



TAIWAN'S ECONOMIC SITUATION AND OUTLOOK

National Development Council
June 2022



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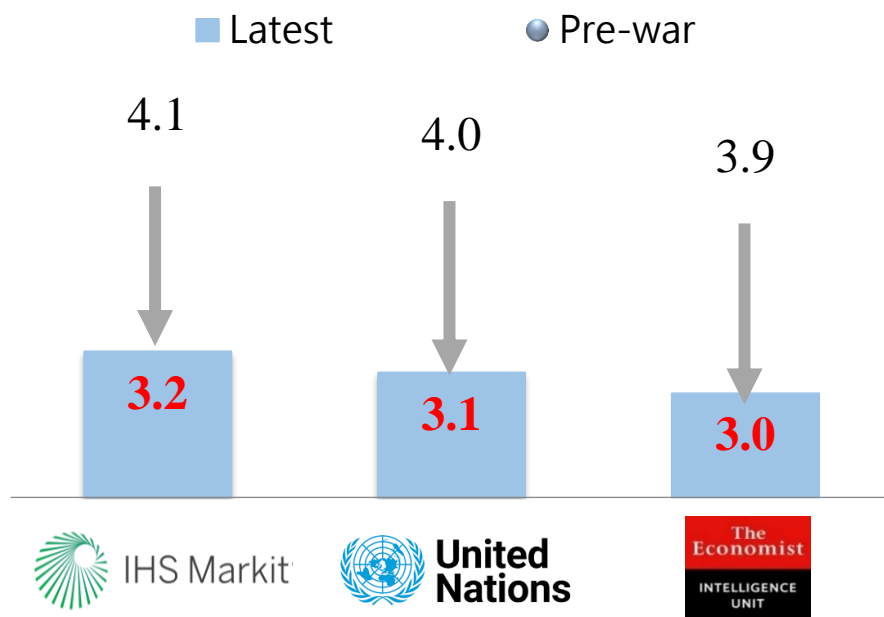


I. Global Economic Situation and Outlook

Global Economic Growth and Trade Decelerate

- 2022 global economic growth forecasts were further revised down due to monetary policies normalization, supply chain disruption of zero COVID measures in China, and concerns over a food crisis.
- The latest reading of WTO Good Trade Barometer, 99.0 is slightly up from the previous quarter, suggesting continued slow growth in trade.

Global Economic Growth Forecasts



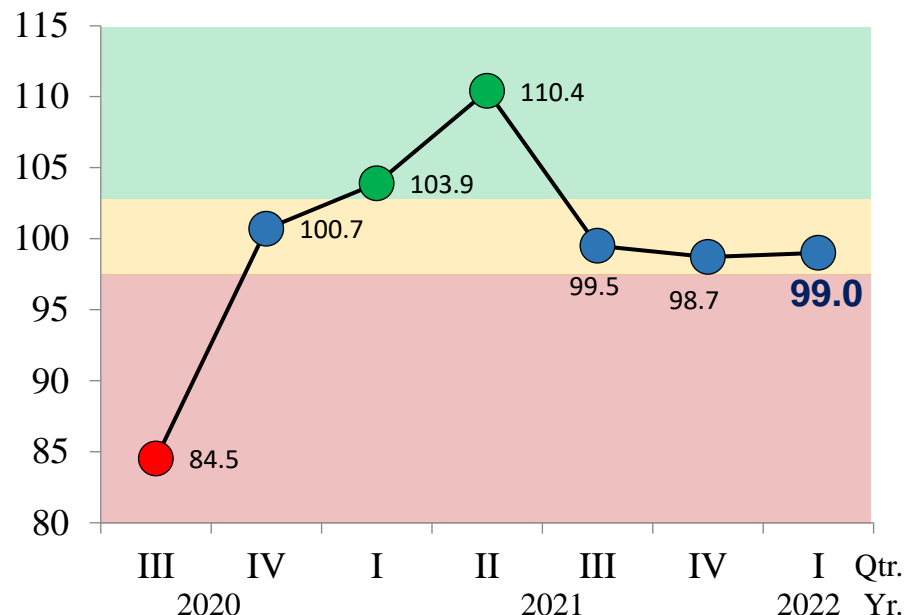
Source:

IHS Markit, World Overview, May 17, 2022.

UN, World Economic Situation and Prospects, May 18, 2022.

