



# TAIWAN'S ECONOMIC SITUATION AND OUTLOOK

2021



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National Development Council



# **CONTENTS**

**I. PREFACE**

**II. GLOBAL ECONOMIC SITUATION AND OUTLOOK**

**III. CURRENT DOMESTIC ECONOMIC SITUATION**

**IV. PROSPECTS FOR 2021**

**V. CONCLUSION**



## I. PREFACE

- ***Taiwan's Economic Situation and Outlook*** offers local 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 the prospects for 2021.
- The real GDP is forecast to grow by 5.09% in 2020 Q4, mainly driven by strong foreign demand for parts of electronic products, as well as information, communication and audio-video products, which is similar to the last quarter.
- Such a rebound of global trade and capacity expansion resulting from digital transformation are supporting Taiwan's strong economic revival in 2021, with the economy anticipated to grow by 4.64%.



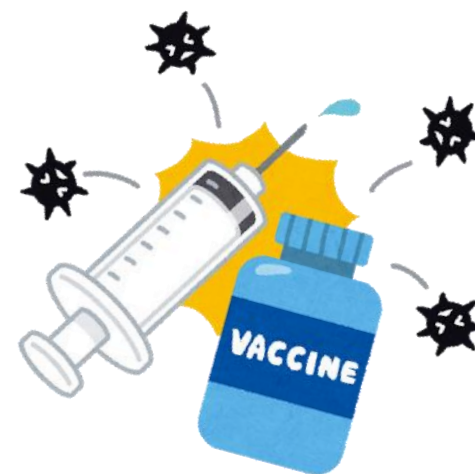
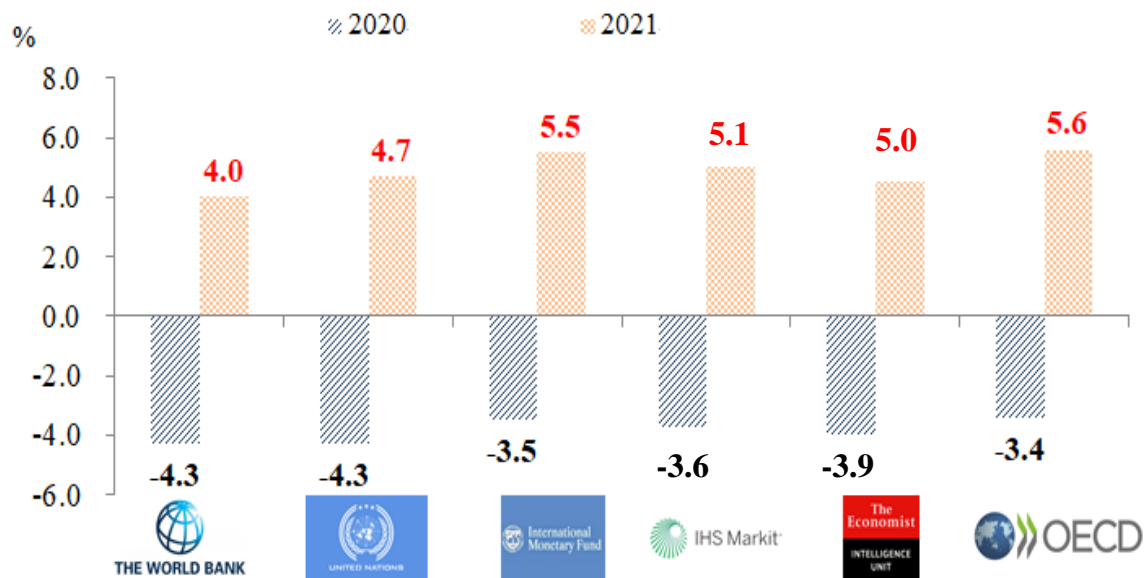
## **II. Global Economic Situation and Outlook**



# Economy Revives in 2021

- Significant recovery in the global economy is widely expected.
- Thanks to the roll-out of vaccination, fiscal stimulus policy and effective public health management, the global economy is expected to revive in 2021.
- Growth forecasts range from 4.0% to 5.6%.

