



# TAIWAN'S ECONOMIC SITUATION AND OUTLOOK



**December 2020**

National Development Council



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## I. PREFACE

- ***Taiwan's Economic Situation and Outlook*** offers readers in Taiwan and overseas a summary of the current economic situation in Taiwan, including economic growth, foreign trade, domestic demand, industrial production, employment, and prices, in addition to the prospects for 2020 and 2021.
- During the third quarter of 2020, Taiwan's economy grew by 3.92% -- its highest growth since the first quarter of 2017-- mainly due to robust exports roused by a strong demand for electronic components. According to the DGBAS' latest forecast, the real GDP is projected to grow by 2.54% and 3.83% in 2020 and 2021, respectively.



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

# Global Recession Slows

- IHS revised up its forecast of the 2020 global economic growth rate by 0.2 percentage points to -4.0%. In 2021, global real GDP should reach 4.5%.
- According to Goldman Sachs Economic Research, once the FDA approves at least one vaccine and mass immunization of the general population starts shortly thereafter, growth should pick up sharply in the second quarter of 2021.



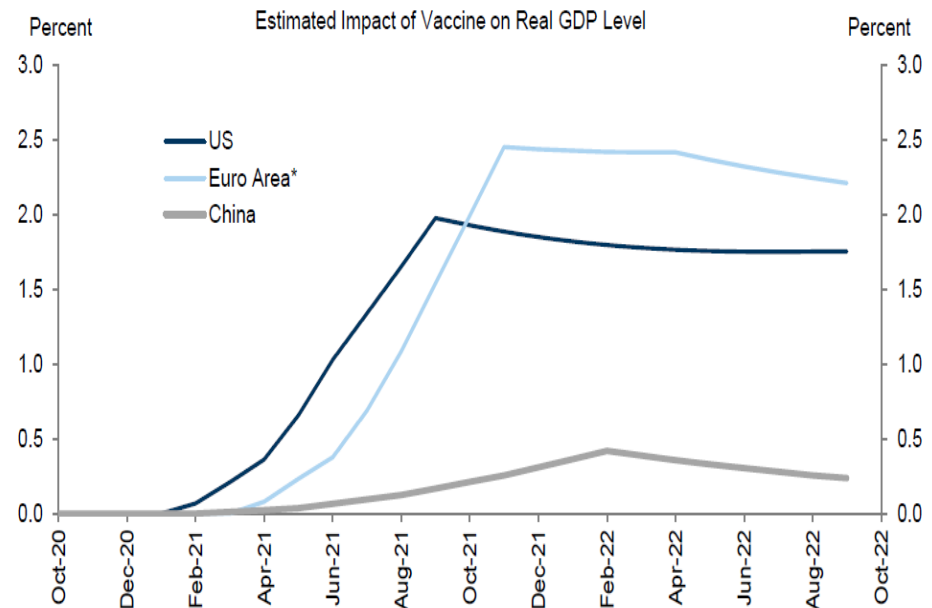
IHS Markit\* (Nov. forecast) (Dec. forecast)

**-4.2% → -4.0%**



## 2020 Global Economic Growth Rate Forecast

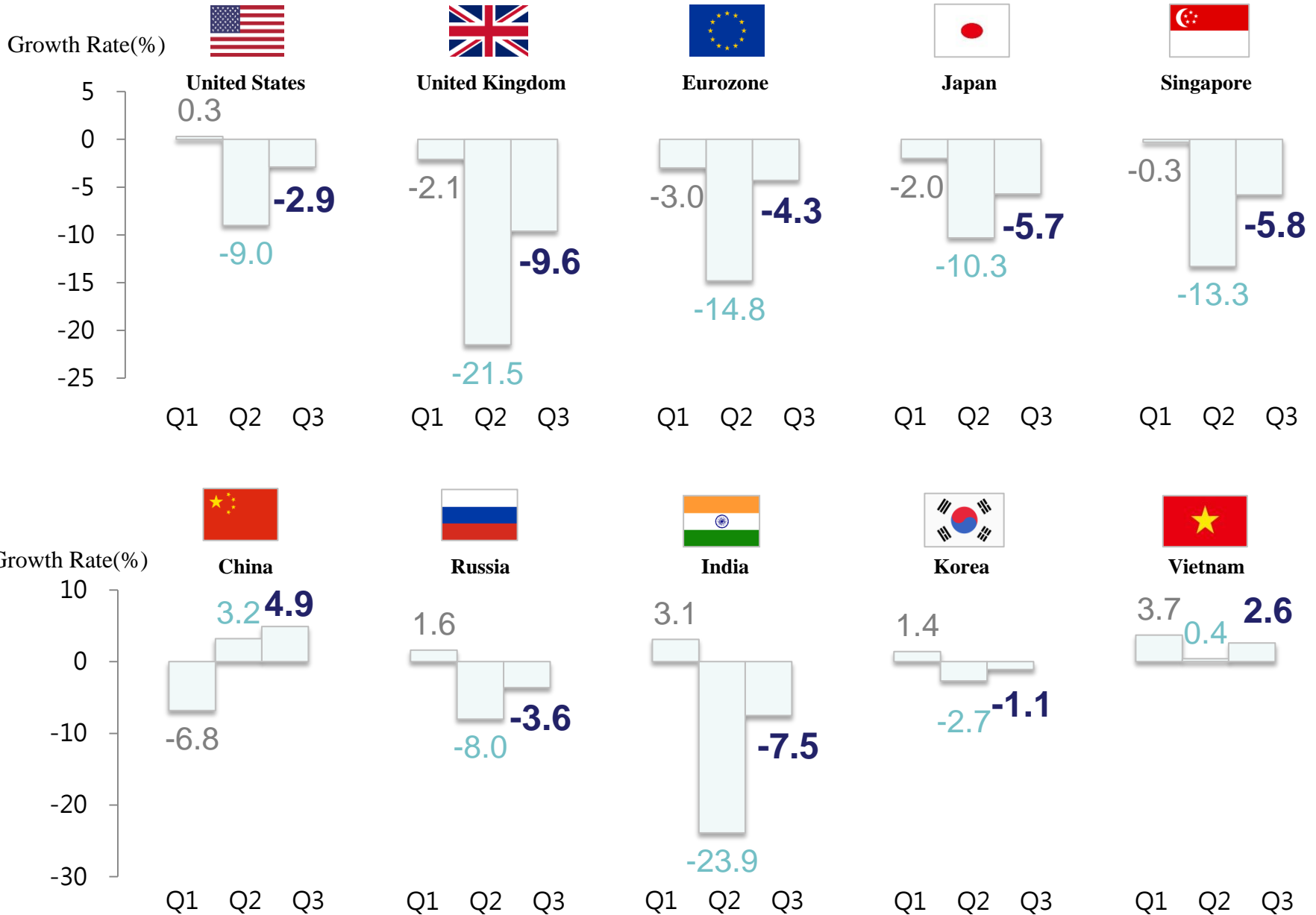
Source : IHS Markit, "World Overviews," Dec. 15, 2020



