



TAIWAN'S ECONOMIC SITUATION AND OUTLOOK

2022

December 2021

National Development Council



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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 and 2022.
- Real GDP expanded by 4.15% in the fourth quarter of 2021, revised upward 0.14 percentage points from the previous forecast, mainly due to better-than-expected domestic investment. Taiwan's economy is expected to grow by 6.09% in 2021, an 11-year high attributed to increased local investments and a strong export performance.
- As supply chain bottlenecks shows signs of easing, the global economy will keep growing at a steady pace, Taiwan's export and investment will grow continually, and consumption should gradually recover. Taiwan's economy is expected to grow by 4.15% in 2022.



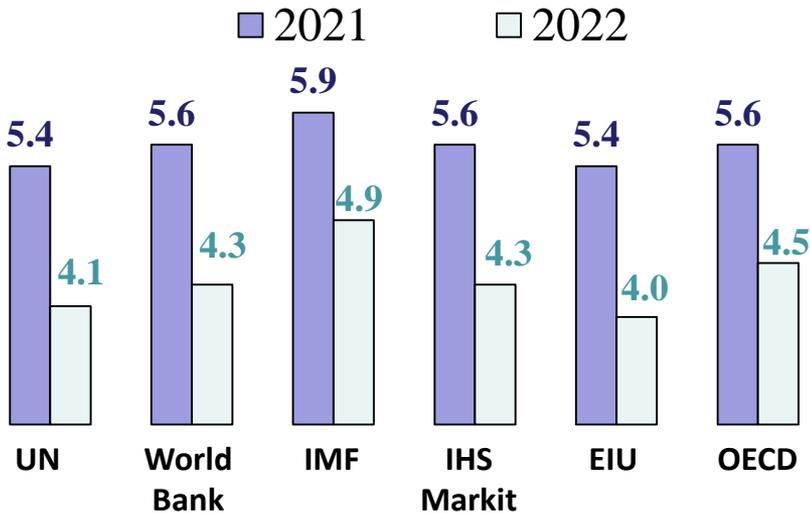
II. Global Economic Situation and Outlook



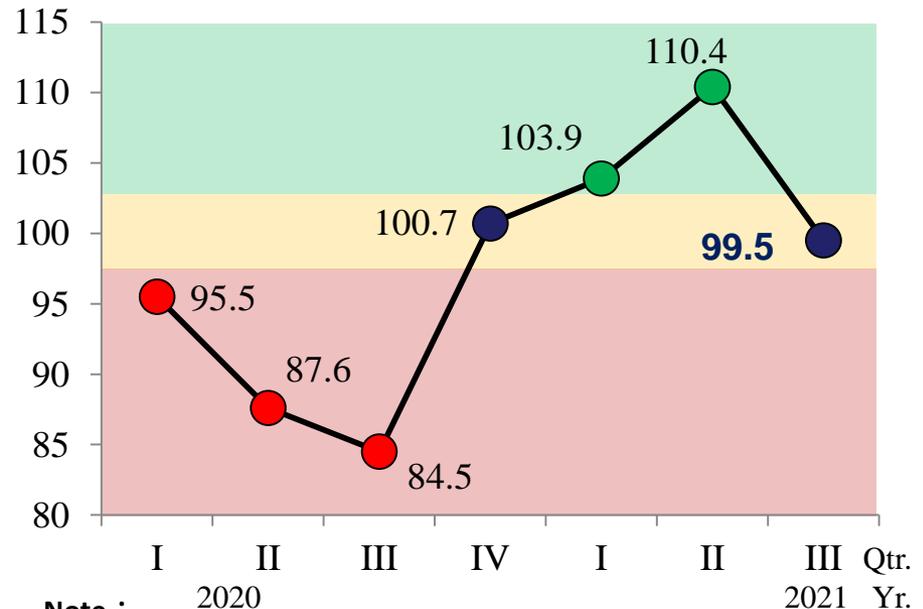
Global Economic Growth and Trade Decelerate

- 2021 global GDP is forecast to grow by over 5%, and it is expected to keep momentum into 2022 at a rate of more than 4%.
- The latest WTO Good Trade Barometer dropped from the peak of 110.4 last quarter, due to supply chain disruption and decrease in new export orders.