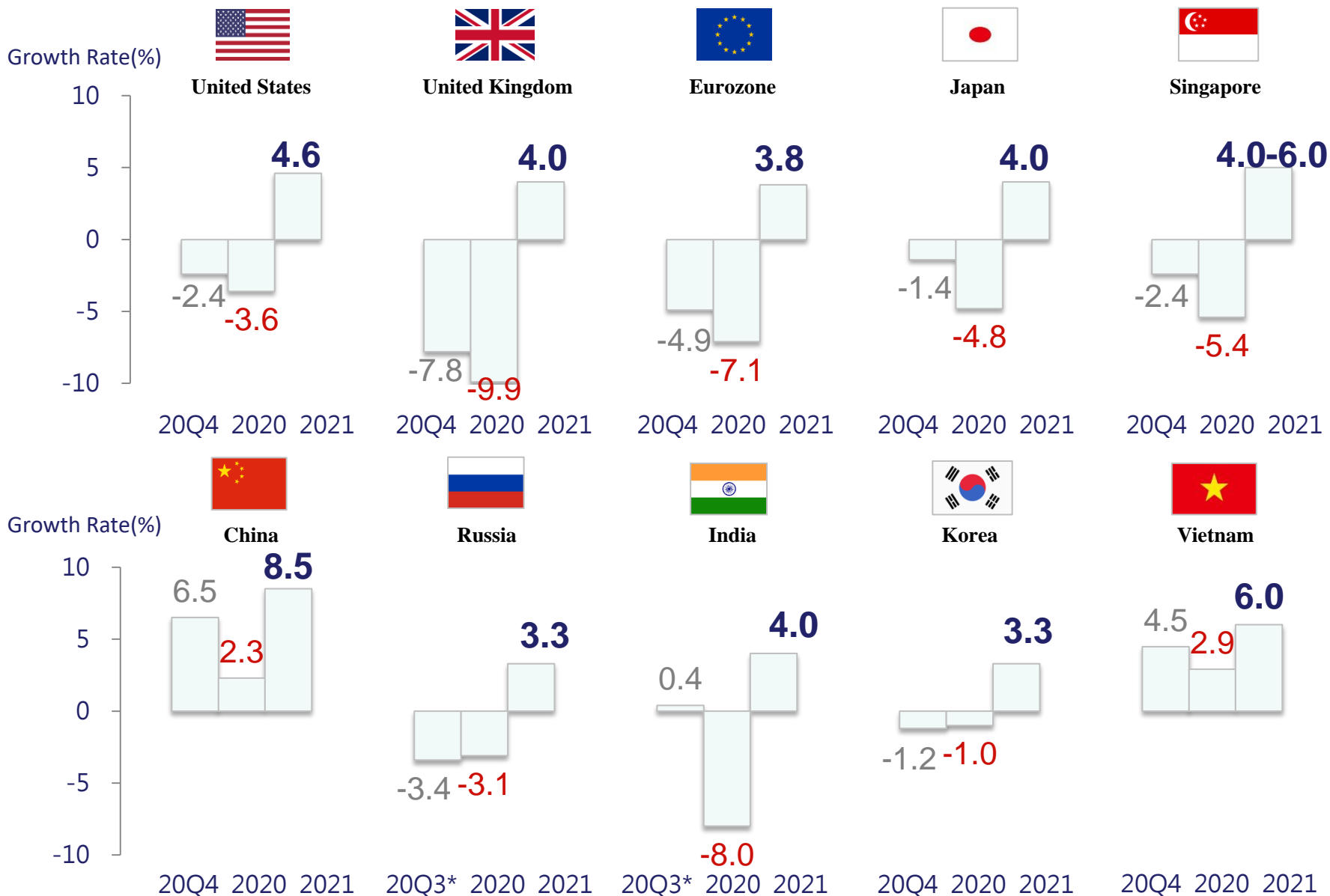
## Estimated GDP Growth in 2020 and 2021 by Various Institutes



Source: 1. World Bank, Global Economic Prospects, Jan. 5, 2021.  
2. United Nations, World Economic Situation and Prospects 2020, Jan.25, 2021.  
3. IMF, World Economic Outlook Update, Jan. 26, 2021.  
4. IHS Markit, World Overview, Mar. 15, 2021.  
5. EIU, Global Outlook Summary, Feb.16, 2021.  
6. OECD, Interim Economic Outlook, Mar. 9, 2021.



# Positive GDP Growth Forecasts for 2021

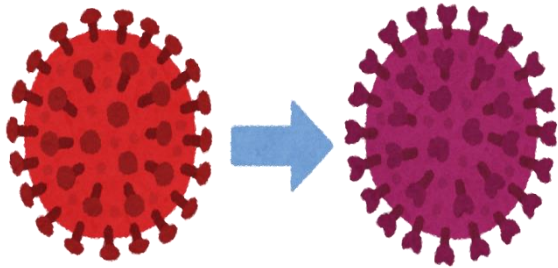


\*In Russia and India, Q3 corresponds to the period from Oct. to Dec.

Source : Official website of each country.



# Uncertainties Still Haunt the World



## Lagging Widespread Vaccination

Both virus mutation and uneven, lagging distribution of vaccines pose threats on the road to recovery.

## Hike in Government Debts

With the huge amounts of money of stimulus plans, public debt level is soaring at a fast pace, which may result in higher inflation and default risks.



## Concerns about K-shaped Recovery

Some service industries can't rapidly recover from the shock, which may cause social conflicts and persisting political instability.



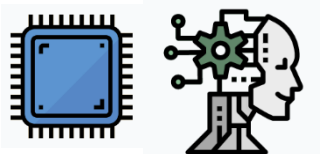
### **III. Current Domestic Economic Situation**





# Foreign Trade Continues to Increase

- In February 2021, Taiwan's total exports increased by 9.7% year-on-year, boosted by surging overseas demand for chips and panels, as well as the gradual recovery of traditional export goods.

