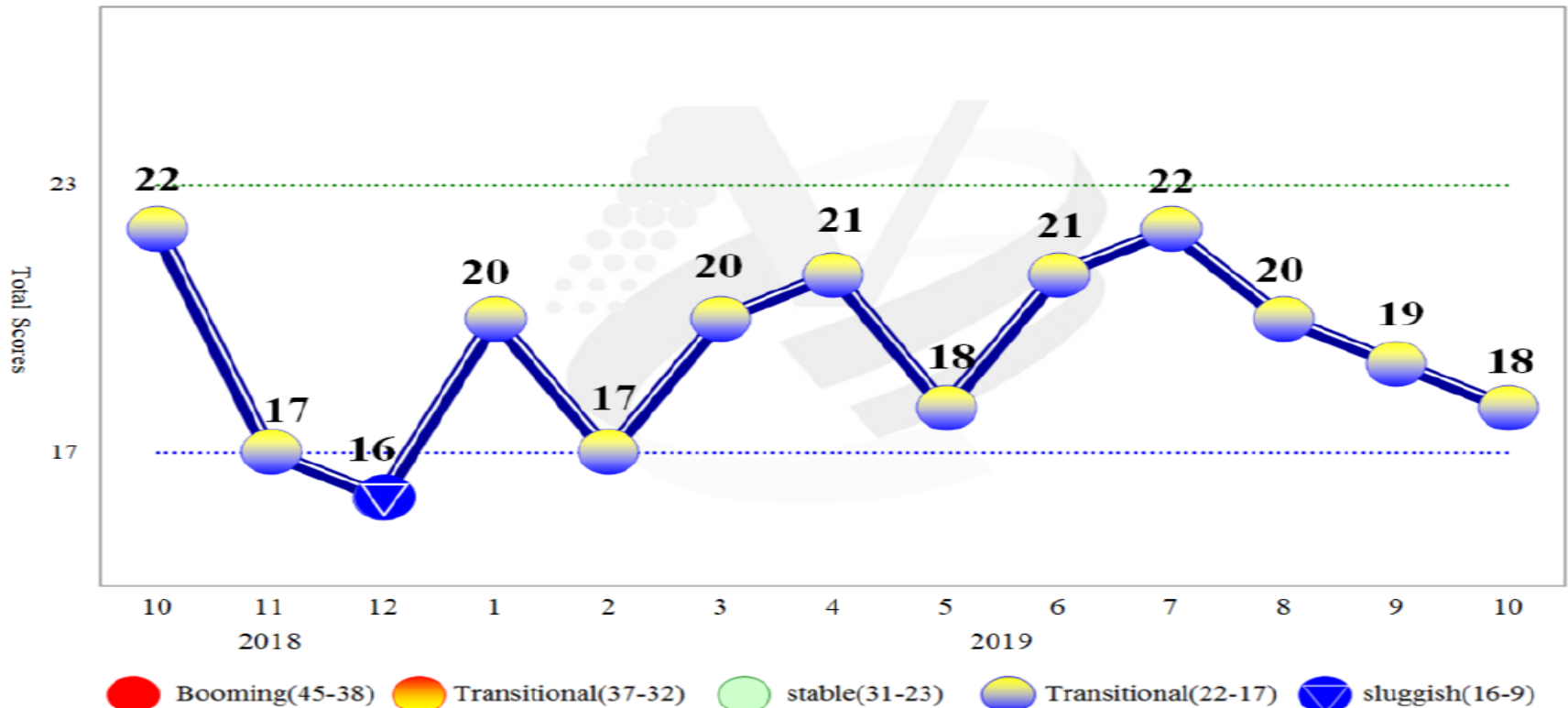
Source: DGBAS, Dec. 2019 .



Monitoring Indicators Flash “Yellow-Blue” Signal

- In October 2019, the overall monitoring indicator continued to flash the “yellow-blue” signal, as the total score decreased to 18.