## Estimated Impact of Vaccine on Real GDP Level

Source : Goldman Sachs, "Global Economics Analyst: V(accine)-Shaped Recovery," Nov. 7, 2020.

# The Recession In the Third Quarter Decreased

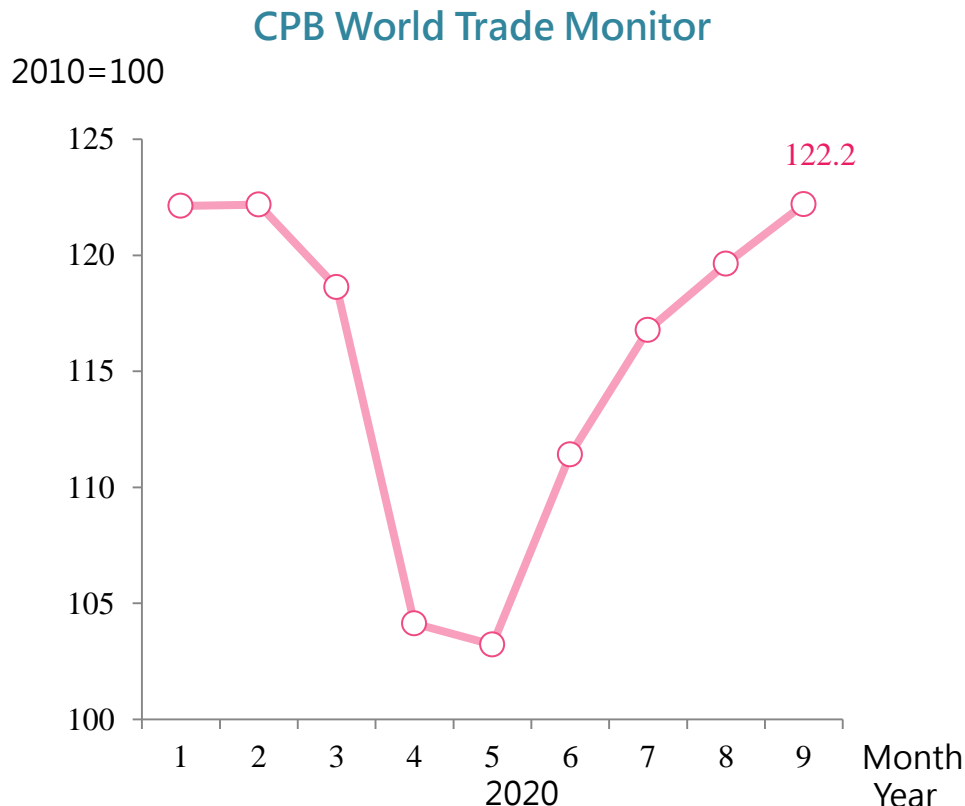


Source : Official website of each country.



# World Trade Continues to Recover

- According to the CPB world trade monitor, world trade grew by 2.1% in September 2020, compared to August 2020.
- The WTO Goods Trade Barometer rebounded to 100.7 in November 2020, demonstrating that world trade will continue to recover.



Source : CPB Netherlands Bureau for Economic Policy Analysis



Source: WTO.



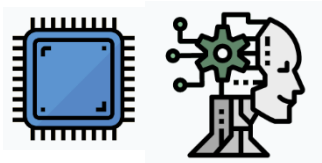
### **III. Current Domestic Economic Situation**





# Foreign Trade Continues to Increase

- In November 2020, Taiwan's total exports increased by 12.0% year-on-year, mainly driven by a rising demand for remote work, online learning tools and peak season sales.