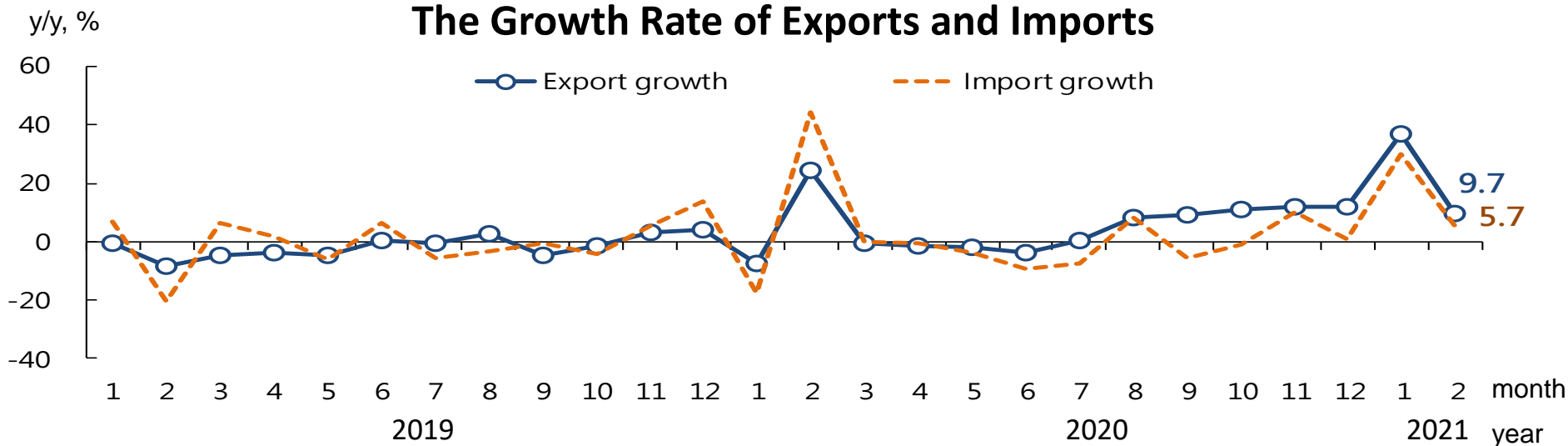


Parts of electronic product  
**+14.4%**



Information, communication and audio-video products **+7.5%**

## The Growth Rate of Exports and Imports



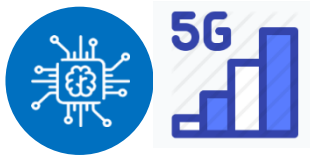
Note: Since FY 2016, the general trade system has been applied for the compilation of external trade statistics, and the historical data has been revised to FY 2001.

Source: Ministry of Finance, Mar. 2021.



# Industrial Production Continues to Strengthen

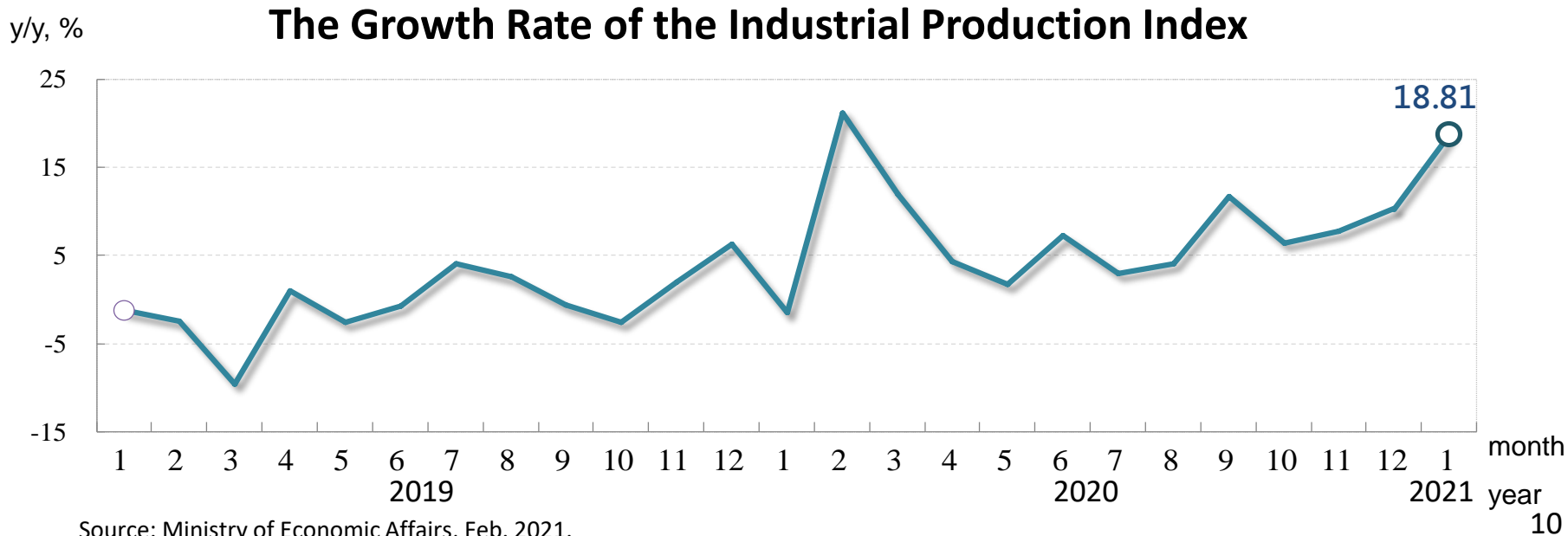
- The Industrial Production Index (IPI) reported an annual increase of 18.81% in January 2021, rising for the 12<sup>th</sup> consecutive month, due to a low base effect and positive growth in all subsectors.



Electronic parts  
and components **+21.16%**



Computers, electronic &  
optical products **+24.54%**

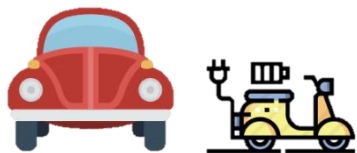


Source: Ministry of Economic Affairs, Feb. 2021.



# Retail Trade Increases Continually

- In January 2021, driven by strong auto sales, online shopping and demand for cold-weather related items, retail trade sales increased by 3.6% year-on-year.



