



TAIWAN'S ECONOMIC SITUATION AND OUTLOOK



June 2021

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 robustly grow by 8.92% in 2021 Q1, mainly driven by strong foreign demand for digital and terminal devices stimulated by the steady recovery of global economy.
- However, due to the surge in COVID-19 local transmission cases from the outbreak in mid-May, domestic consumption is inhibited by level 3 control measures.
- If the pandemic can be controlled by Q3 of the year, since the manufacturing sector is less affected and numerous relief policies have taken effect, Taiwan's economy is still expected to grow by over 5%.

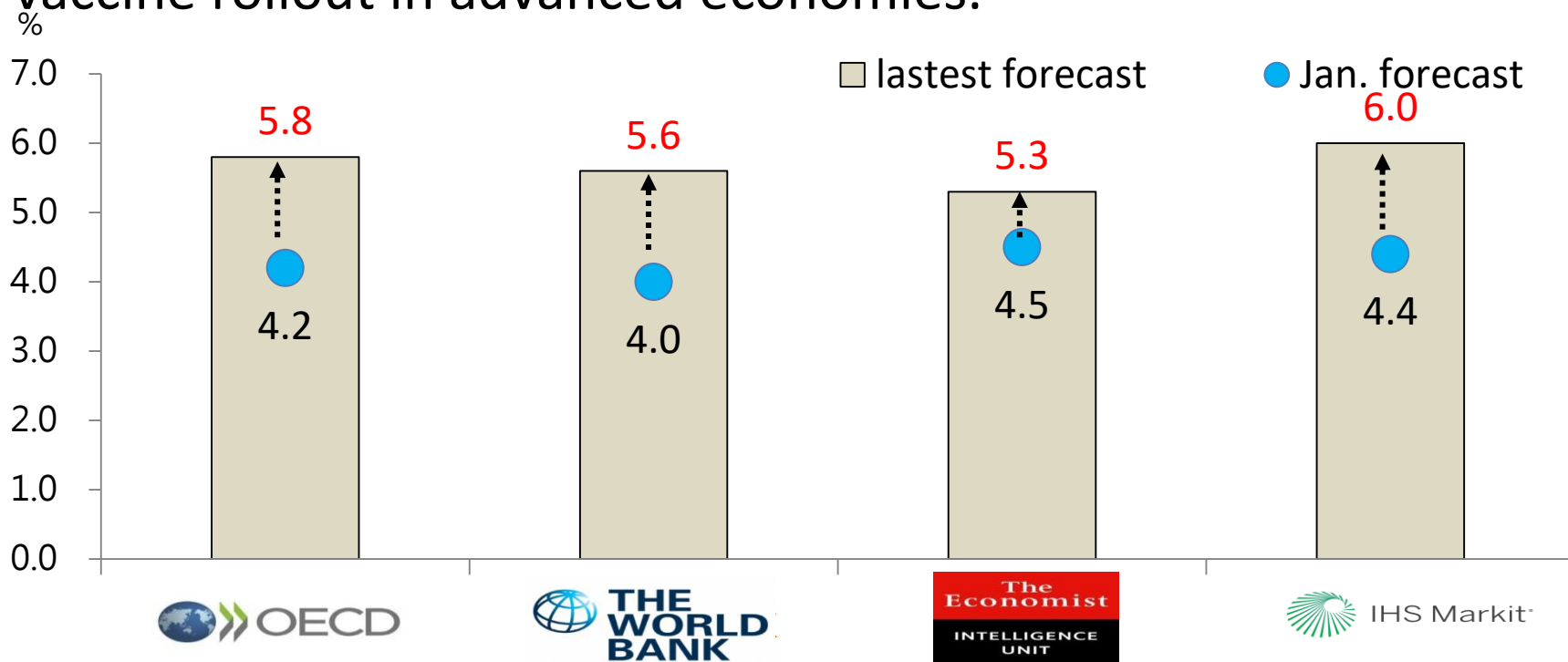


II. Global Economic Situation and Outlook



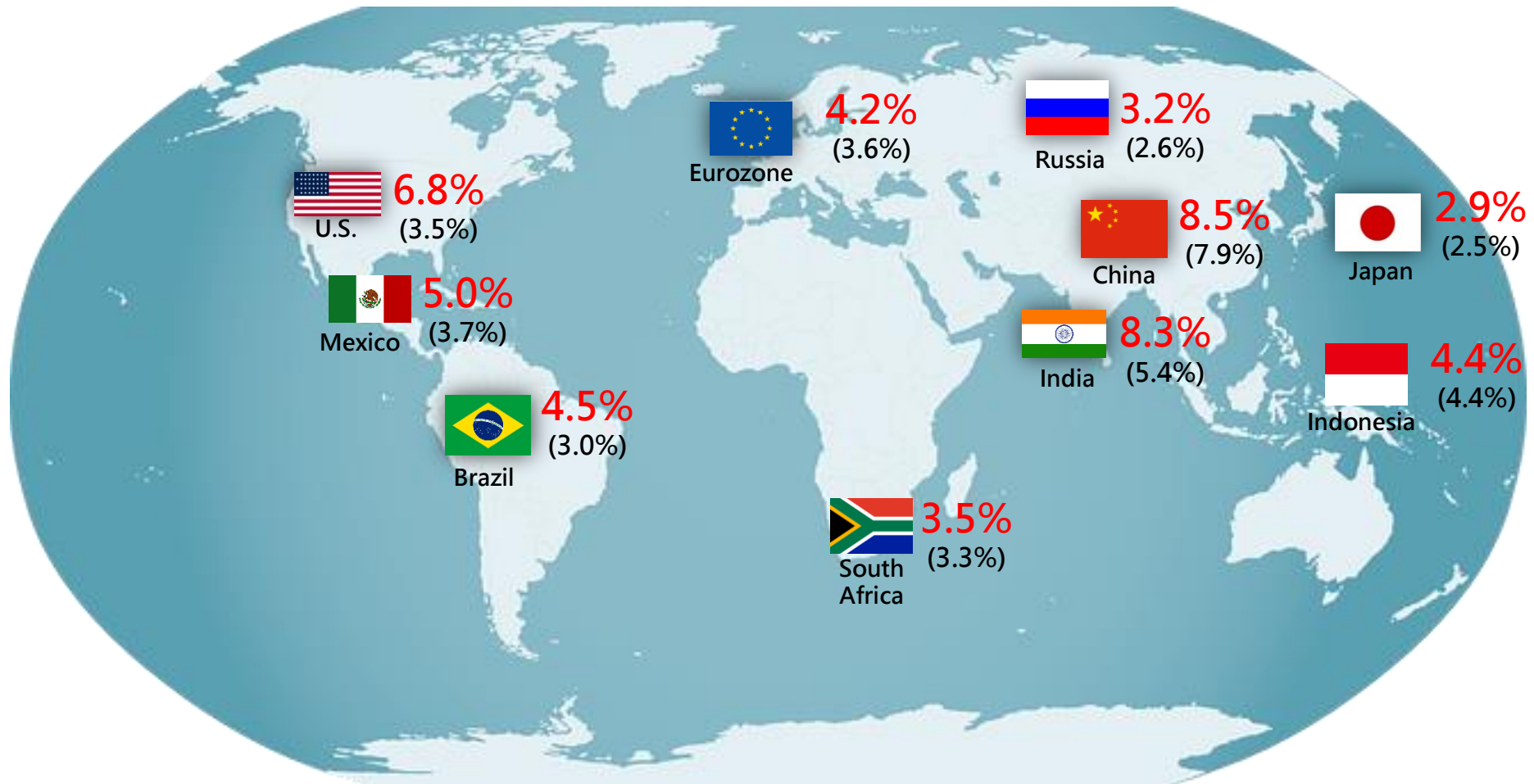
Upwardly-Revised Growth in 2021

- The OECD, World Bank, EIU and IHS Markit revised the global economic growth rate upwards to 5.8%, 5.6%, 5.3% and 6.0% for 2021, respectively.
- Business activities have gradually recovered after ubiquitous vaccine rollout in advanced economies.



Source : 1.OECD, “OECD Economic Outlook,” May 31, 2021. (compared to the forecast of December 2020)
2. World Bank, “Global Economic Prospects,” Jun. 8, 2021.
3. EIU, “Global outlook summary,” Jun. 15, 2021.