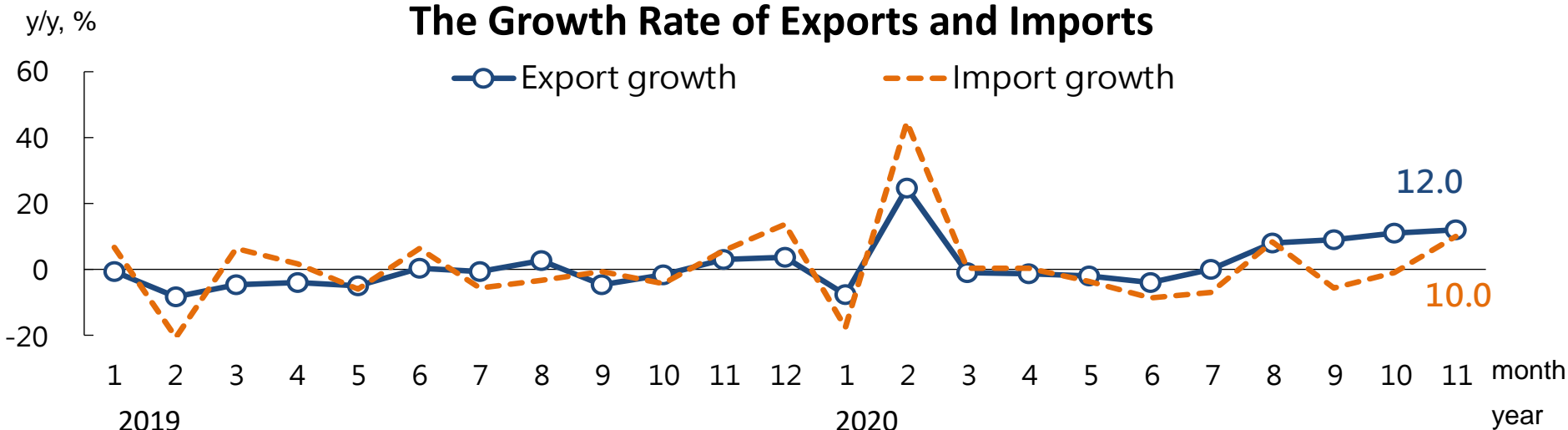


Parts of electronic product  
**+19.5%**



Information, communication and audio-video products **+18.5%**

## The Growth Rate of Exports and Imports



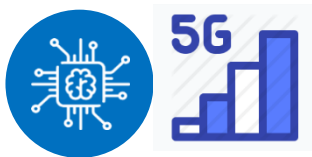
Note: Since FY2016, the general trade system has been applied for the compilation of external trade statistics, and the historical data has been revised to FY2001.

Source: Ministry of Finance, Dec. 2020.



# Industrial Output Steps Up

- The Industrial Production Index (IPI) reported an annual increase of 7.06% in October 2020, rising for the ninth consecutive month, as demand for information and communication technology products remained strong.



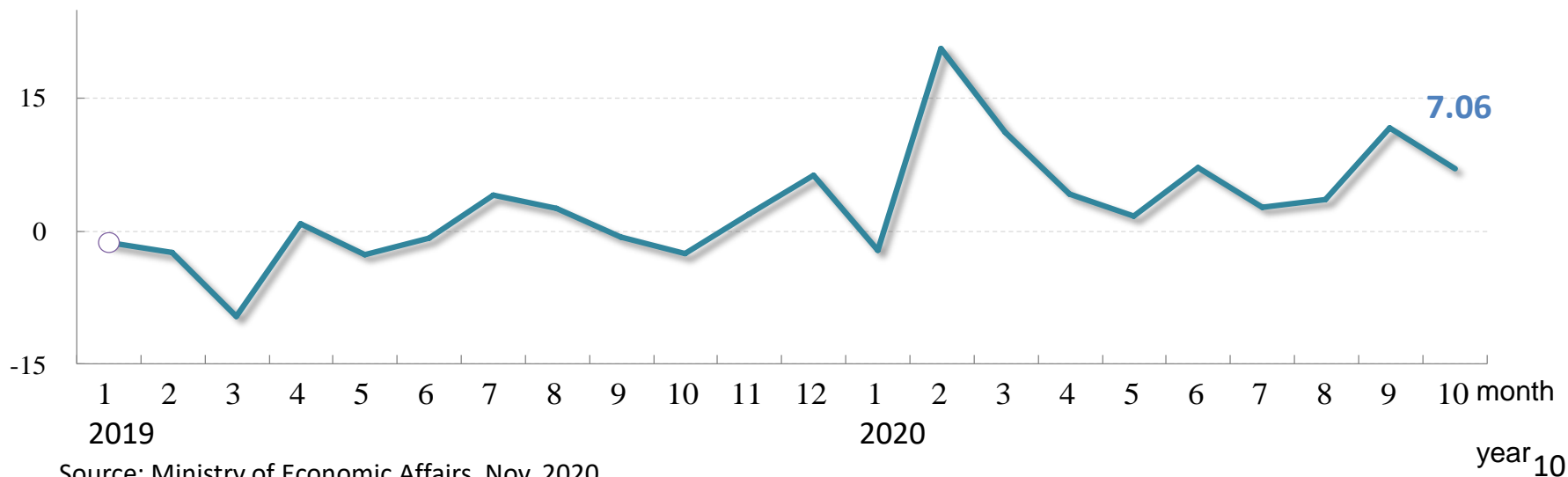
Electronic parts and components **+16.93%**



Computers, electronic & optical products **+6.20%**

y/y, %

## The Growth Rate of the Industrial Production Index



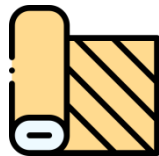
Source: Ministry of Economic Affairs, Nov. 2020.

year<sub>10</sub>



# Retail Trade Increases Continually

- In October 2020, spurred by department stores' end-of-the-year sales, and a rising demand during the Moon Festival and the National Day holidays, retail trade sales increased by 3.3% year over year.