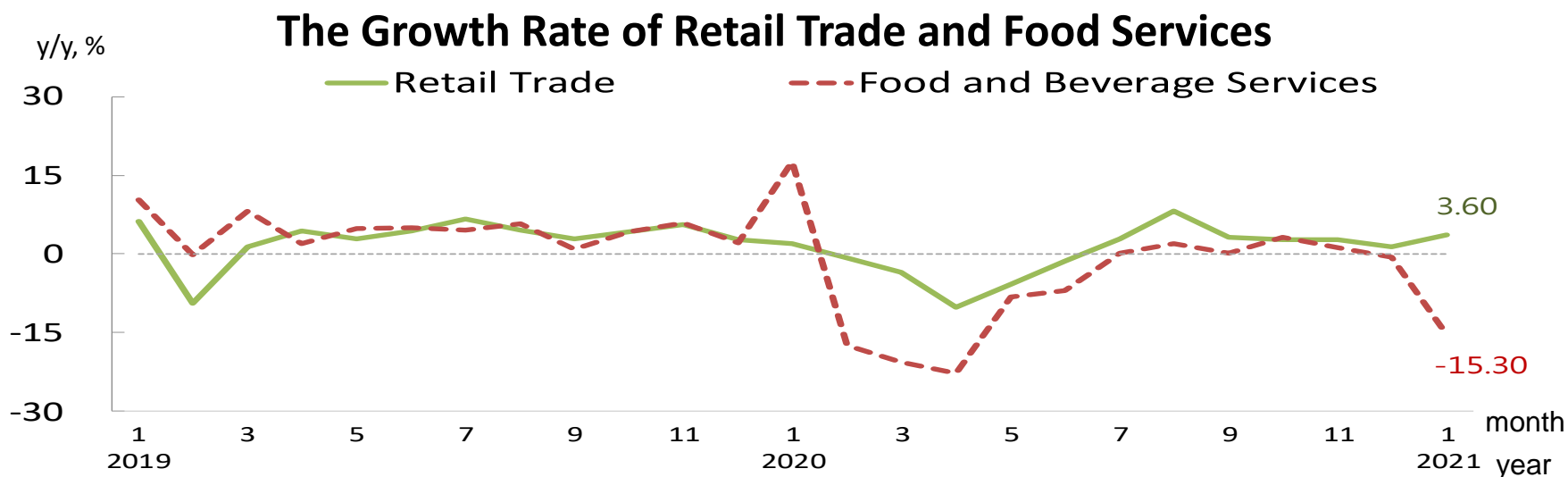
Motor vehicles and motorcycles **+29.2%**



Retail sale via mail order houses or internet **+28.1%**



Household Appliances and Goods **+7.9%**



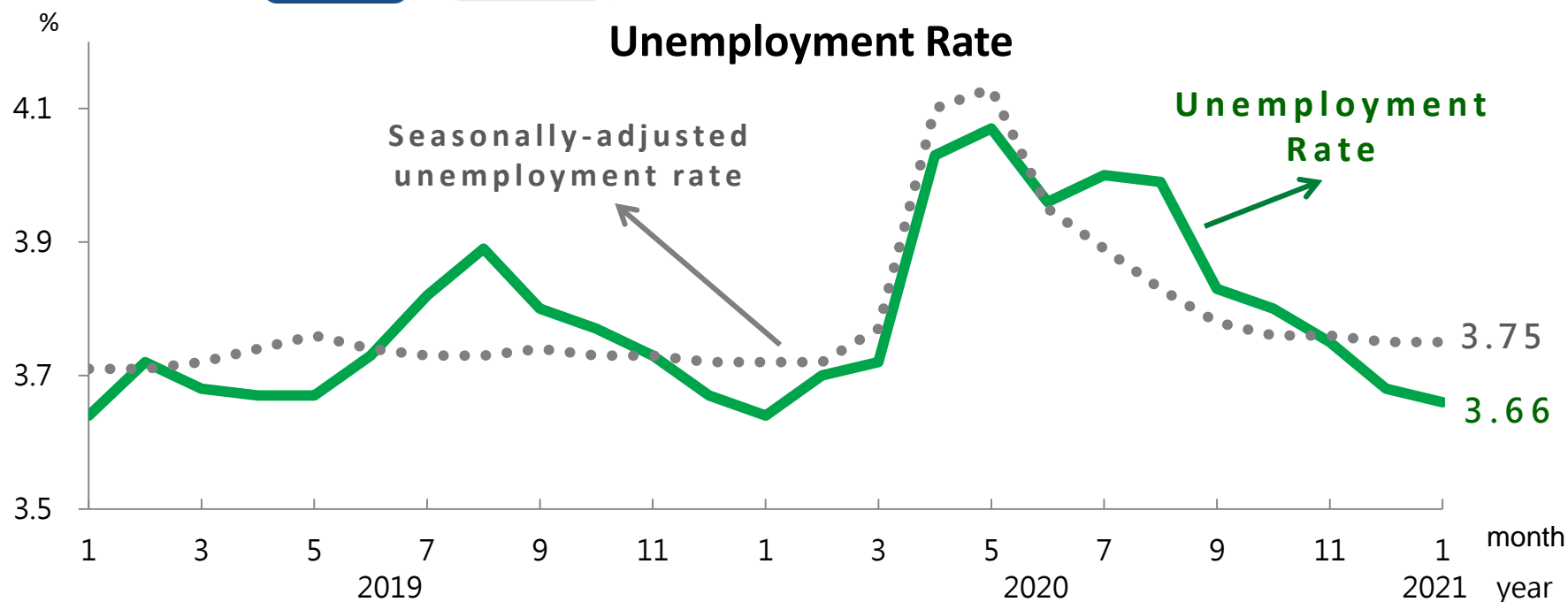


# Labor Market Remains Relatively Stable

- The unemployment rate fell by 0.02 percentage points from a month earlier to 3.66% in January 2021, falling for the sixth straight month, as domestic economic activities began to recover amid eased concerns over the COVID-19 pandemic.



The number of the unemployed decreased by 2,000 from last month.