4.IHS Markit, “World Overviews,” Jun. 17, 2021.

Positive GDP Growth Forecasts for Large Economies

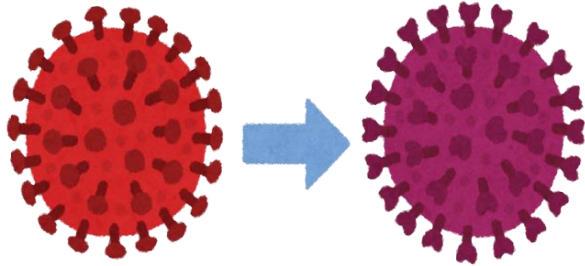


Note: Numbers in parentheses represent the forecast of January 2021.

Source : World Bank, *Global Economic Prospect*, Jun. 8, 2021.



Uncertainties Still Haunt the World



Threats of Mutated Virus

The Delta COVID-19 variant has rapidly spread around the world. Recent surges in cases in the UK postponed the ban-lifting schedule.

Concerns about Inflation Surge

There has been a persistent rise in the price of commodities. With the peak in container freight, the overall increase in prices has cast a shadow on the global economy.



Uneven Vaccine Rollout

Although the advanced economies are enjoying recovery of business activities after widespread vaccination, some other countries still can't lift restrictions due to insufficient number of vaccines.

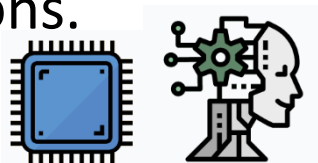


III. Current Domestic Economic Situation



Foreign Trade Continues to Increase

- In June 2021, Taiwan's total exports increased by 35.1% year-on-year, buoyed by robust demand for all product categories from major countries that have been reopening their economies, together with the increasing demand for emerging technology applications.