Global Economic Growth Forecasts



WTO Good Trade Barometer Trends



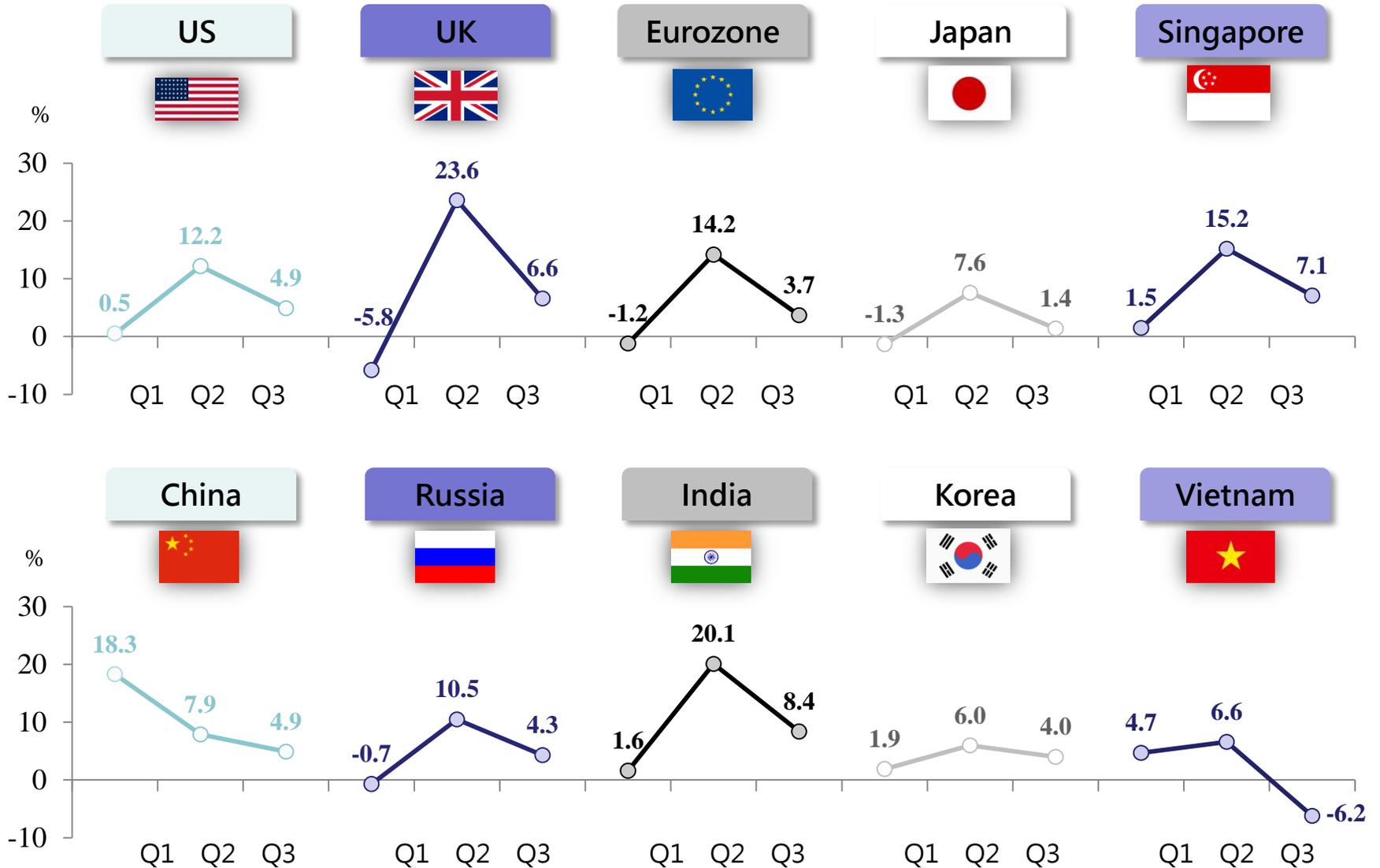
Note :
 Below 97.5: growth substantially below trend.
 Value between 97.5 and 102.5: in line with the medium-term growth trends.
 Above 102.5: growth well above trend.

Source: WTO

Source: United Nations, "World Economic Situation and Prospects as of Mid-2021," May 11, 2021.
 World Bank, "Global Economic Prospects," Jun. 8, 2021.
 IMF, "World Economic Outlook," Oct. 12, 2021.
 IHS Markit, "World Overview," Dec. 15, 2021.
 EIU, "Global Outlook Summary," Dec. 15, 2021.
 OECD, "OECD Economic Outlook," Dec. 1, 2021.



Major Economies Display 2021 Growth Slowdown



Source: Official Websites of Countries/Economic Entity Above



Uncertainties Appear Again

New COVID-19 Variant

The latest variant Omicron has so far been found in 38 countries, causing global panic once more. However, more information is necessary to evaluate its economic impact and risk.

Supply Chain Disruptions

The global logistics crisis due to the pandemic keeps disrupting business activities. Enterprises are forced to pay higher freight charges and endure longer shipments. This turmoil is expected to persist unless the pandemic is controlled.



Threat of Inflation Lingers

Delayed supply, more costly shipments, and robust recovery in demand are a trio of factors that give rise to concerns about inflation. The November CPI growth rate in the U.S. reached 6.8%, the highest for the last 39 years.



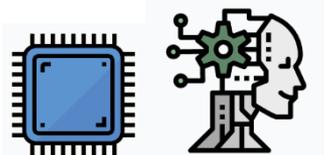


III. Current Domestic Economic Situation



Foreign Trade Continues to Increase

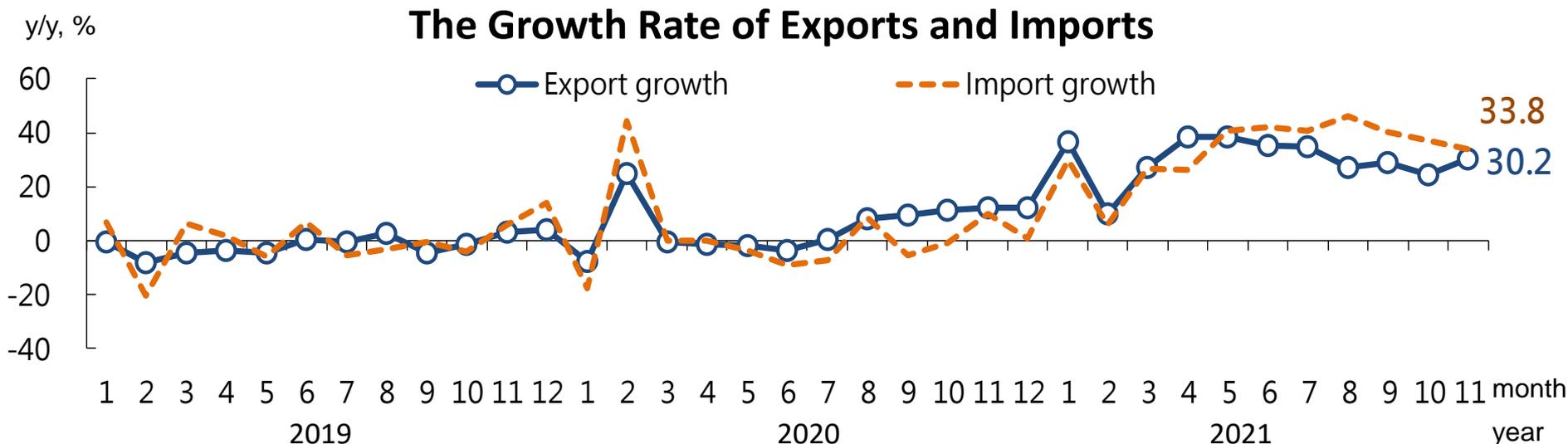
- In November 2021, Taiwan's total exports increased by 30.2% year-on-year, as global recovery propped up demand in almost all product categories.