Textiles and Clothing

**+24.0%**

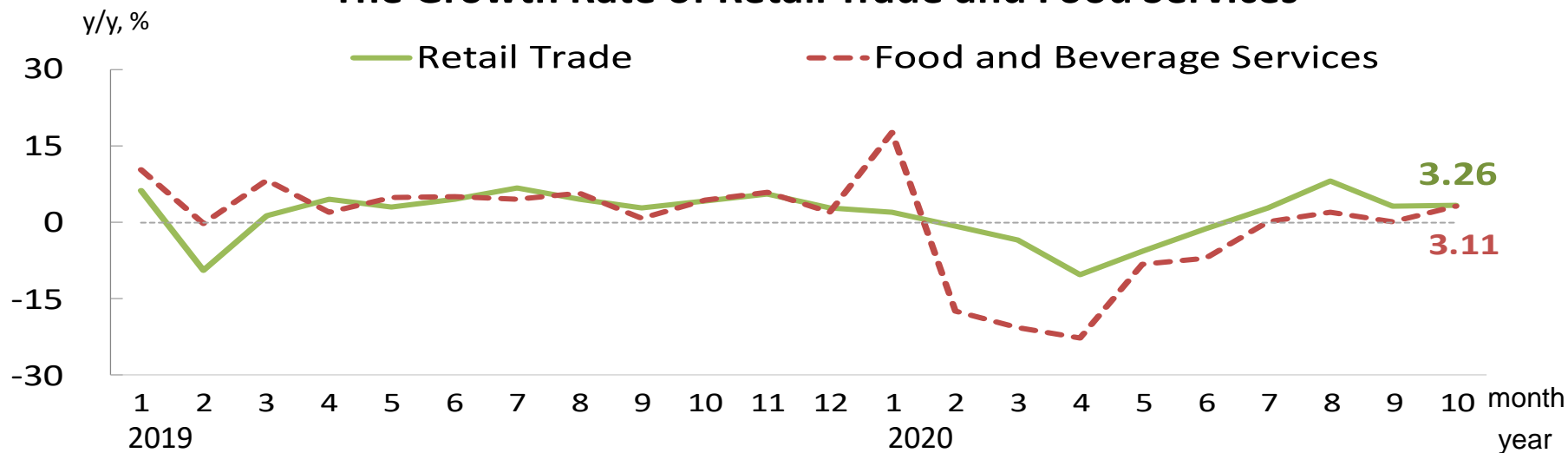


General merchandise stores **+6.22%**



Retail sale via mail order houses or internet **+10.0%**

## The Growth Rate of Retail Trade and Food Services



Source: Ministry of Economic Affairs, Nov. 2020.

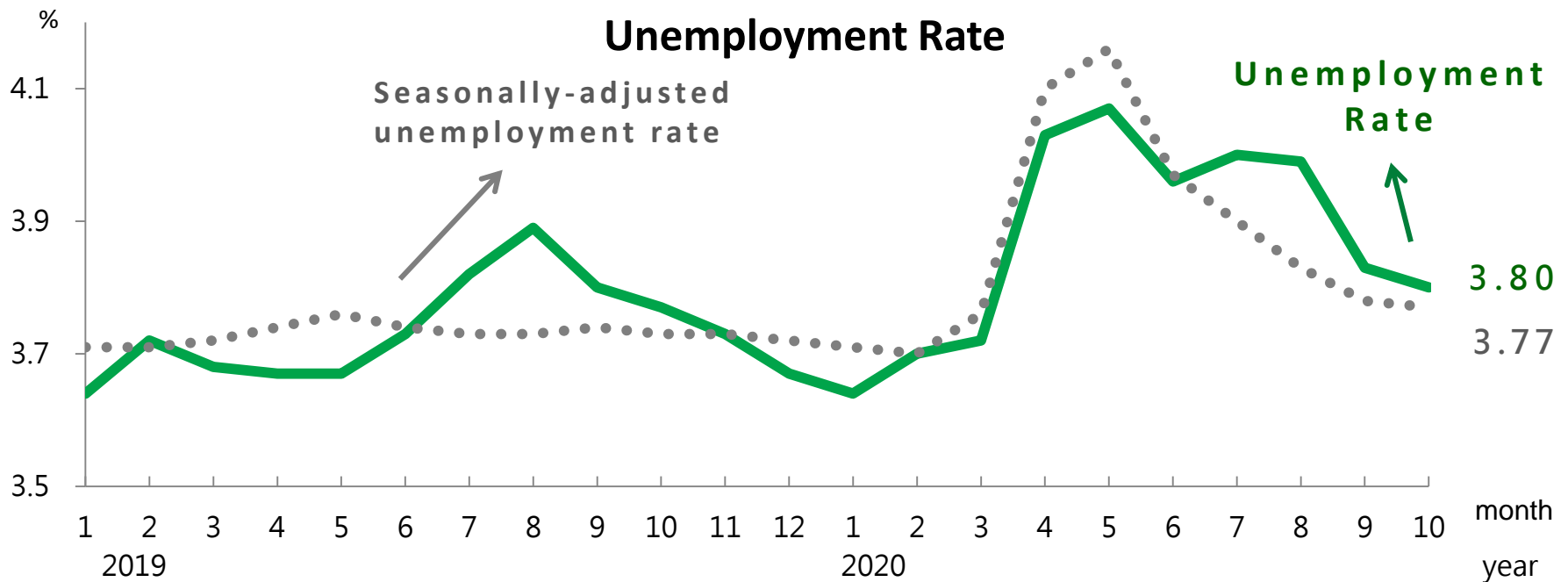


# Labor Market Remains Relatively Stable

- The unemployment rate fell by 0.03 percentage points in September to 3.80% in October 2020, the lowest level in seven months, reflecting the continuous deceleration of the COVID-19 pandemic.



The number of unemployed persons decreased by 3,000 persons from last month.