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, Nov. 2019.

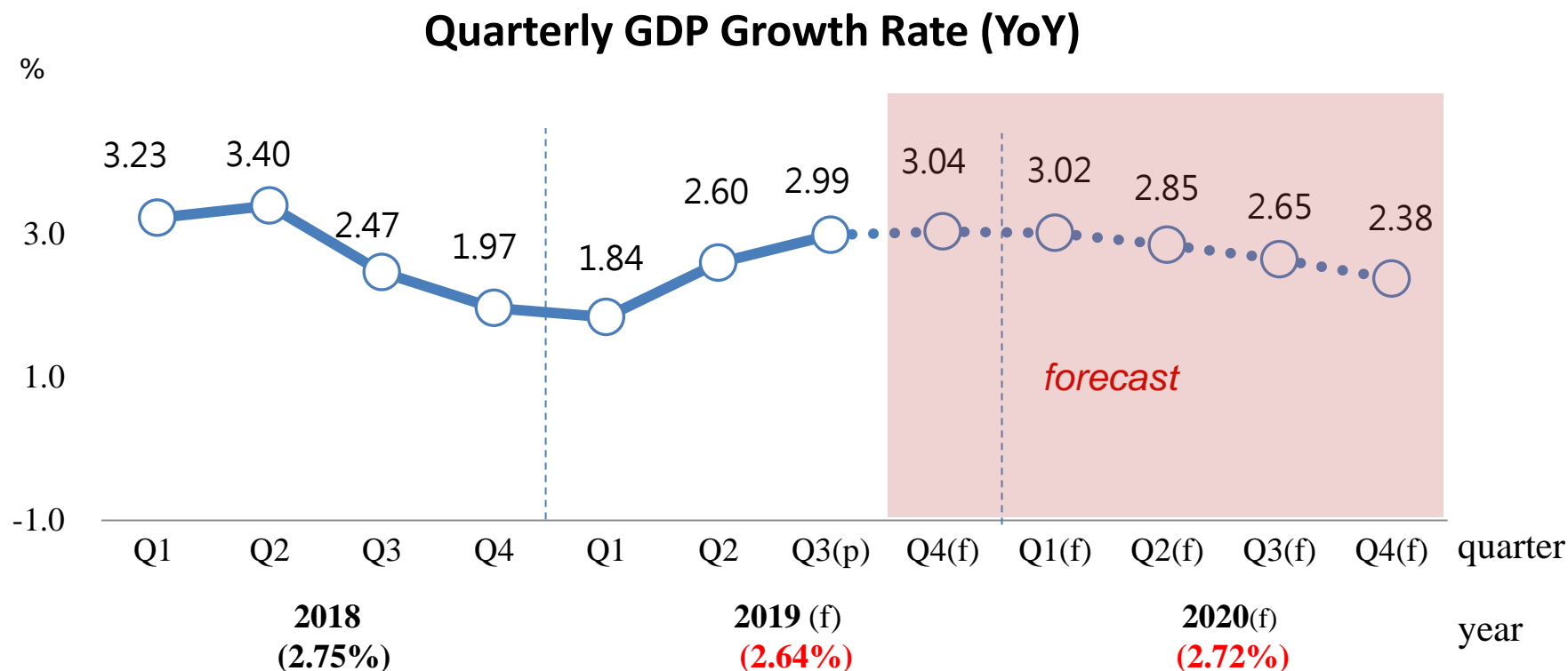


IV. PROSPECTS FOR 2019 and 2020



The Economy to Remain Stable

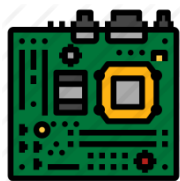
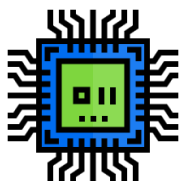
- In November 2019, DGBAS revised upward its projection for 2019 GDP growth to 2.64% , which will grow gradually from quarter to quarter.
- For 2020, Taiwan's GDP is projected to advance by 2.72%.