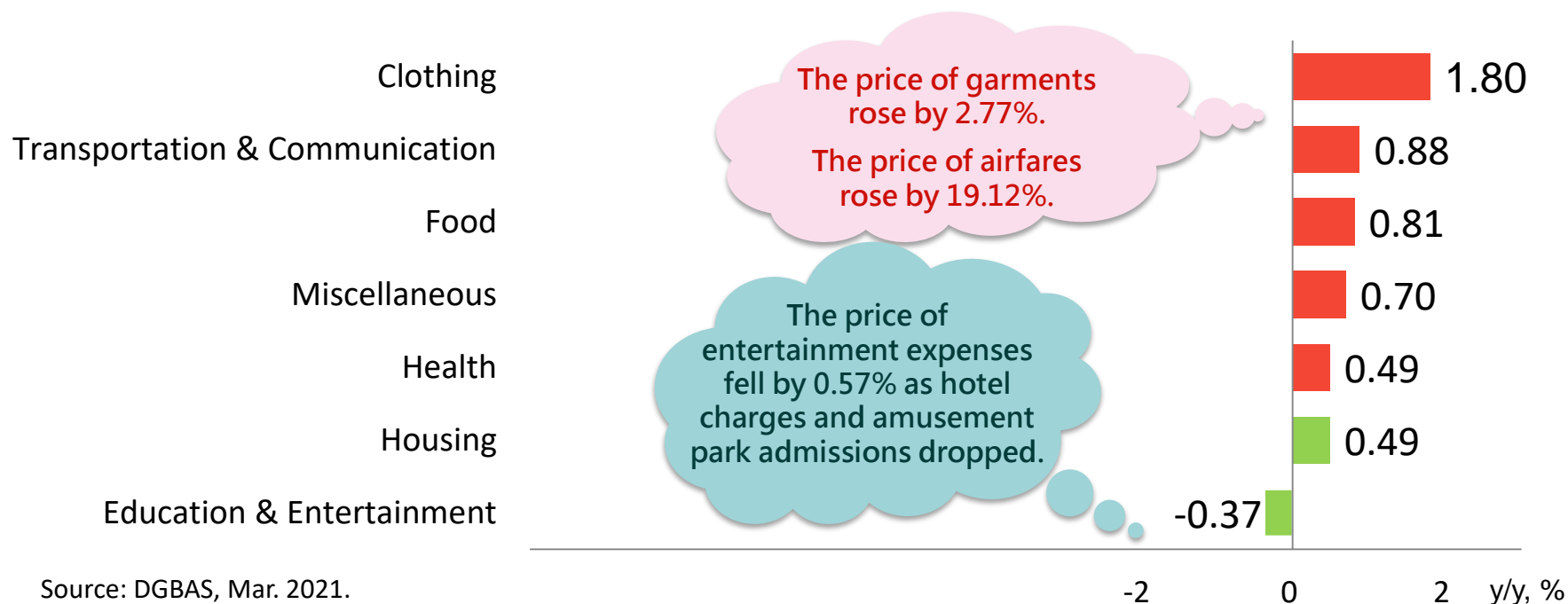




## Inflation Rose Moderately

- The CPI rose by 0.59% in the first two months of 2021 over the same period of the previous year, mainly because the index for clothing rose by 1.8% due to the garments. The index for transportation & communication also rose by 0.88% due to the increase in airfares, while the core CPI increased by 0.84%.