EIU, One-click Report : World, May 18, 2022.

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.

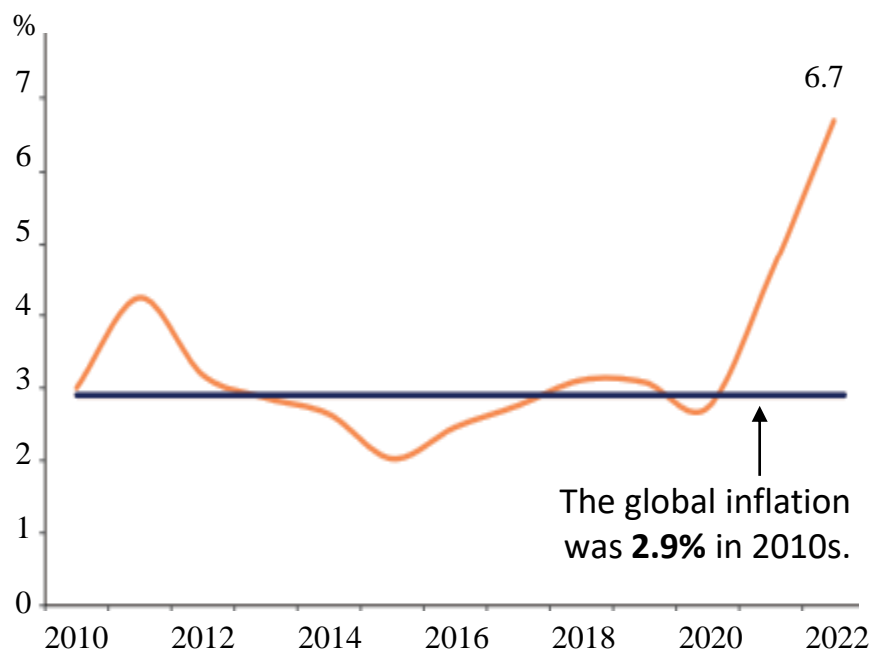
Above 102.5: growth well above trend.

Source: WTO

Inflation Accelerates Monetary Policy Normalization

- The Russo-Ukrainian War continues to propel the surge in the price of energy and commodities. The UN forecasts global inflation will reach 6.7%, the highest since 1996.
- Major central banks, including the Fed, have begun to raise the interest rates to combat inflation. The ECB also hints at upcoming monetary policy normalization.

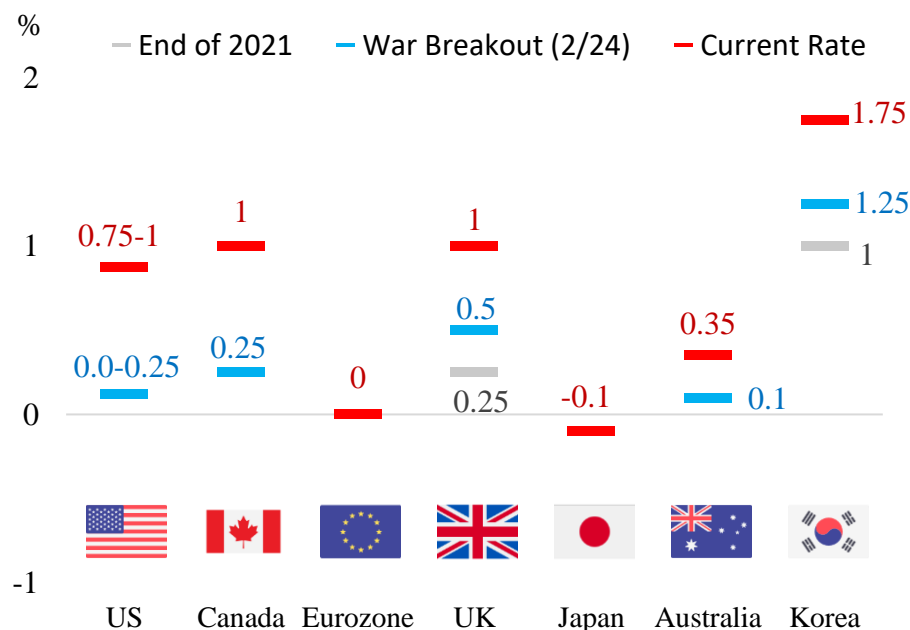
Global Inflation Trend & Forecast



Source:

UN, World Economic Situation and Prospects, May 18, 2022.