Investment Expected to Remain Robust

- The growth rate of fixed investment is expected to grow by 7.78% and 4.71% in 2019 and 2020, respectively.



Continuing investment
of semiconductor
manufacturing



Returning overseas
Taiwanese companies



Investment of offshore wind
power and 5G networks

The Growth Rate of Each Component of Fixed Investment

Unit : %

	Fixed Investment			
		Private Enterprises	Government	Public Enterprises
2019 (f)	7.78	7.61	9.71	5.82
2020 (f)	4.71	4.05	3.97	16.91
Q1(f)	4.76	4.31	4.28	18.51
Q2(f)	3.47	2.58	4.41	16.56
Q3(f)	6.57	5.92	4.50	26.69
Q4(f)	4.02	3.23	3.21	12.22



Private Consumption to Grow at a Stable Pace

- Real private consumption is forecast to grow by 2.00% in 2019, rising to 2.02% in 2020.



TAIEX index stays above the 10,000 point mark

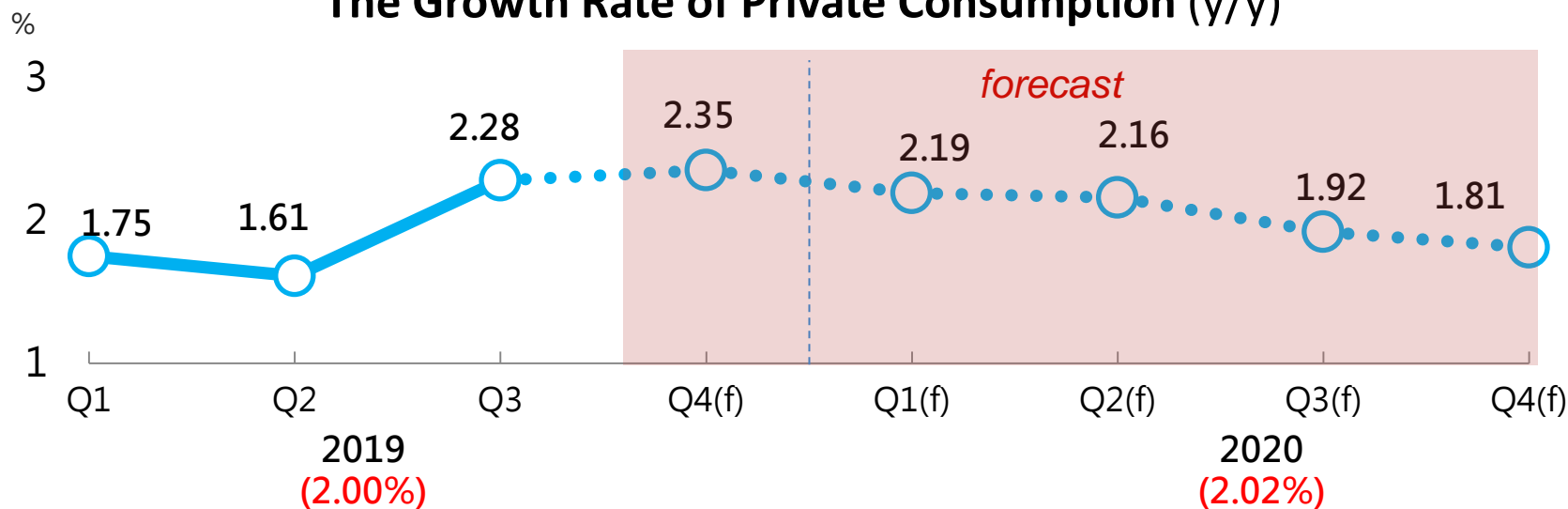


The hike of minimum wage



Labor market stable

The Growth Rate of Private Consumption (y/y)





Exports Continue to Grow

- Real exports of goods and services is forecast to grow by 0.72% in 2019, improving to 2.69% in 2020.