### The Annual Changes of Consumer Price Indices in Jan.-Feb. 2021

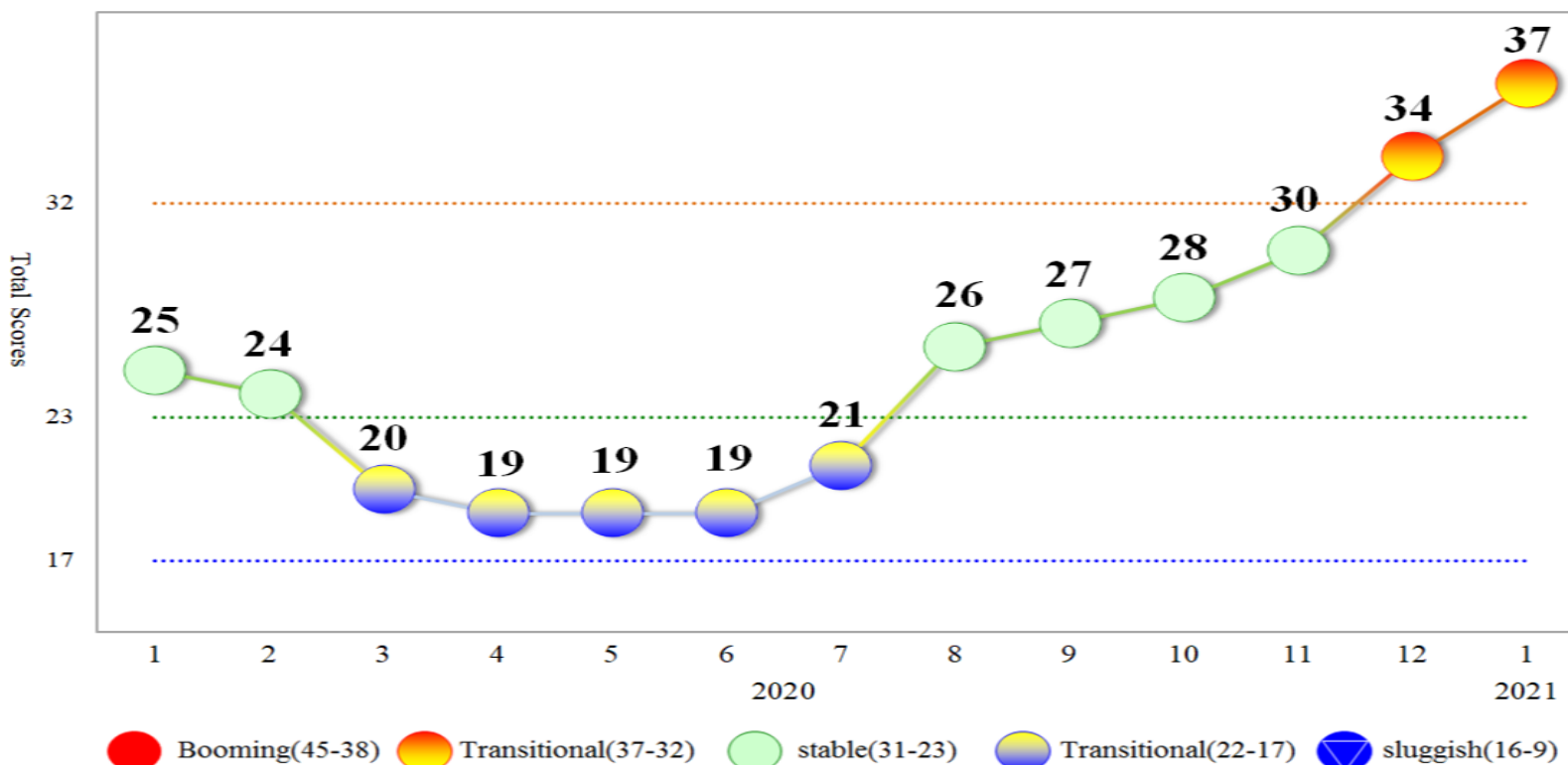




# Monitoring Indicators Flash “Yellow-red” Signal

- In January 2021, the overall monitoring indicator continued to flash the “yellow-red” signal, as the total score increased three points to 37.

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, Mar. 2021.



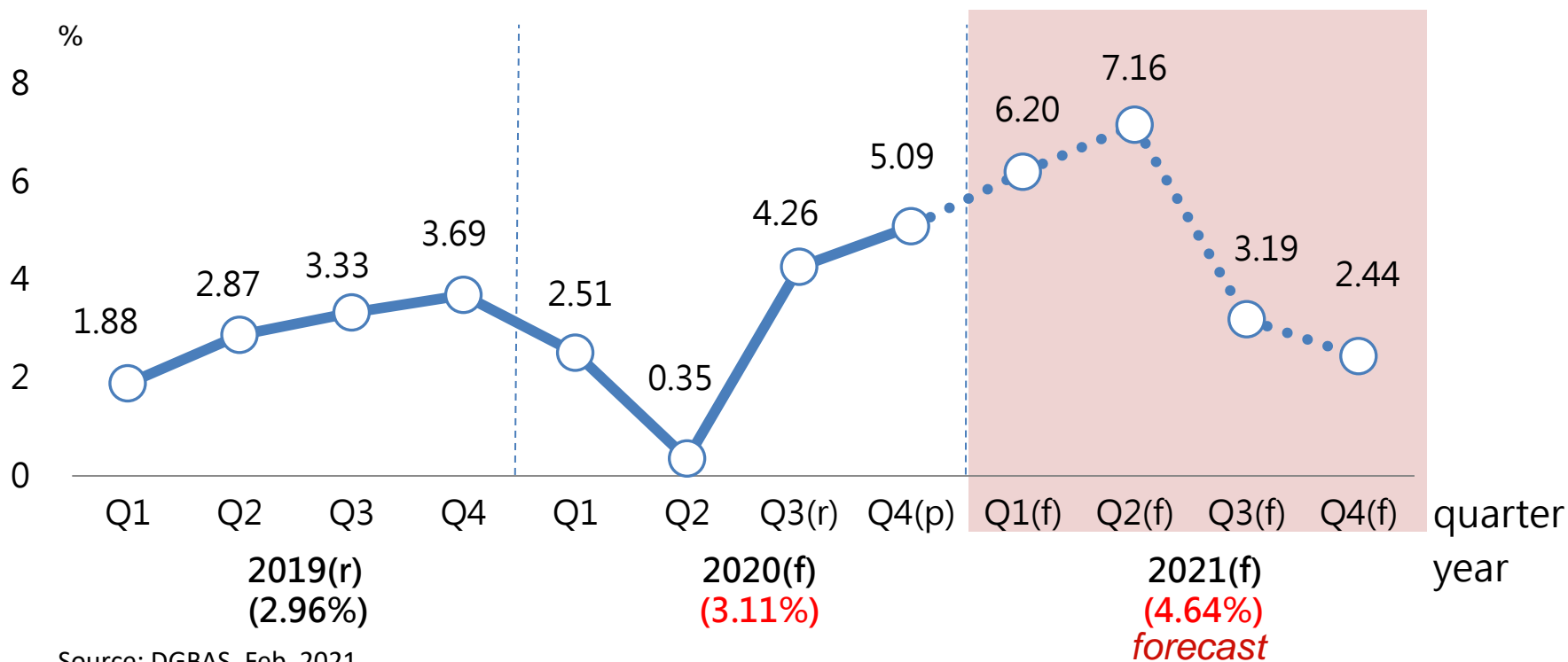
## **IV. PROSPECTS FOR 2021**



# The Economy Will Remain Stable

- In February 2021, DGBAS revised its projection for GDP growth upward to 4.64% (from 3.83%) for 2021, as exports turned out much stronger than expected.