Parts of electronic product
+26.6%



Information, communication and audio-video products
+19.5%



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, Dec. 2021.



Industrial Production to Grow Modestly

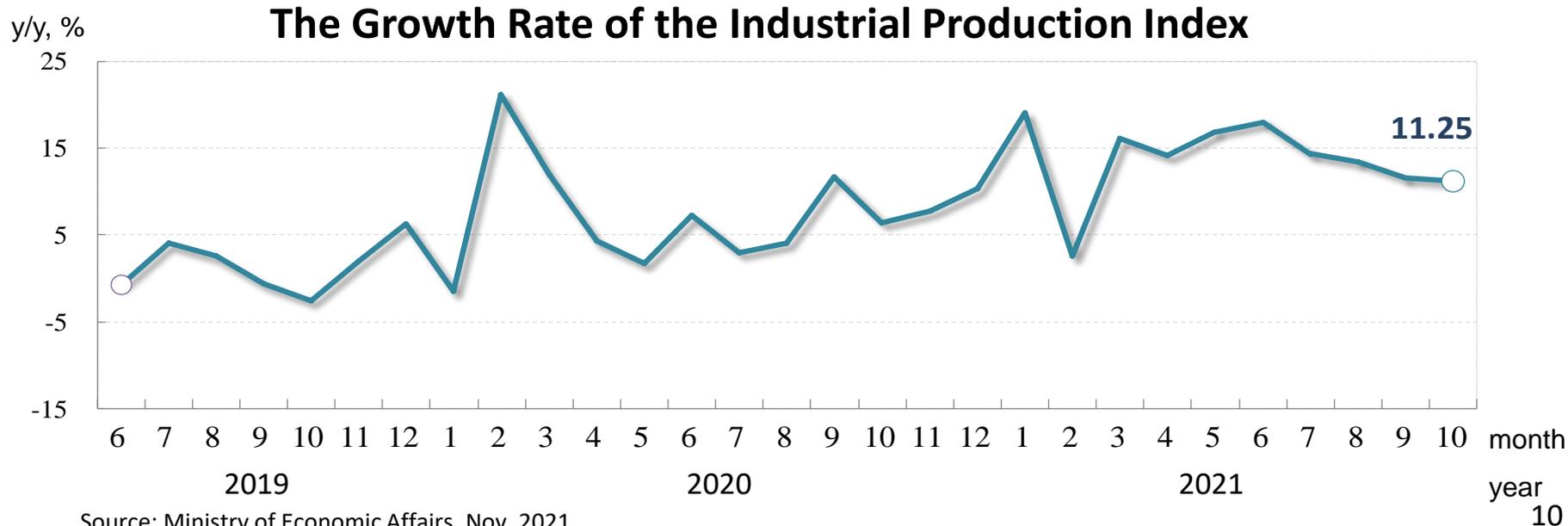
- The Industrial Production Index (IPI) reported an annual increase of 11.25% in October 2021, rising for the 21st consecutive month, as emerging technologies continued to push up demand for tech applications.



Electronic parts
and components **+15.72%**



Machinery & Equipment
+25.05%



Source: Ministry of Economic Affairs, Nov. 2021.

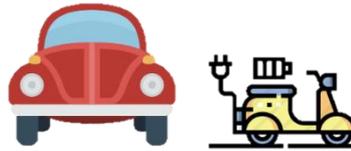


Retail Trade Increases Slightly

- In October 2021, retail trade sales increased by 6.6% year-on-year, marking the second consecutive month of growth, showing the gradual return of private consumption.