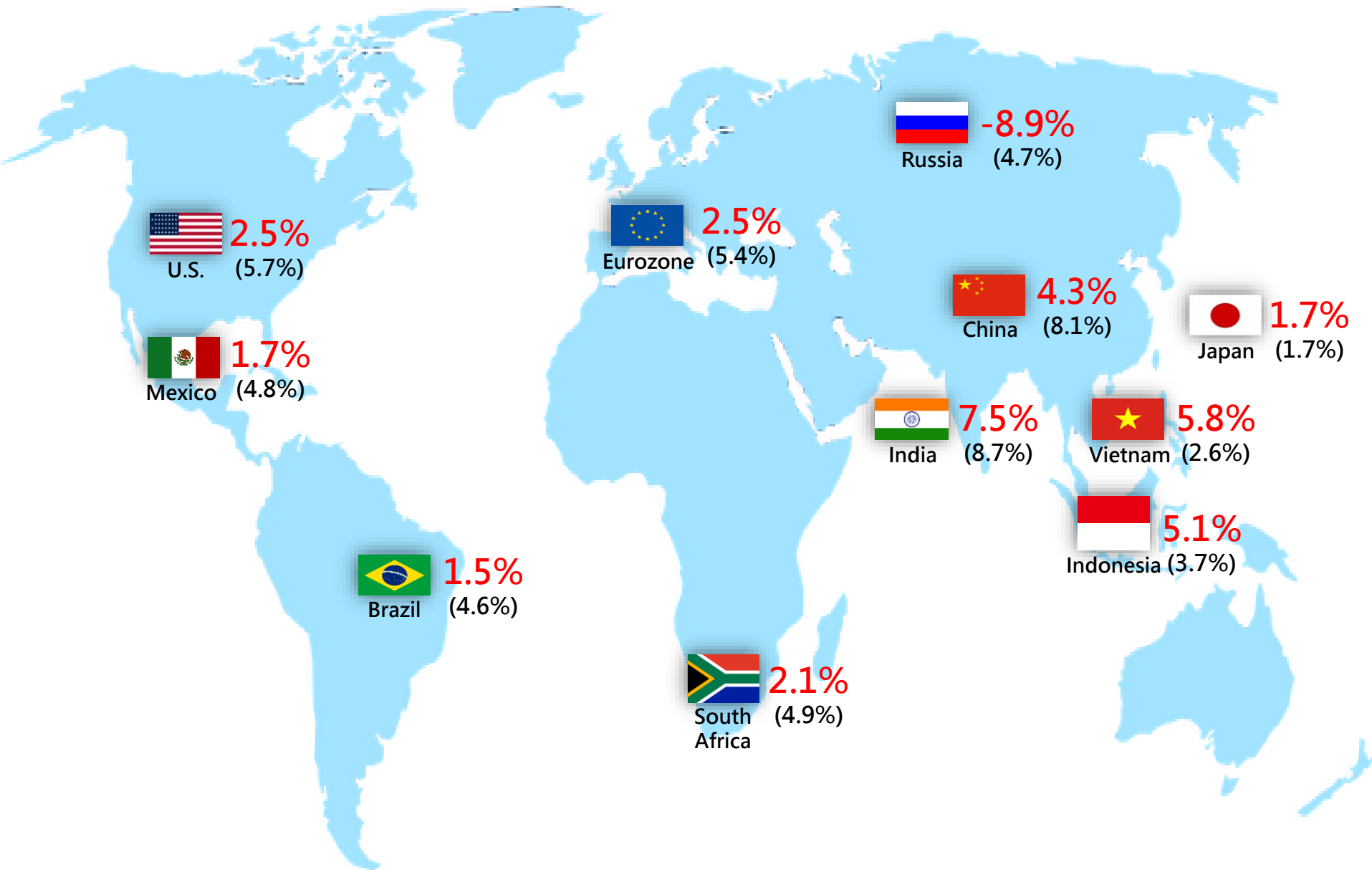
Major Economies Raise Interest Rates



Source:

Central Banks in Every Economy

2022 Economic Growth Further Revised Down



Note: Figures in parathesis are economic growth rates in 2021.

Source: World Bank, Global Economic Prospects, June 7, 2022.