Quarterly GDP Growth Rate (YoY)



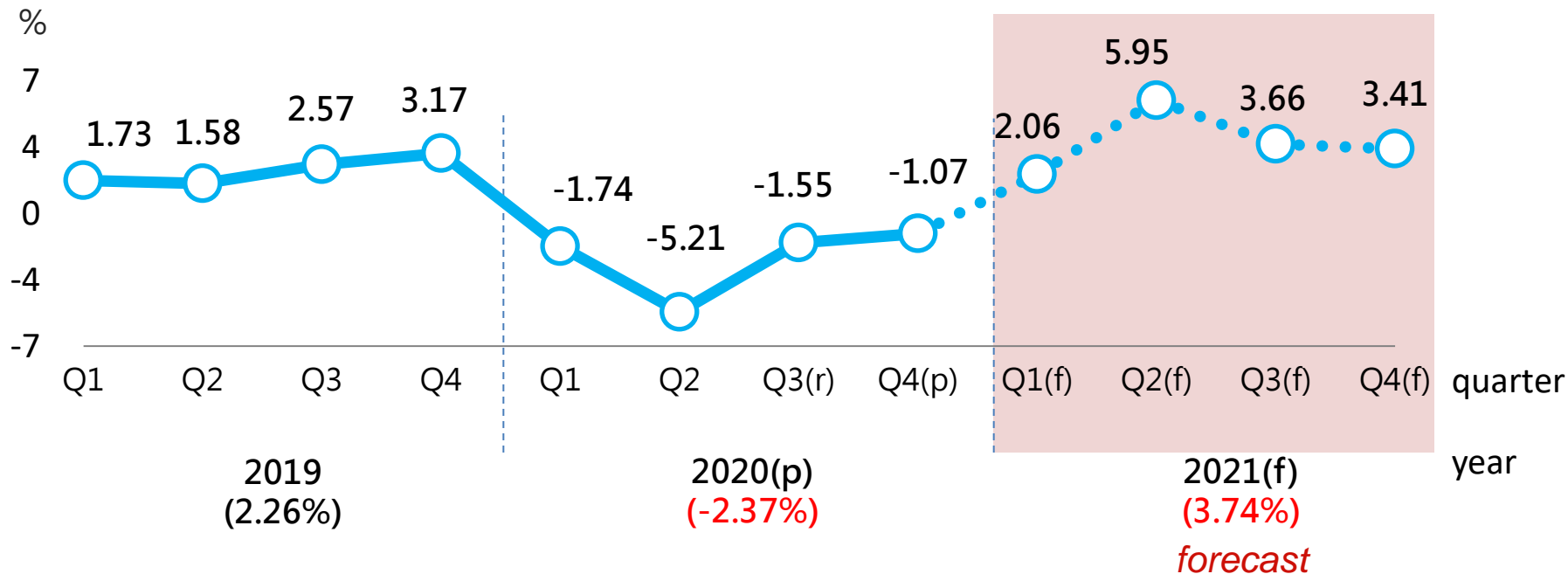




## Private Consumption Recovery

- In 2020, real private consumption contracted 2.37%, however, it will rise by 3.74% in 2021, amounted to over NT\$10 trillion, supported by the stable labor market, the wealth effect owing to the surging stock market, and the low base effect due to the pandemic.

The Growth Rate of Private Consumption (y/y)



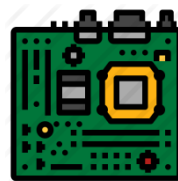
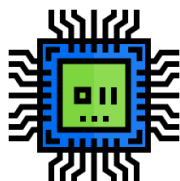


# Investment Expected to Remain Robust

- The growth rate of fixed investment is expected to grow by 3.50% in 2021.



Reshoring Taiwan's overseas companies



Accelerating investment of semiconductor industry



Investment in 5G infrastructure, 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
2019	10.17	11.00	8.35	1.75
2020 (p)	4.96	3.23	7.30	28.06
2021 (f)	3.50	3.91	1.01	3.43
Q1 (f)	1.49	2.27	-6.94	7.58
Q2 (f)	4.25	5.70	1.58	-8.37
Q3 (f)	4.32	4.69	1.55	5.06
Q4 (f)	3.81	2.98	4.72	9.27



# Exports Gain Momentum

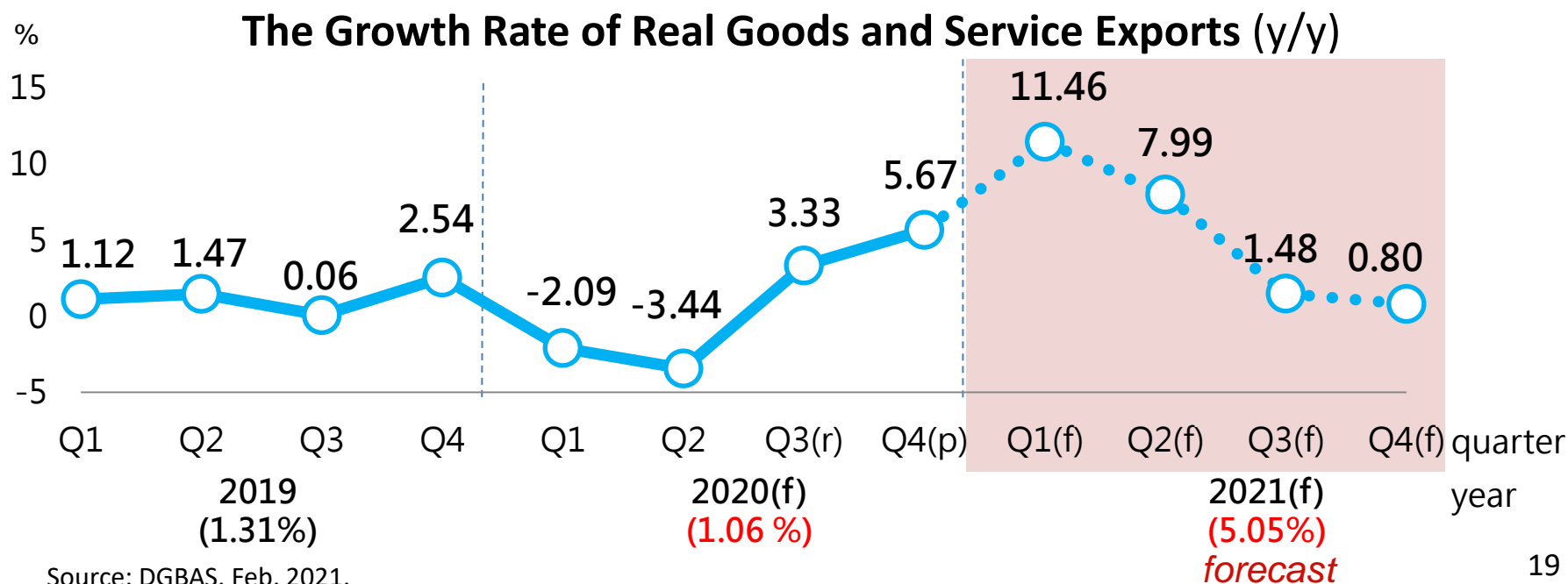
- In 2021, real exports of goods and services are forecast to grow by 5.05%, due to the rebound of the global trade and rising domestic production capacity.