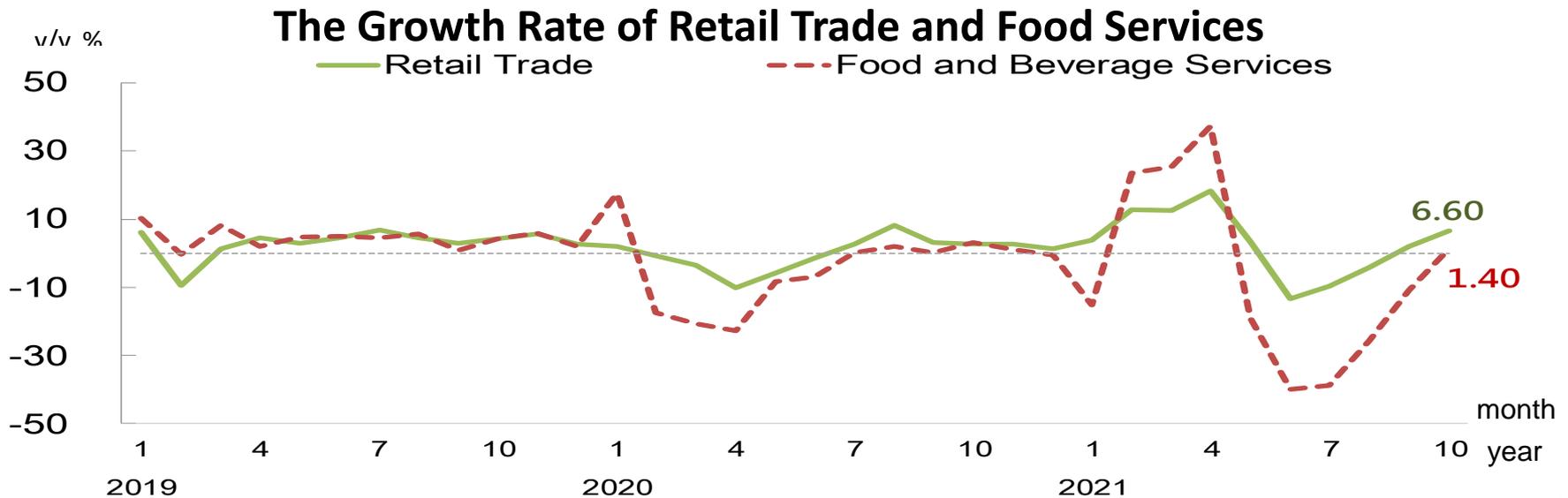
General merchandise stores **+5.4%**



Motor vehicles and motorcycles **-8.1%**



Retail sale via mail order houses or internet **+23.5%**



Source: Ministry of Economic Affairs, Nov. 2021.



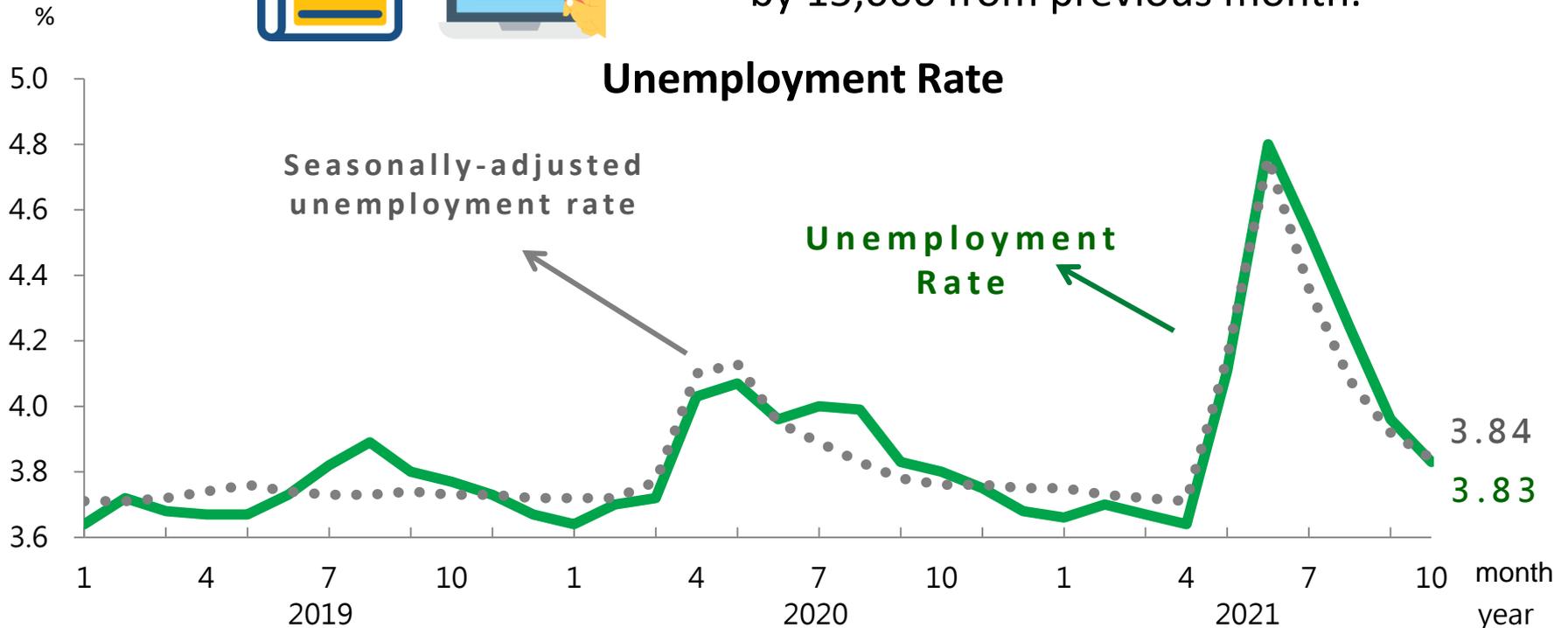
Unemployment Rate Drops Slightly

- The unemployment rate fell by 0.13 percentage points from a month earlier to 3.83% in October 2021, the lowest in almost six months, as the domestic economy continued to recover.



The number of the unemployed decreased by 15,000 from previous month.