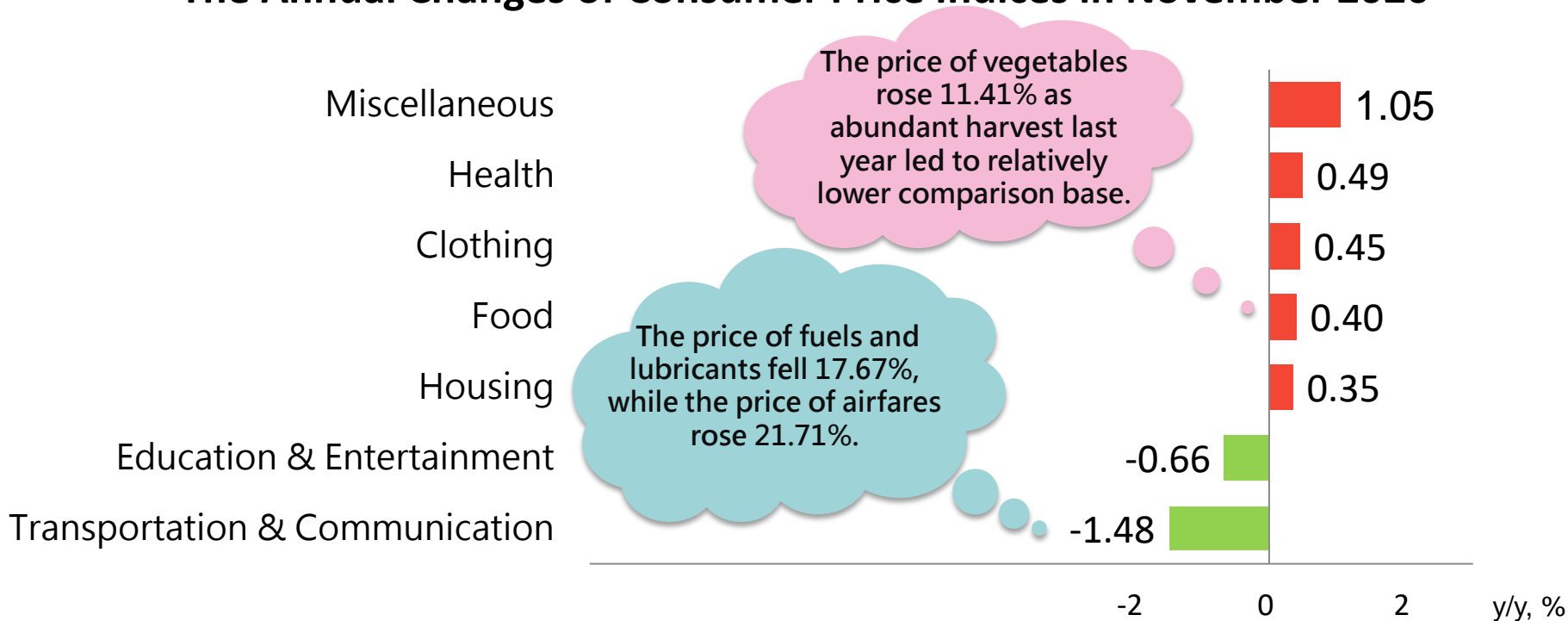
Source: DGBAS, Nov. 2020.



## CPI Growth Turning Positive

- The CPI in November 2020, compared with the same month of 2019, rose by 0.09%, ending 9 consecutive months of decline, due mainly to the rising price of vegetables and airfares, while the core CPI increased 0.53%.

### The Annual Changes of Consumer Price Indices in November 2020

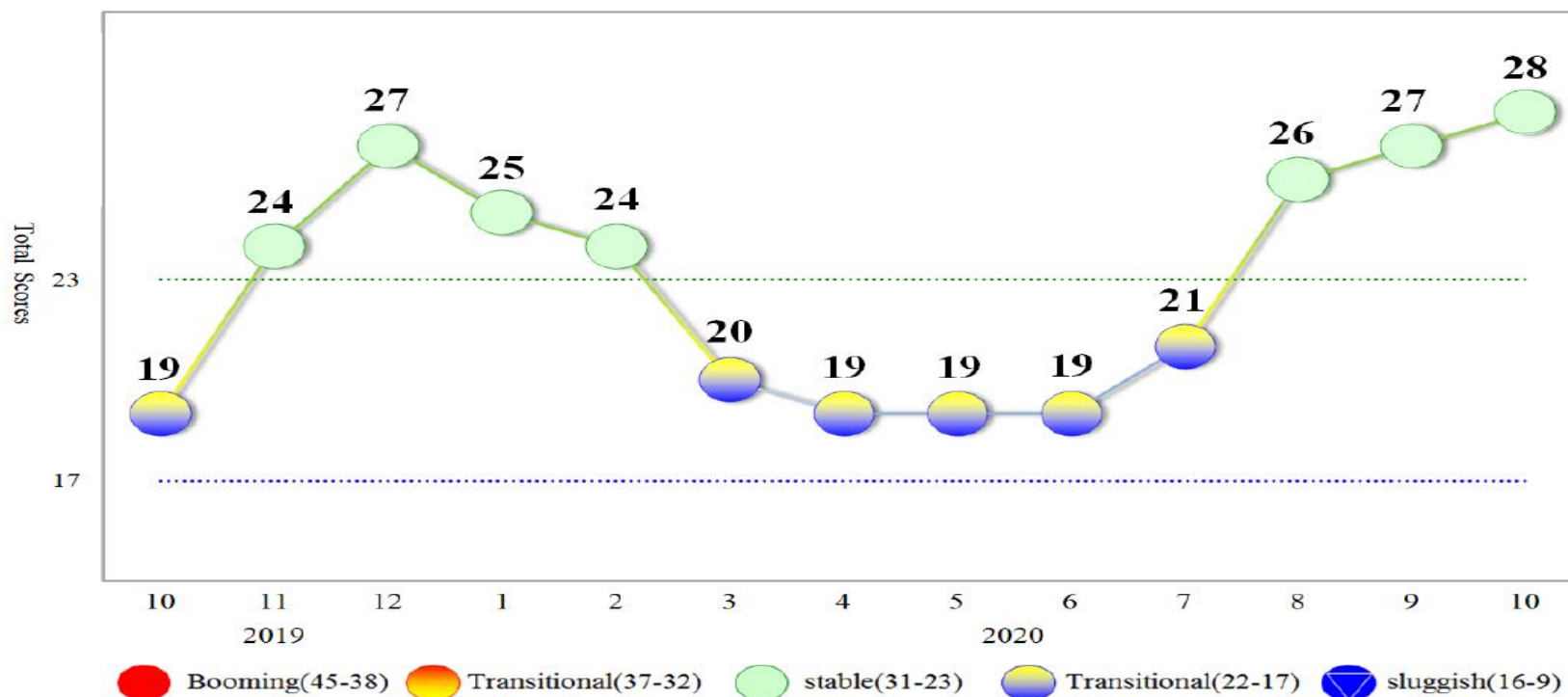




# Monitoring Indicators Flash “Green” Signal

- In October 2020, the overall monitoring indicator continued to flash the “green” signal, as the total score increased one point to 28.