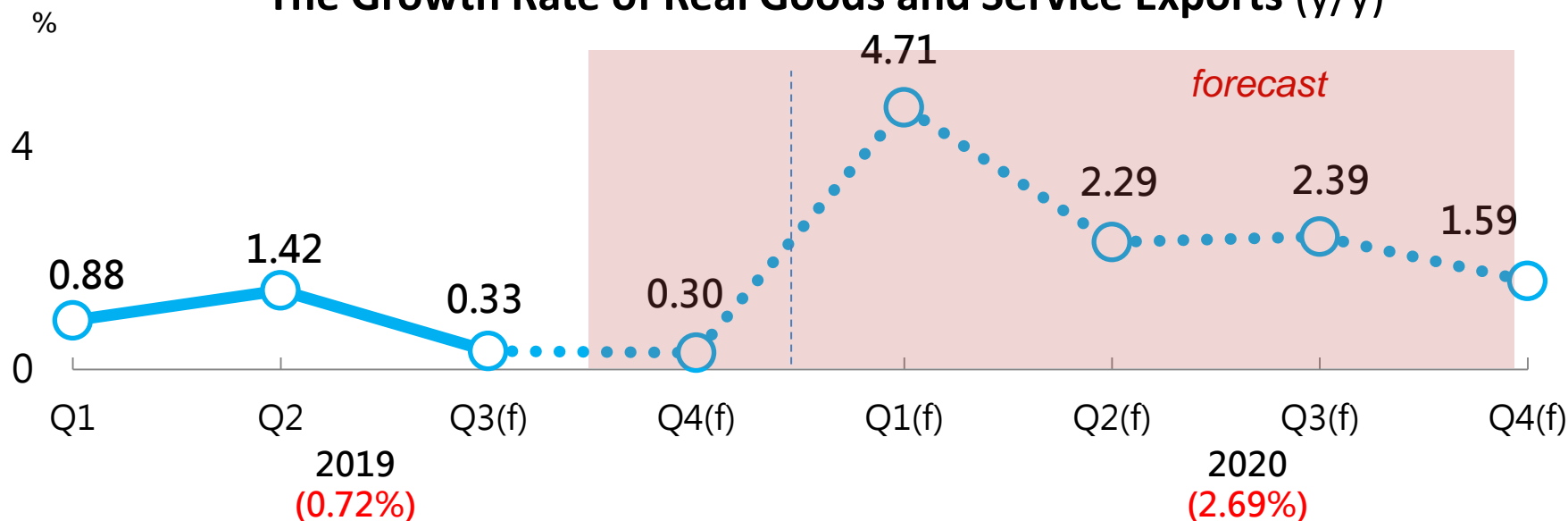


World trade volume growth projected to recover in 2020



The reshoring of manufacturing companies will increase the domestic production capacity