Unemployment Rate



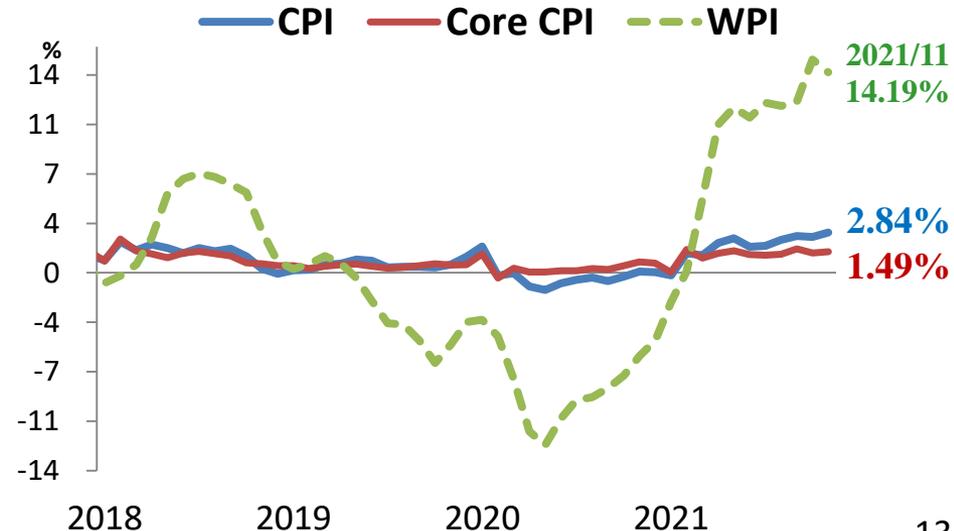
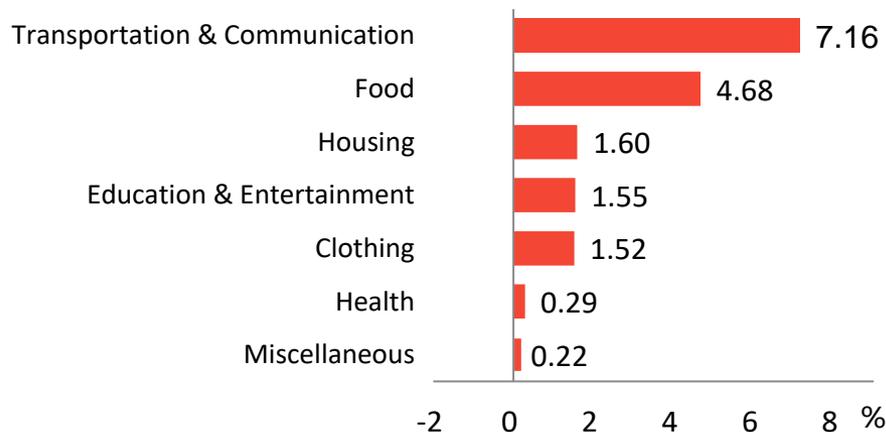
Source: DGBAS, Nov. 2021.



Inflation Rose Moderately

- The CPI rose 2.84% year-on-year in November 2021, mainly because the index for fruit and vegetables rose 24.74% and 12.91% due to agricultural damage caused by heavy rain, and the index for fuel and lubricants also rose 35.8% due to rising oil prices and a relatively lower comparison base. The core CPI rose 1.49%, well below 2 percent.
- For the first eleven months of 2021, the CPI increased 1.91% over the same period of the previous year. The core CPI increased 1.28%.
- The WPI in November 2021 increased 14.19% compared with the same month of 2020. For the first eleven months of 2021, the WPI increased 9.13% over the same period of the previous year.