## 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 more details: [https://www.ndc.gov.tw/en/News\\_Content.aspx?n=4061A3F0B105B5AE&sms=E39F6CCF42B6E423&s=D1D76F75B2FF19C5](https://www.ndc.gov.tw/en/News_Content.aspx?n=4061A3F0B105B5AE&sms=E39F6CCF42B6E423&s=D1D76F75B2FF19C5)

Source: NDC, Nov. 2020.



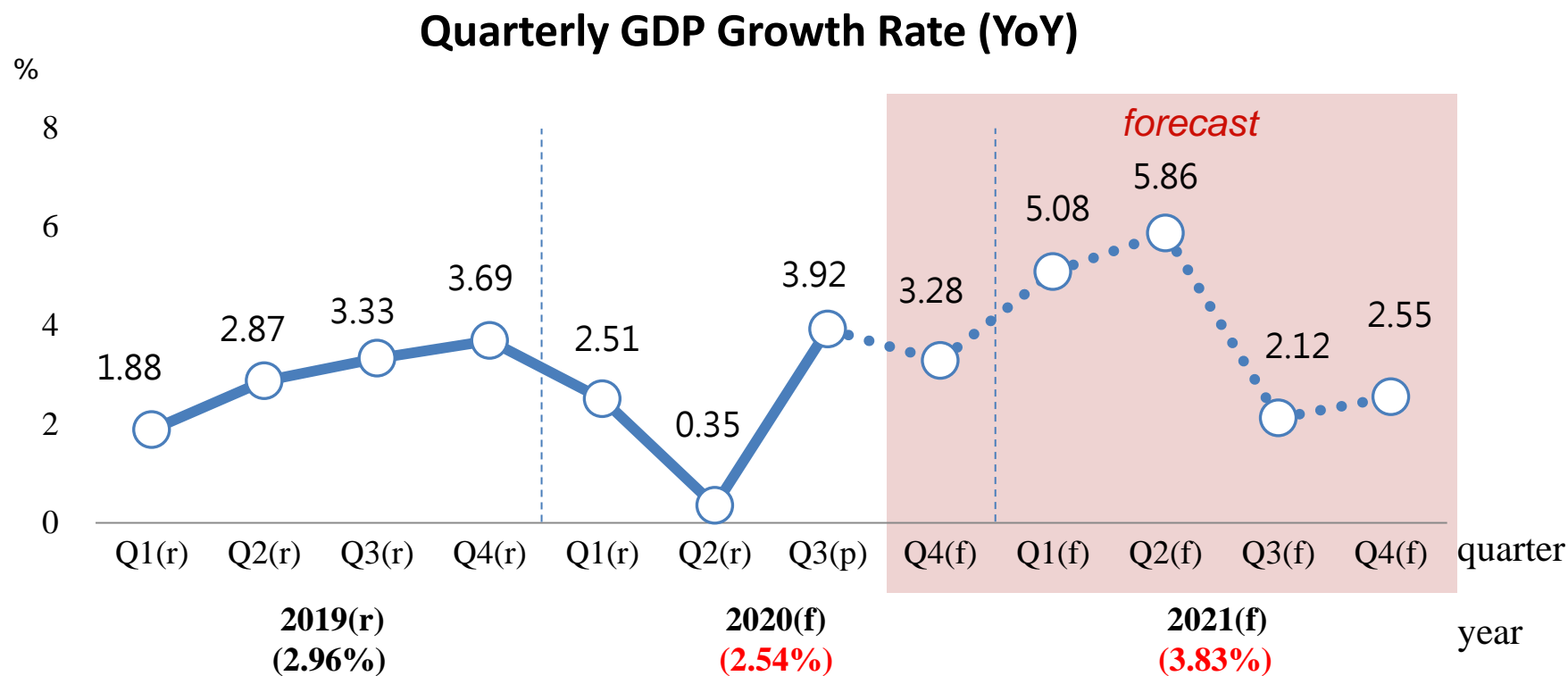
## **IV. PROSPECTS FOR 2020 and 2021**





# The Economy Will Remain Stable

- In November 2020, DGBAS revised its projection for GDP growth upward to 2.54% (from 1.56%) for 2020, as exports turned out much stronger than expected.
- In 2021, Taiwan's GDP is projected to rise by 3.83%.



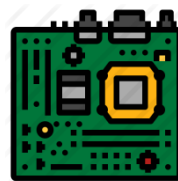
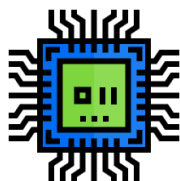


# Investment Expected to Remain Robust

- The growth rate of fixed investment is expected to grow by 3.82% and 3.19% in 2020 and 2021, respectively.



Taiwanese companies  
returning from overseas



Continuing investment  
in semiconductor  
manufacturing



Investment in offshore wind  
power, reconstruction of  
unsafe and old buildings, and  
urban renewal.