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



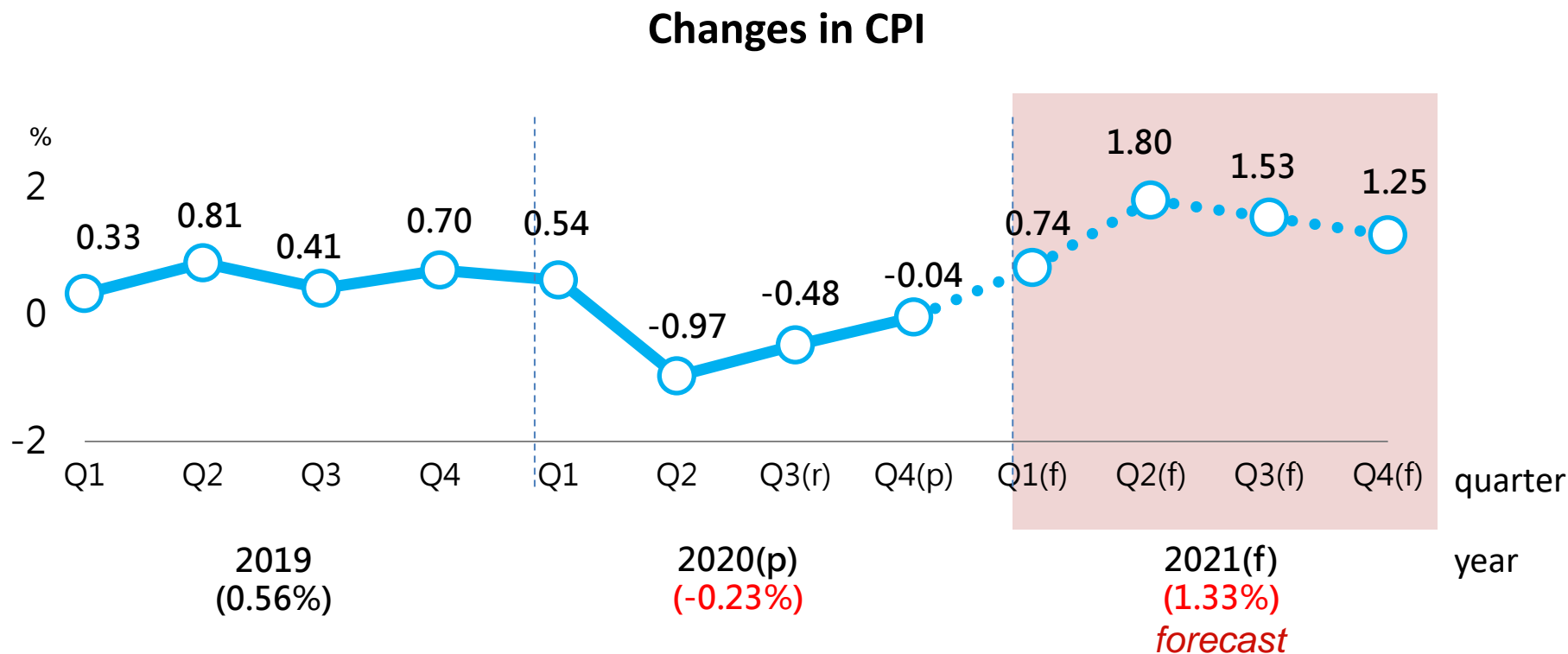
Reducing tourists due to  
border controls





# Inflation Rate Remains Stable

- The consumer price index (CPI) is projected to grow by 1.33% in 2021, revised upward by 0.17 percentage points, mainly reflecting the international crude oil prices and domestic consumer demand will both rebound.





## Forecasts for Taiwan's Economy

	Real GDP (yoy,%)		Consumer Price Index (yoy, %)	
	2020	2021 <sub>f</sub>	2020	2021 <sub>f</sub>
<b>DGBAS (2021.2)</b>	3.11	4.64	-0.23	1.33
<b>CBC (2021.3)</b>		4.53		1.07
<b>TIER (2021.1)</b>		4.30		1.00
<b>CIER (2020.12)</b>		3.73		0.83
<b>TRI (2020.12)</b>		3.53		1.23
<b>IHS Markit (2021.3)</b>		4.5		1.10
<b>ADB (2020.12)</b>		3.3		1.1
<b>IMF (2020.10)</b>		3.2		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

- **Constantly Export-driven Economic Growth**

- With the continuously strong foreign demand for new technological applications thanks to stay-at-home economy and digital transformation, DGBAS anticipates that exports can grow by 11.46% and 7.99% in 2021 Q1 and Q2, respectively. Thereby the 2021 annual GDP growth is forecast to grow by 4.64%.

- **Paving the Way for Future**

- It is vital to enhance economic resilience to cushion exogenous shocks, so the government agencies are conducting comprehensive policies packages such as *Promotion of Six Core Strategic Industries*, with the aim of consolidating fundamentals and accelerating economic development.



Thank you