The Annual Changes of Consumer Price Indices

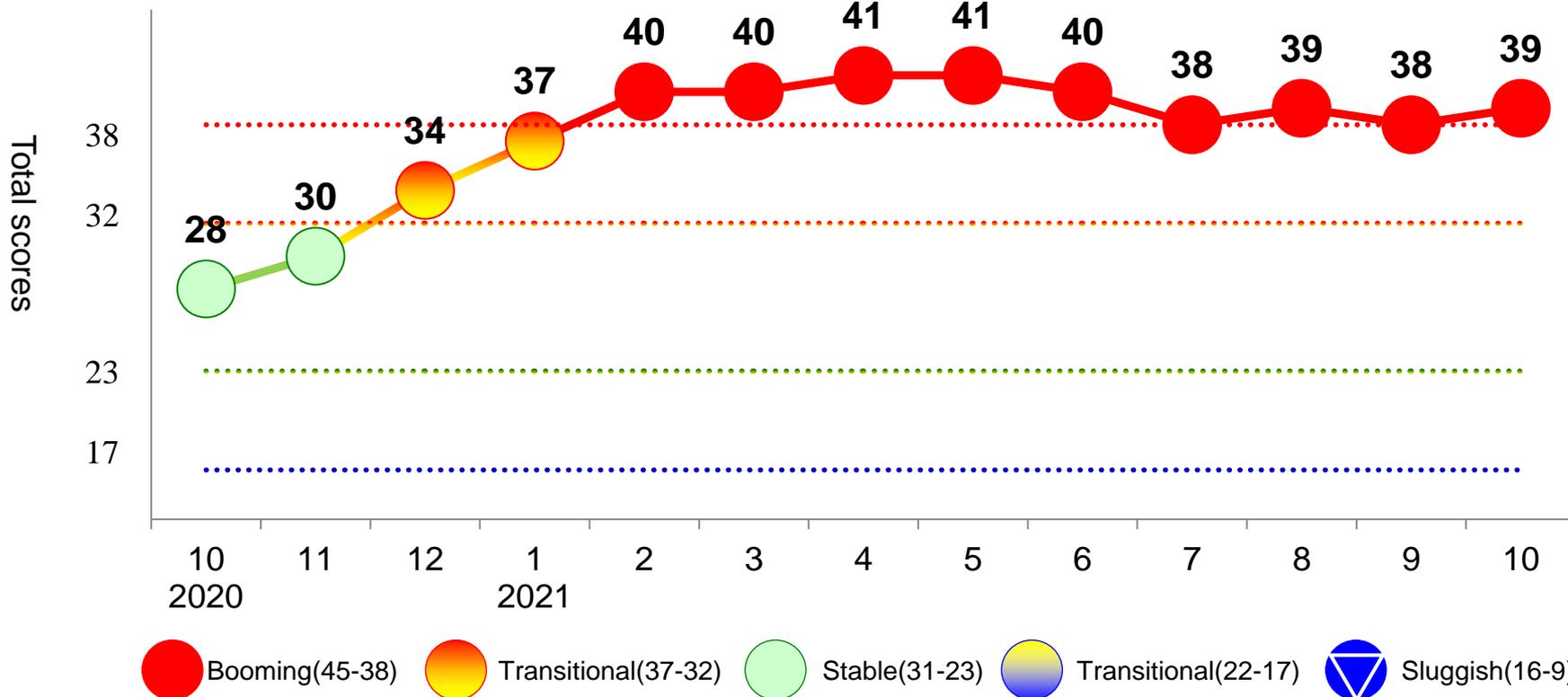




Monitoring Indicators Flash “Red” Signal

- In October 2021, the overall monitoring indicator continued to flash the “red” signal, the total score increased one point to 39.

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, Nov. 2021.



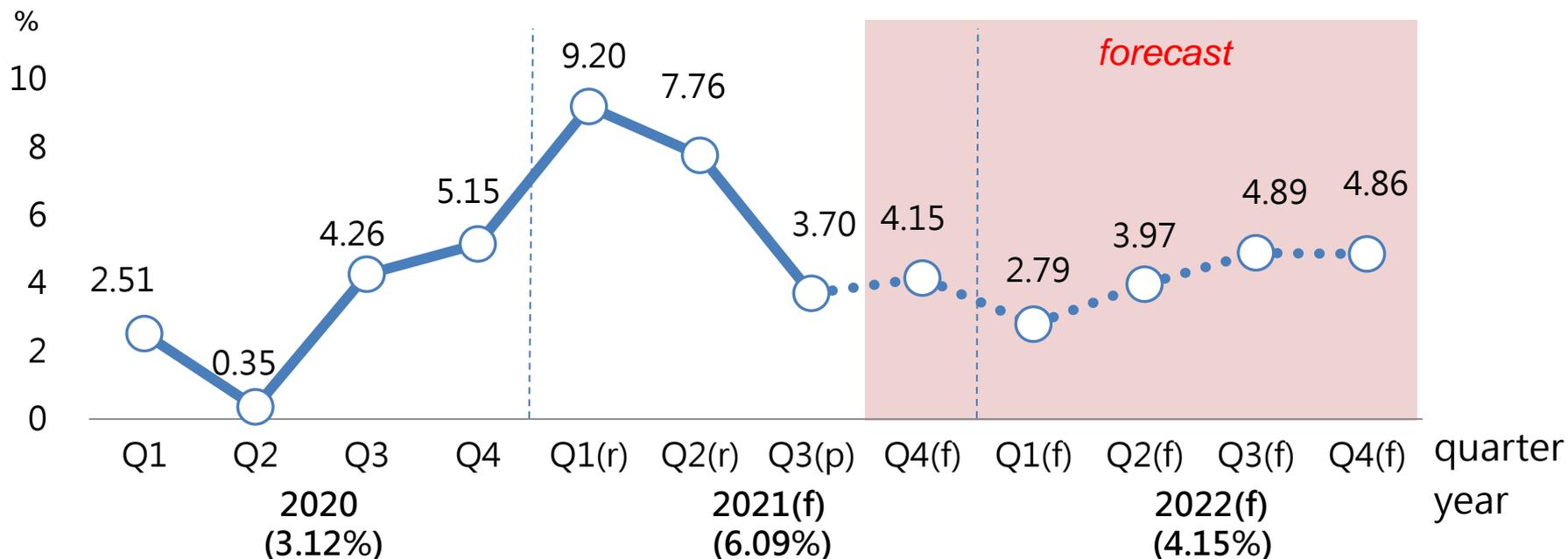
IV. PROSPECTS FOR 2021 AND 2022



The Economy Will Remain Stable

- The effects of the pandemic have been limited domestically and economic activity is increasing as a result. Domestic capacity expansion of semiconductor manufacturers and of reshoring overseas companies concurrently in response to emerging demand for new technological applications, as well as the demand rebound generally associated with global economy recovery, will both support Taiwan's economy. According to the latest DGBAS forecast, the real GDP is predicted to grow by 6.09% and 4.15% in 2021 and 2022, respectively.

Quarterly GDP Growth Rate (y/y)



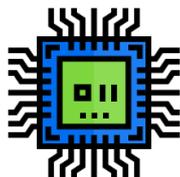


Investment Expected to Grow at a Moderate Path

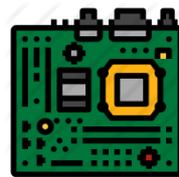
- The growth rate of fixed investment is expected to grow by 14.96% in 2021, slowing to 2.99% in 2022.



Reshoring Taiwan's overseas companies



Accelerating investment of semiconductor industry



Investment in 5G infrastructure, offshore wind energy, airline companies and container shipping companies expanding fleet capacity