Parts of electronic product

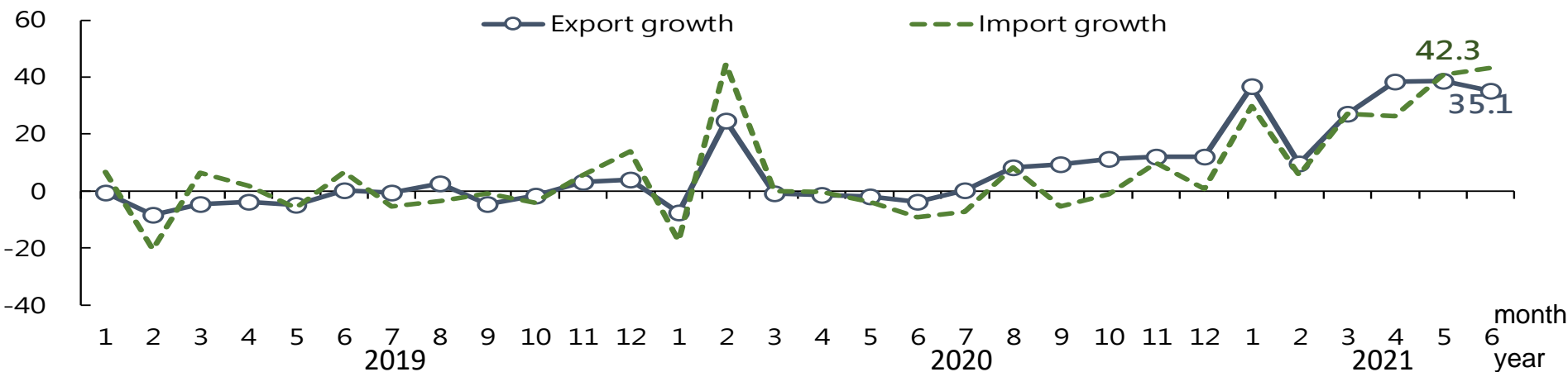
+29.8%



Information, communication and audio-video products **+22.5%**

y/y, %

The Growth Rate of Exports and Imports



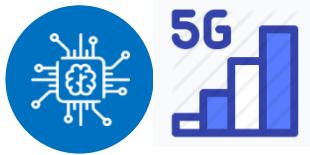
Note: Since FY 2016, the general trade system has been applied for the compilation of external trade statistics, and the historical data has been revised to FY 2001.

Source: Ministry of Finance, Jul. 2021.



Industrial Production Continues to Strengthen

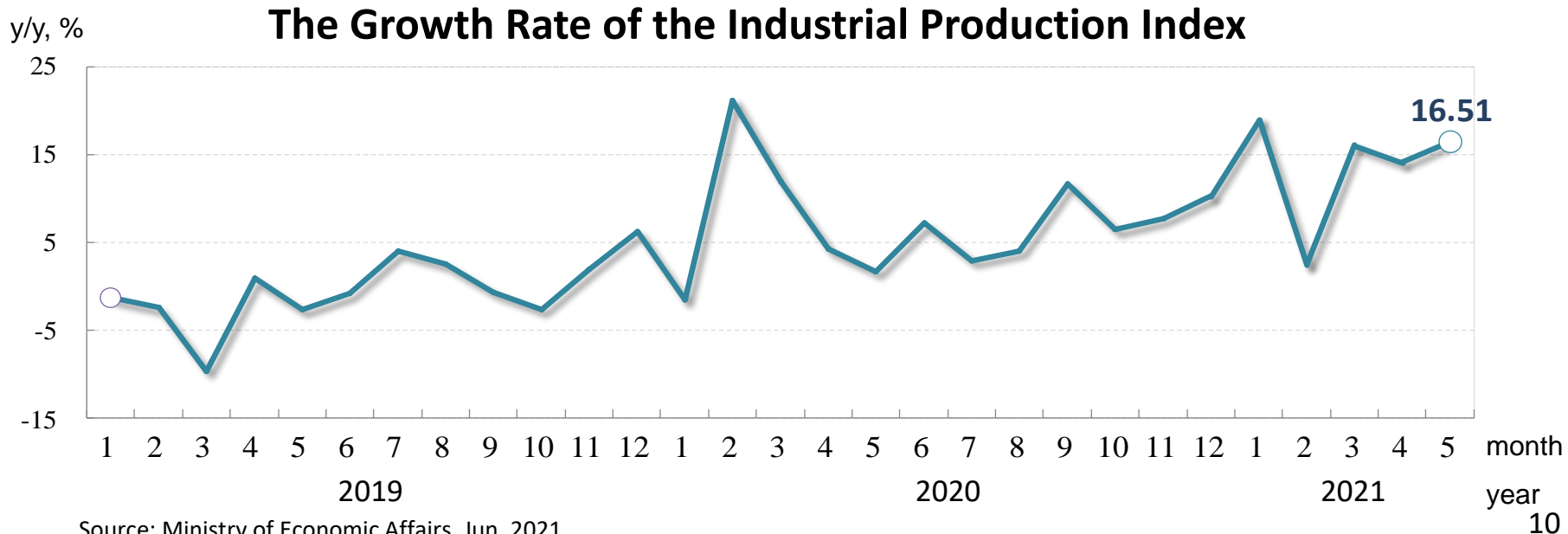
- The Industrial Production Index (IPI) reported an annual increase of 16.51% in May 2021, rising for the 16th consecutive month, as demand in the tech and traditional sectors remained bullish.



Electronic parts
and components **+14.71%**



Computers, electronic &
optical products **+10.14%**



Source: Ministry of Economic Affairs, Jun. 2021.