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



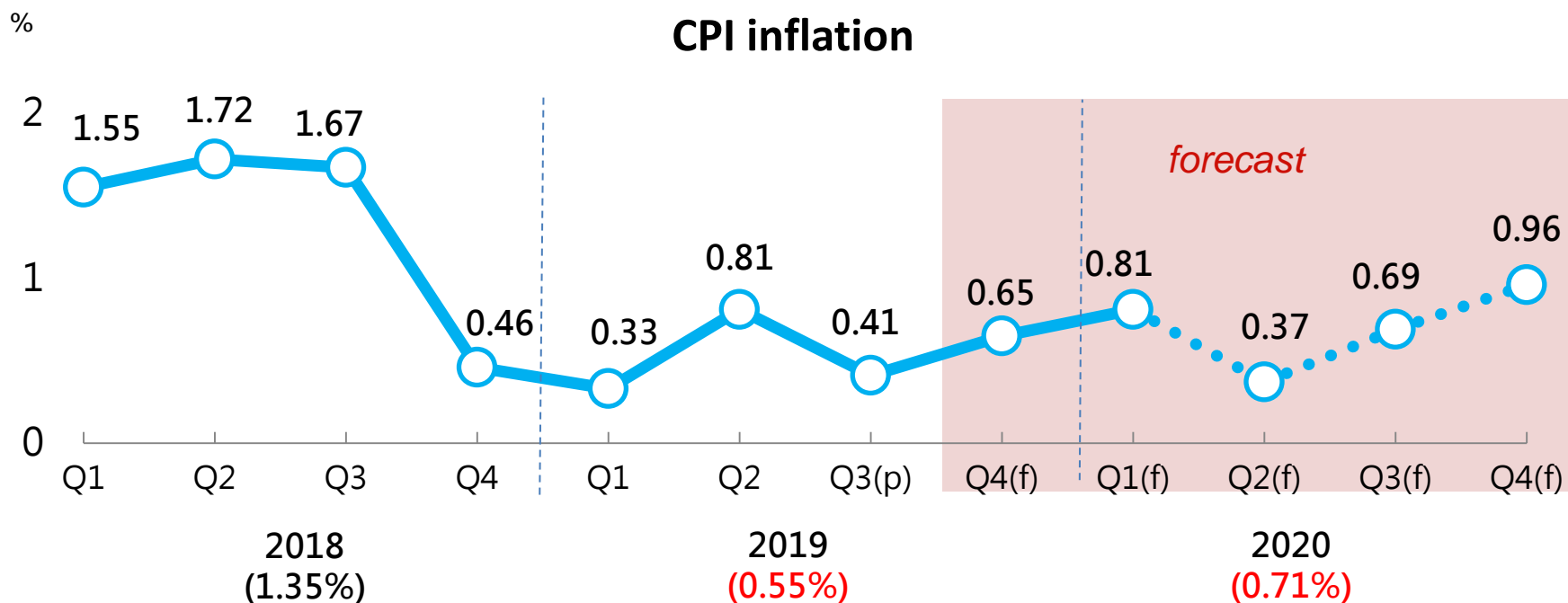


Inflation Rate Remains Stable

- The CPI will increase slightly by 0.55% in 2019, rising to 0.71% in 2020.



The falling raw material prices





Forecasts for Taiwan's Economy

	Real GDP (yoy,%)		Consumer Price Index (yoy, %)	
	2019 _f	2020 _f	2019 _f	2020 _f
DGBAS (2019.11)	2.64	2.72	0.55	0.71
CIER (2019.12)	2.54	2.44	0.54	1.02
TRI (2019.12)	2.59	2.63	0.52	0.94
IEAS (2019.12)	2.62	2.58	0.52	0.73
TIER (2019.11)	2.40	2.45	0.65	1.10
IHS Markit (2019.12)	2.5	2.2	0.56	0.96
ADB (2019.12)	2.2	2.0	0.9	0.9
IMF (2019.10)	2.0	1.9	0.8	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 ; TRI = Taiwan Research Institute ; ADB = Asian Development Bank ; IMF = International Monetary Fund.

2.f = forecast



V. CONCLUSION

- OECD forecasts global economy will maintain growth with a slower pace of 2.9% in 2019, as trade disputes are creating uncertainty for businesses and will drag down investment.
- On the domestic side, according to the DGBAS' latest forecast, the real GDP is predicted to grow by 2.64% and 2.72% in 2019 and 2020, respectively, driven by the reshoring Taiwan's overseas companies and the continuing investment of semiconductor industry.
- The government continues to strengthen friendly environment for investment, and implements three programs to attract investment in Taiwan, 5+2 Industrial Innovation Plan, AI and 5G action plan. These measures should help improve industrial competitiveness and lay a solid foundation for stable economic growth in Taiwan.

Thank you