The Growth Rate of Each Component of Fixed Investment

Unit: %

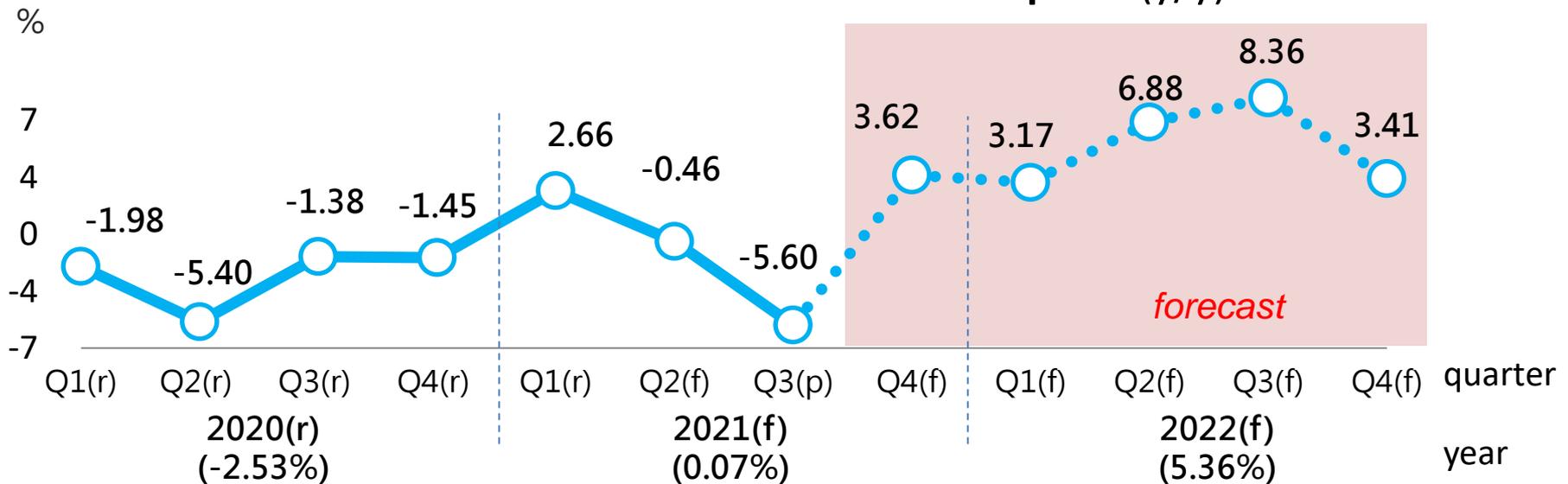
	Fixed Investment	Private Enterprises	Public Enterprises	Government
2019	11.12	12.03	1.63	9.18
2020	5.91	4.53	28.78	6.18
2021(f)	14.96	18.88	6.37	-6.29
Q1 (r)	12.13	13.59	32.76	-7.34
Q2 (r)	13.33	18.90	-19.89	-6.74
Q3 (p)	20.14	24.63	16.54	-9.34
Q4 (f)	14.00	18.20	9.76	-3.17
2022(f)	2.99	2.52	6.42	5.04



Private Consumption Grow Remains Steady

- In 2021, real private consumption is expected to grow by 0.07%, mainly owing to the local pandemic, and the pickup in Q4 amid easing of restrictions and the introduction of the government's stimulus measures.
- However, it will rise by 5.36% in 2022, supported by the steadily growing economy and wage and income increase supported by robust corporation profitability and salary increase measures, and the effect of a low base.

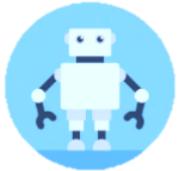
The Growth Rate of Private Consumption (y/y)





Exports Continue to Grow

- As supply chain bottlenecks shows signs of easing, the global economy will keep growing at a steady pace. Taiwan's exports will grow continually, supported by expanding domestic production capacity. Real exports of goods and services are forecast to grow by 16.75% and 3.39% in 2021 and 2022, respectively.

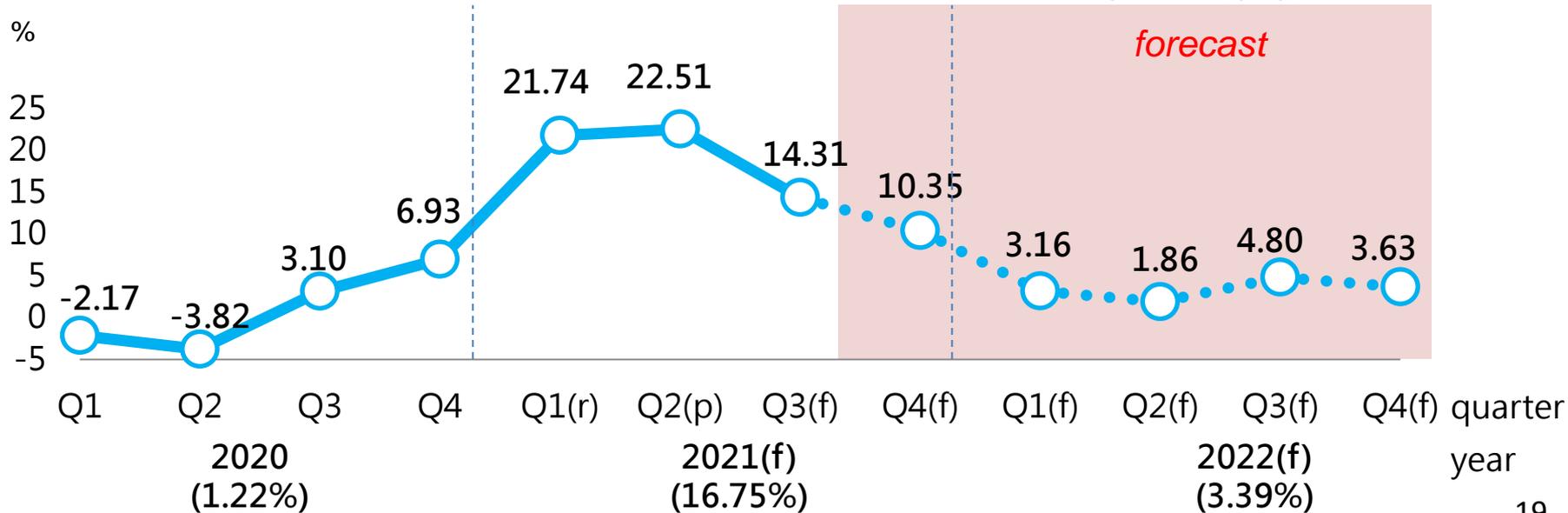


Emerging demand for new technological applications (5G, IOT and high performance computing)