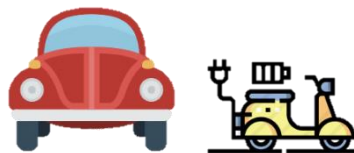


Retail Trade Increases Slightly

- In May 2021, due to the new wave of COVID-19 in Taiwan since mid-May, retail trade sales only increased by 2.8% year-on-year.



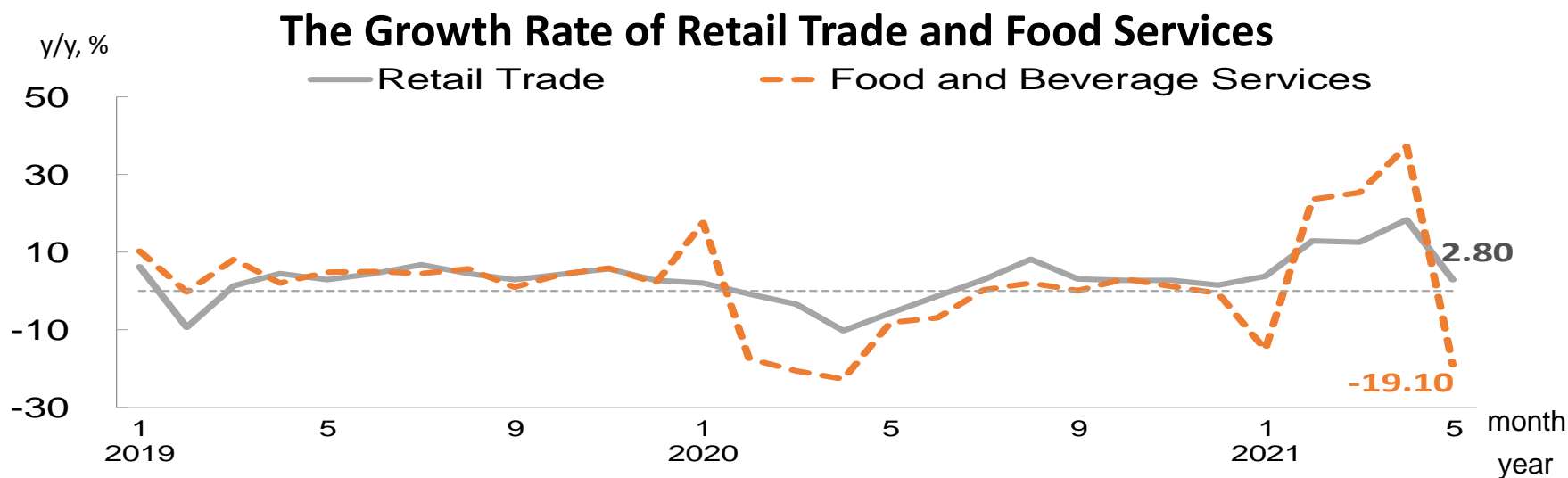
General merchandise stores **+0.4%**



Motor vehicles and motorcycles **+5.6%**

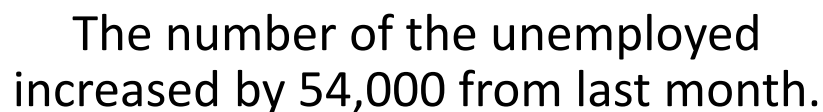


Retail sale via mail order houses or internet **+27.1%**





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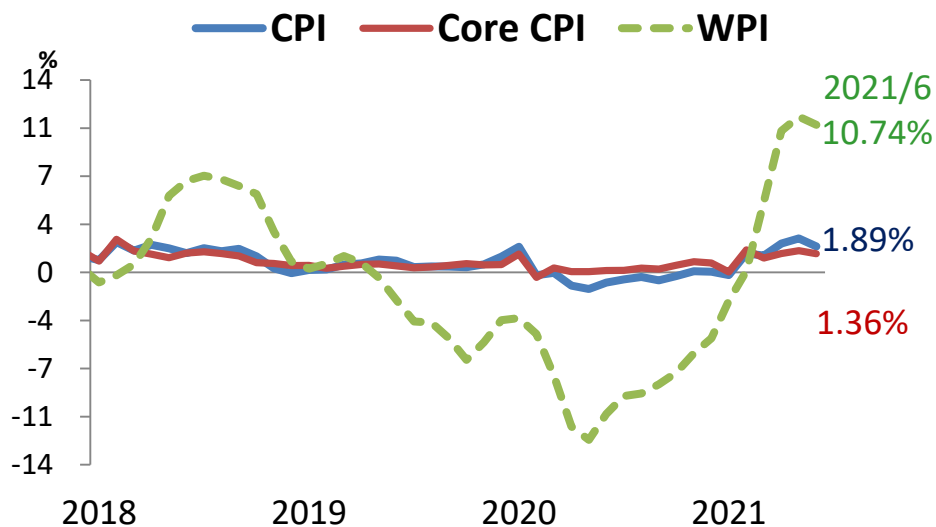
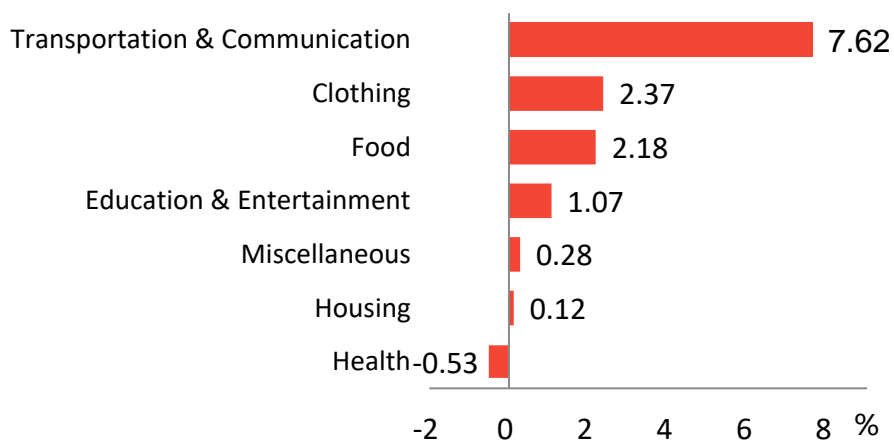