## The Growth Rate of Each Component of Fixed Investment

Unit: %

	Fixed Investment	Private Enterprises	Government	Public Enterprises
<b>2019 (r)</b>	<b>10.17</b>	<b>11.00</b>	<b>8.35</b>	<b>1.75</b>
<b>2020 (f)</b>	<b>3.82</b>	<b>1.47</b>	<b>10.42</b>	<b>26.62</b>
Q1(r)	6.95	5.62	14.73	20.42
Q2(r)	4.11	1.56	5.27	46.22
Q3(p)	4.37	2.55	8.27	31.77
Q4(f)	0.38	-3.74	13.28	15.34
<b>2021 (f)</b>	<b>3.19</b>	<b>3.68</b>	<b>0.65</b>	<b>2.27</b>

# Private Consumption Grow (Pace) Remains Steady

- In 2020, real private consumption is expected to contract 2.52%, mainly due to the impacts of the COVID-19 pandemic; however, it will rise by 4.04% in 2021, supported by the steady growth of the domestic economy, as well as the effect of a low base.

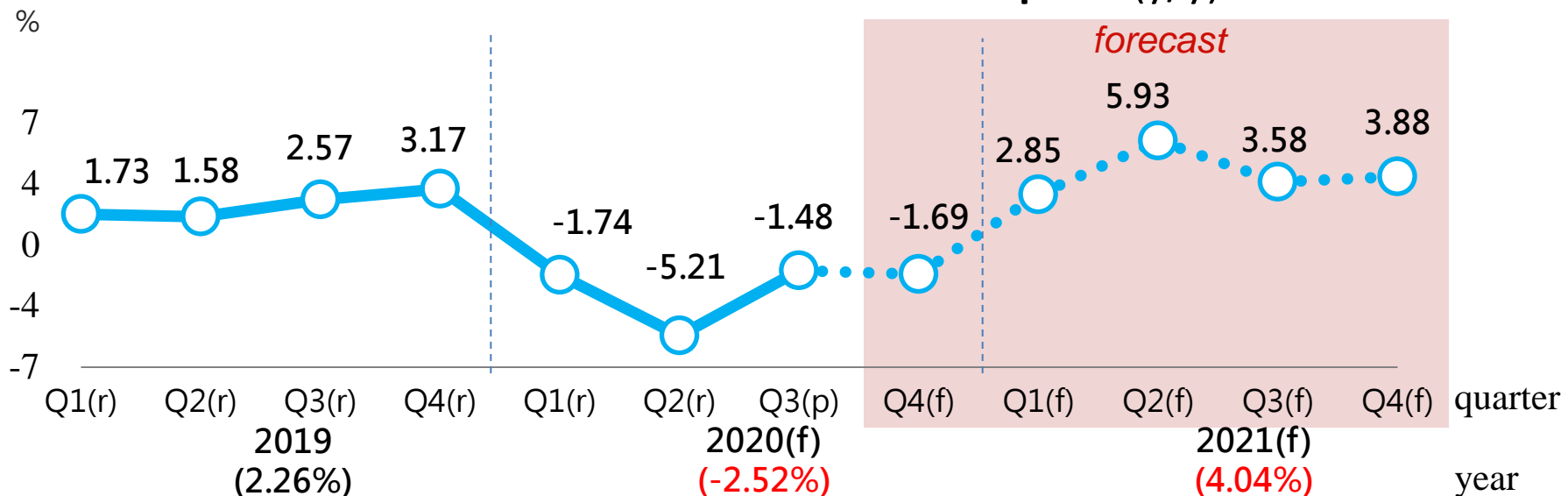


The relief and stimulus measures



Emerging e-commerce and other stay-at-home demand

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



Source: DGBAS, Nov. 2020.



# Exports Gain Momentum

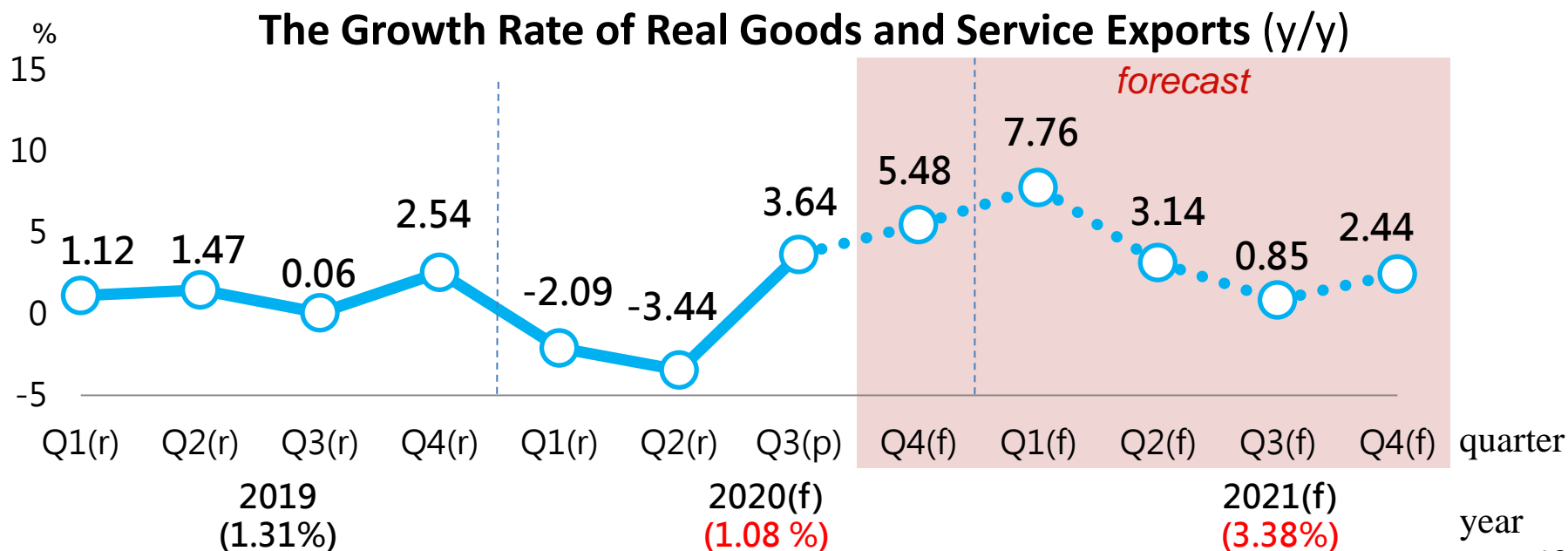
- In 2020, real exports of goods and services are forecast to grow 1.08%, improving to 3.38% in 2021, due to the recovery in world trade and rising domestic production capacity.