The domestic capacity expansion of semiconductor manufacturers and reshoring overseas companies

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

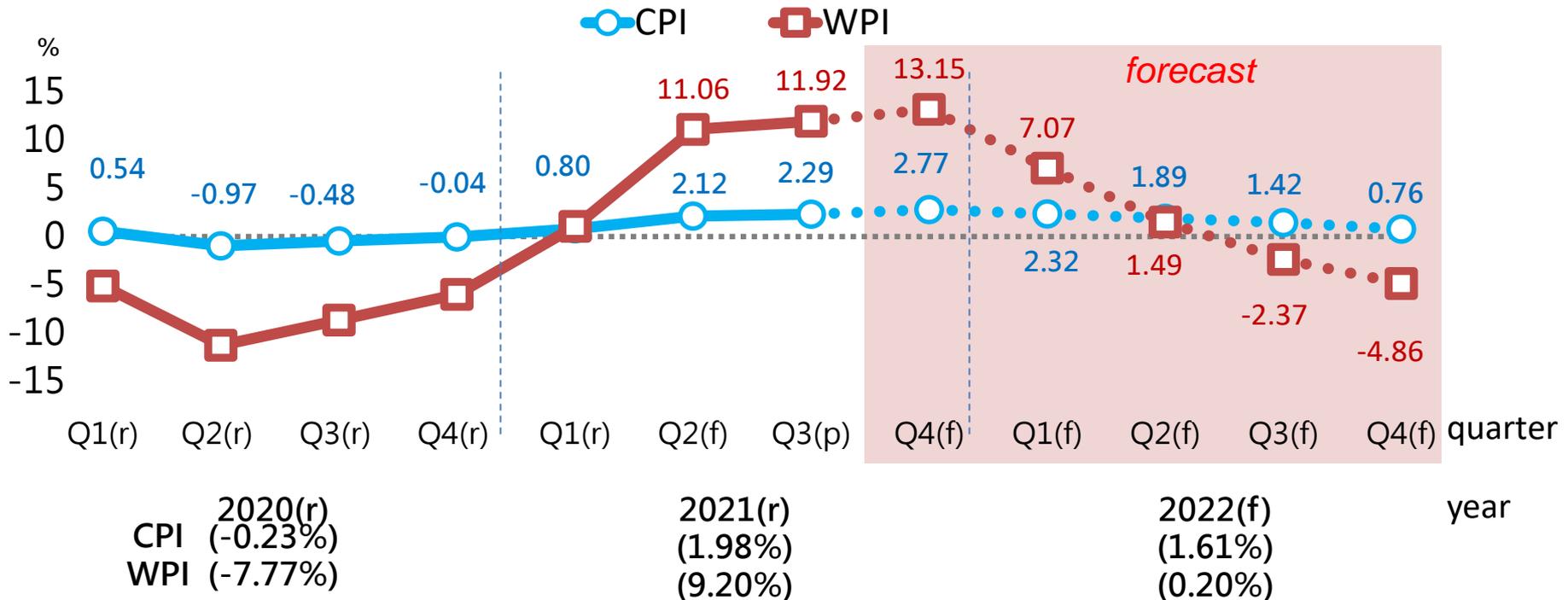


Source: DGBAS, Nov. 2021.



Inflation Rate To Slow Down

- With the continuing rise in international oil and basic metals prices, the WPI is expected to increase by 9.20% in 2021, an upward revision of 1.20 percentage points from August's forecast. However, it will rise by 0.20% in 2022.
- On the CPI side, it is forecast to increase by 1.98% in 2021, revised upward 0.24 percentage points from August, mainly reflecting rising crude oil, raw material and food prices. In 2022, the CPI will slightly rise by 1.61%.





Forecasts for Taiwan's Economy

	Real GDP (yoy,%)		Consumer Price Index (yoy, %)	
	2021 _f	2022 _f	2021 _f	2022 _f
DGBAS (2021.11)	6.09	4.15	1.98	1.61
CBC (2021.12)	6.03	4.03	1.97	1.59
CIER (2021.12)	6.05	3.67	1.90	1.77
TIER (2021.11)	6.10	4.10	1.80	1.52
ADB (2021.12)	6.2	3.0	2.0	1.1
IHS Markit (2021.12)	6.0	3.2	1.99	1.92
IMF (2021.10)	5.9	3.3	1.6	1.5

Note:

1. DGBAS = Directorate-General of Budget, Accounting and Statistics, ROC (Taiwan); CBC = Central Bank of Republic of China (Taiwan); Institute of Economics, Academia Sinica ; 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

- According to IHS Markit's latest forecast, global economic growth will continue, albeit at a moderate pace, over the next three years. The COVID-19 virus remains a source of disruption for regional economies, but its economic impact will diminish with further progress on vaccinations and treatments. Global real GDP is expected to be 5.6% in 2021 and 4.3% in 2022.
- On the domestic side, according to the latest DGBAS forecast, real GDP is projected to grow by 4.15% in 2022, revised upward by 0.14 percentage points from the previous forecast, mainly driven by real private consumption recovery supported by the easing of the COVID-19 situation, gradual easing of restrictions, and improving job conditions. Meanwhile, exports and investment will grow continuingly.
- The main economic institutions forecast that Taiwan's real GDP growth rate for 2022 will be 3.0%-4.15%. Nonetheless, downside risks remain from increasing concerns about Mainland China's recovery, global supply-chain disruptions, the threat of coronavirus variant, and inflation rate.



Thank you