Inflation Rose Moderately

- The CPI rose 1.89% year-on-year in June 2021, mainly because the index for fuels and lubricants rose 27.78% due to a relatively lower comparison base, and the index for transportation fees also rose 15.00% due to the increase in airfares.
- However, the COVID-19 relief measure to suspend the summer increase in the electricity rate helped take the pressure off inflation. The core CPI increased 1.36%.
- The WPI in June 2021, compared with the same month of 2020, increased 10.74%.

The Annual Changes of Consumer Price Indices

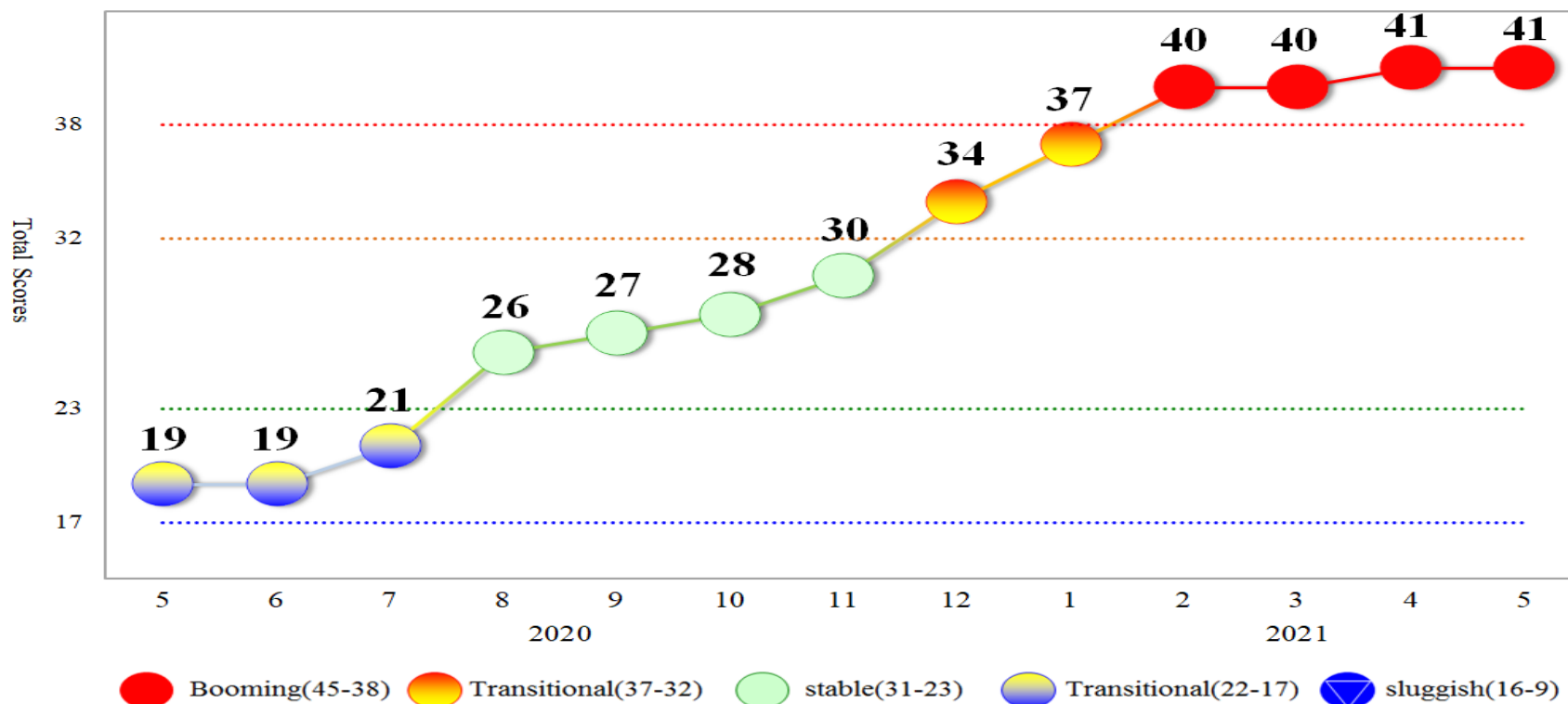




Monitoring Indicators Flash “Red” Signal

- In May 2021, the overall monitoring indicator continued to flash the “red” signal, the total score same as the last month is 41.

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

Source: NDC, Jun. 2021.