Emerging demand for  
new technological applications  
(5G and high performance computing)



COVID-19  
Reducing tourists due to  
the border controls

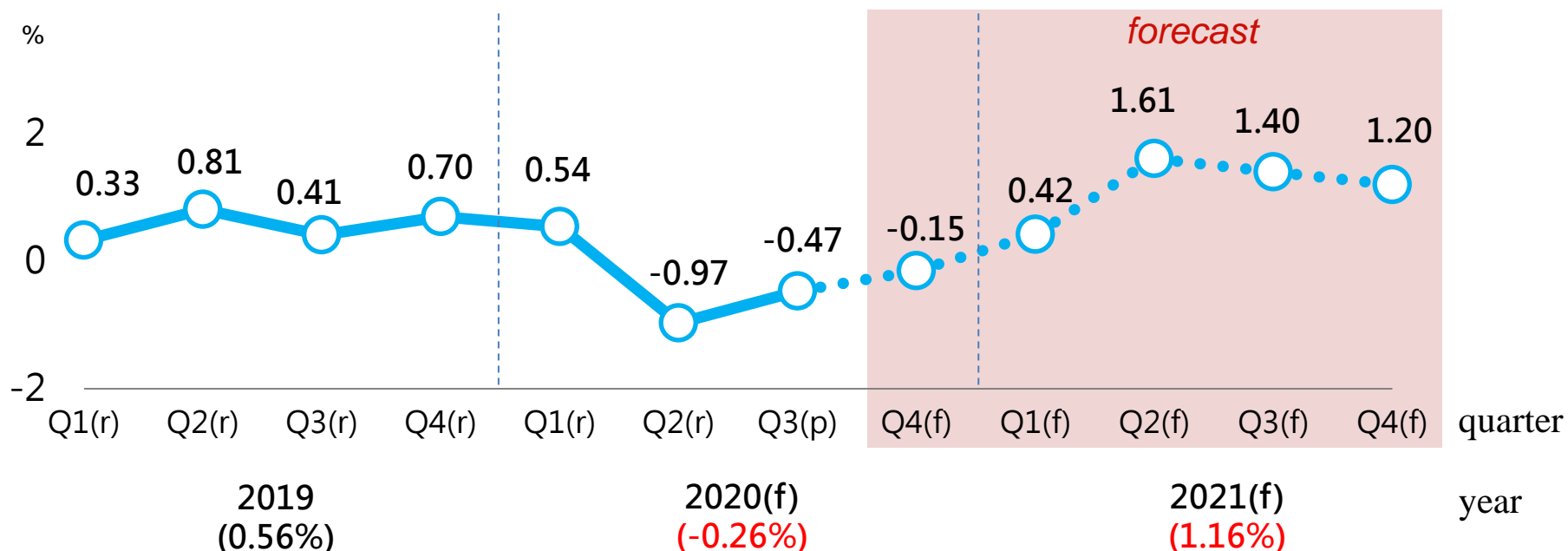




# Inflation Rate Expected to Decrease

- The consumer price index (CPI) is expected to decrease 0.26% in 2020, which is a downward revision of 0.07 percentage points, mainly reflecting the decline in oil and raw material prices. In 2021, the CPI will gently rise by 1.16%.

CPI inflation





## Forecasts for Taiwan's Economy

	Real GDP (yoy,%)		Consumer Price Index (yoy, %)	
	2020 <sub>f</sub>	2021 <sub>f</sub>	2020 <sub>f</sub>	2021 <sub>f</sub>
<b>DGBAS (2020.11)</b>	2.54	3.83	-0.26	1.16
<b>CBC (2020.12)</b>	2.58	3.68	-0.25	0.92
<b>TIER (2020.11)</b>	1.91	4.01	-0.20	1.00
<b>CIER (2020.12)</b>	2.38	3.73	-0.21	0.83
<b>TRI (2020.12)</b>	2.52	3.53	-0.20	1.23
<b>IHS Markit (2020.12)</b>	2.4	3.5	-0.20	1.04
<b>ADB (2020.12)</b>	1.7	3.3	-0.2	1.1
<b>IMF (2020.10)</b>	0	3.2	-0.1	1.0

Note:

1. DGBAS = Directorate-General of Budget, Accounting and Statistics, ROC (Taiwan); CBC = Central Bank of Republic of China (Taiwan); TIER = Taiwan Institute of Economic Research, Taipei; 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

- Thanks to the encouraging development of an effective vaccine, the IHS Markit has revised up the global real GDP forecast to -4.0% in 2020, and will reach 4.5% in 2021. However, recovery remains uncertain due to virus outbreak control measures and the future development of the US-China economic relationship.
- On the domestic front, according to the latest DGBAS forecast, the real GDP is projected to grow by 2.54%, revised upward by 0.98 percentage points from the previous forecast, mainly driven by the capacity expansion of dominant semiconductor manufacturing industry, the reshoring companies' response to stay-at-home demand caused by the pandemic, and the emerging demand for new technological applications.
- In order to strengthen Taiwan's economic resilience, the Taiwanese government will initiate the new economic development model 2.0, which includes the advancement of six core strategic industries and making Taiwan a high-end production hub for Asia, to seize the opportunities for remote applications, supply chain reorganization, and digital transformation driven by the pandemic.



**Thank you**