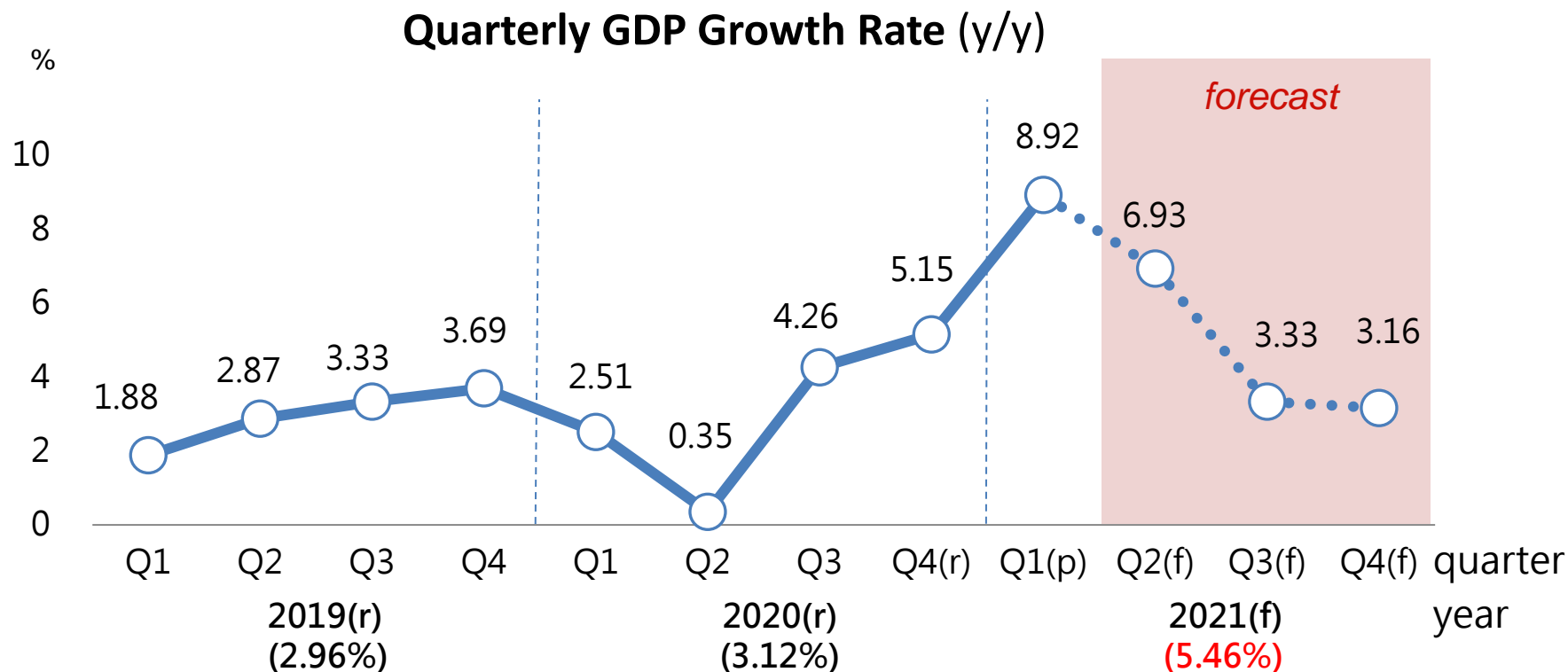


IV. PROSPECTS FOR 2021



The Economy Will Remain Stable

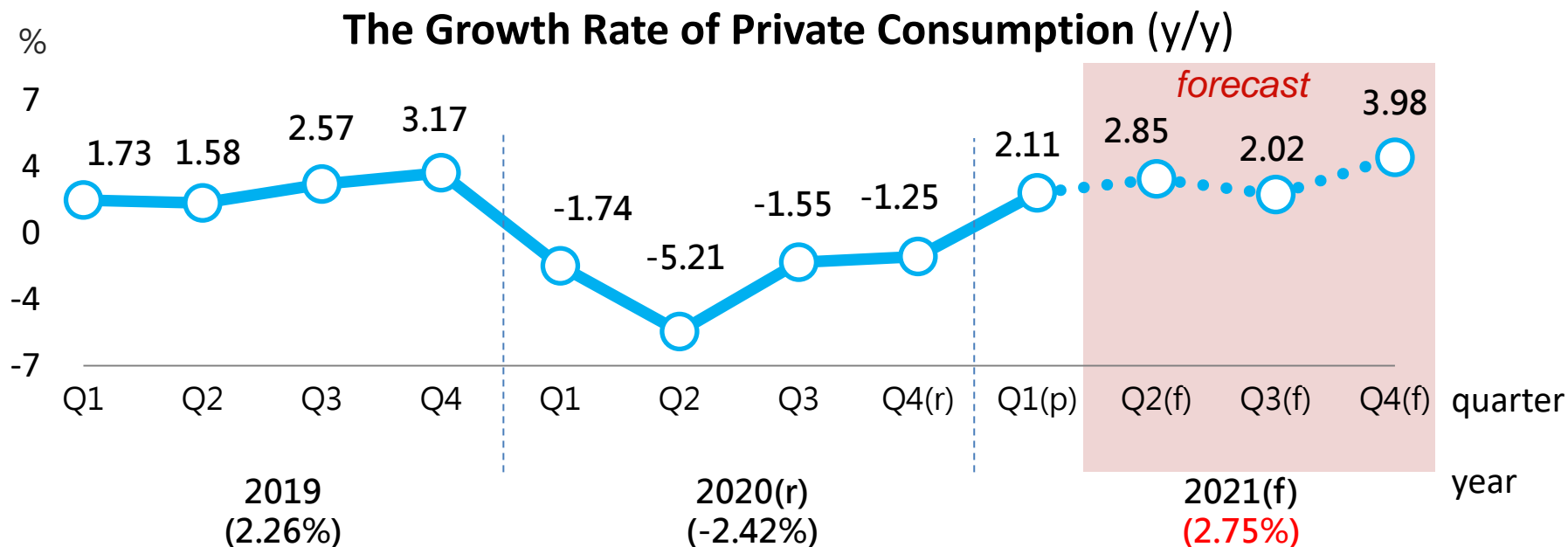
- The new wave of COVID-19 since mid-May 2021 has temporarily had a severe impact on Taiwan's economic activities. With government's promoting of control measures to tackle rising new COVID-19 cases, it is assumed it will be contained in 2021Q3. Taiwan's export-related manufacturing activities are affected only to a limited degree.
- According to the latest DGBAS forecast, the real GDP is projected to grow by 5.46% in 2021.





Private Consumption Hit by the Epidemic

- Real private final consumption, expanded by 2.11% in 2021Q1, reversing the decline of 4 consecutive quarters, mainly reflecting the strong growth of residents' domestic consumption, partly due to the wealth effect of the stock market.
- In 2021, real private consumption is expected to grow by 2.75%, supported by the stable labor market, the emergence of touchless services, such as online shopping and food delivery, and the effect of a low base due to the pandemic. However, banning group activity and other COVID-19 control measures might severely dampen consumer spending in the short run.



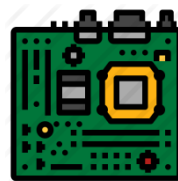
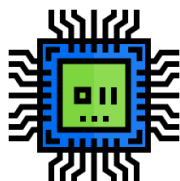


Investment Expected to Remain Robust

- The growth rate of fixed investment is expected to grow by 7.71% 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 (r)	4.52	2.78	6.79	28.14
2021 (f)	7.71	9.10	-0.53	6.60
Q1 (p)	11.92	13.70	-8.63	28.89
Q2 (f)	5.99	8.43	-1.74	-9.45
Q3 (f)	5.24	6.00	-0.31	6.30
Q4 (f)	7.91	8.34	4.81	9.93



Exports Gain Momentum

- In 2021, real exports of goods and services are forecast to grow by 15.44%, due to the resurgence of global trade and rising domestic production capacity.

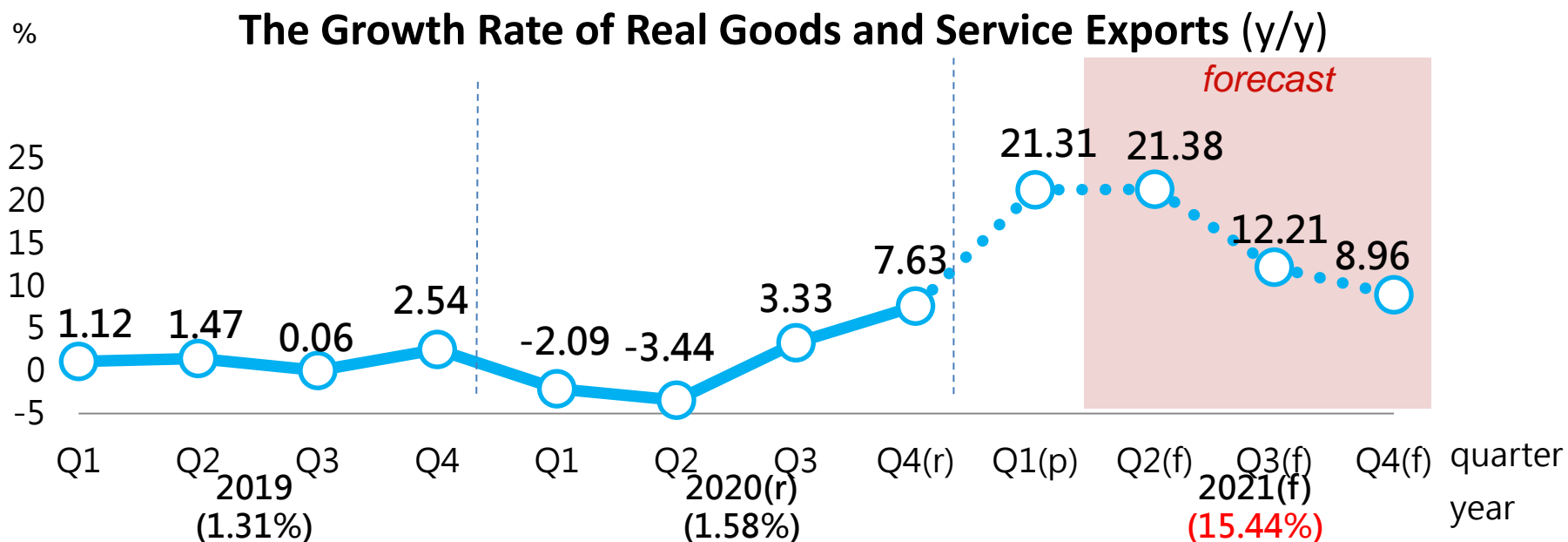


Emerging demand for new technological applications (5G, IOT and high performance computing)



COVID-19

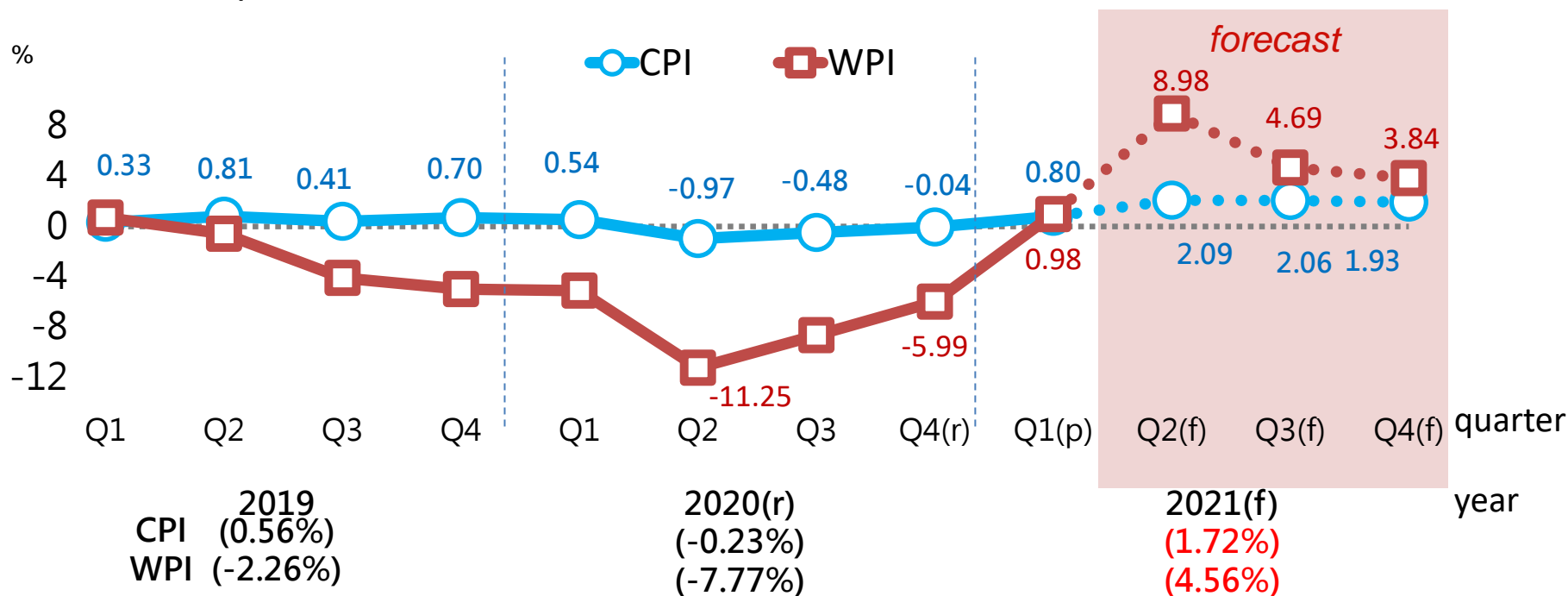
Recent events might bring new orders to Taiwan's manufacturers (Texas-Freeze, Indian COVID-19 pandemic and Biden's infrastructure plan)





Inflation Rate Remains Stable

- With the continuing rise in international oil and raw material prices, the WPI is expected to increase by 4.56% in 2021, an upward revision of 3.9 percentage points from February's forecast.
- On the CPI side, it is forecast to increase by 1.72%, revised upward 0.39 percentage points from February, mainly reflecting rising crude oil and raw material prices.





Forecasts for Taiwan's Economy

	Real GDP (yoy,%)		Consumer Price Index (yoy, %)	
	2020	2021 _f	2020	2021 _f
DGBAS (2021.6)	3.12	5.46	-0.23	1.72
CBC (2021.6)		5.08		1.60
TIER (2021.4)		5.03		1.30
CIER (2021.4)		4.80		1.31
IHS Markit (2021.6)		5.8		1.73
ADB (2021.4)		4.6		1.1
IMF (2021.4)		4.7		0.9

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;; IMF = International Monetary Fund.

2. f = forecast



V. CONCLUSION

- Major institutions such as the OECD, World Bank, EIU and IHS have revised their forecasts for global economic growth for 2021 upwards, reflecting the strong recovery of the global economy. However, caution is still needed as some threats in the form of mutated virus, uneven vaccine rollout and surging prices of international raw materials remain.
- On the domestic side, according to the latest DGBAS forecast, real GDP is projected to grow by 5.46% in 2021. Despite the COVID-19 outbreak and soft lockdown measures imposed mid-May, the global economic scene grew more favorable for exports and private investment.
- To expedite assistance amid the latest COVID-19 wave, the government approved a NT\$259.5 billion expansion to the COVID-19 relief program known as “Relief Package 4.0”, including cash relief for qualified individuals, relief funds and loans for individuals and businesses, as well as pandemic subsidies for families with children and relief loans for workers. The package covers individuals, workers, businesses, and households, with the aim of providing comprehensive support.



Thank you