Summary of Global Uncertainties



Russo-Ukrainian War Lingers

- The Russo-Ukrainian War continues to impose pressure on inflation, casting a shadow over global economic recovery.
- Concerns over the decoupling of global trade are growing, which may worsen energy, food crisis and risks of commodity shortage.



Supply Chain Disruptions

- The haunting COVID-19 pandemic exacerbates the labor shortage
- The strict zero-COVID policy in China hinders products in the pivotal production and transportation sectors, which is detrimental to global economic recovery.



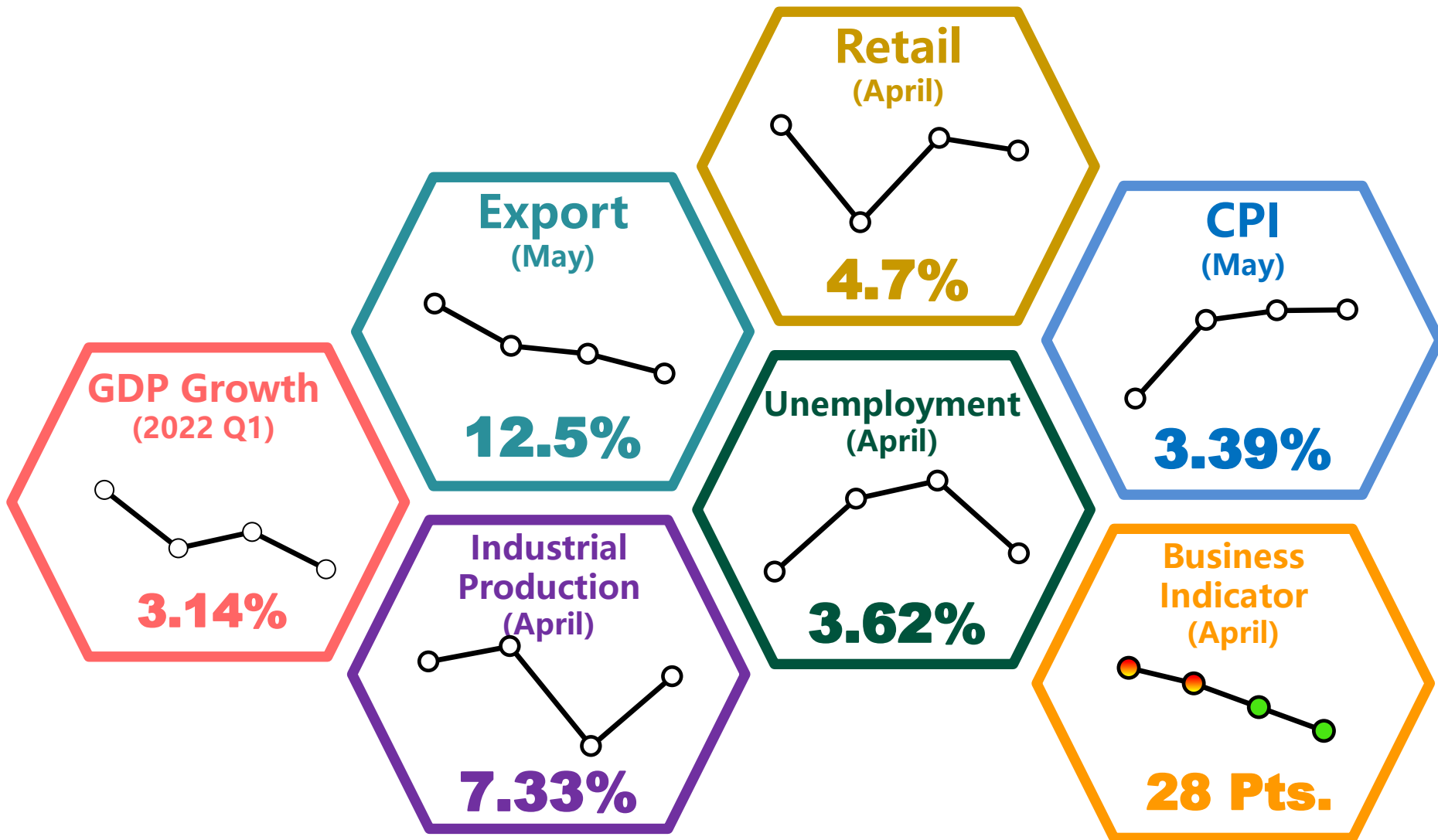
Monetary Policy Normalization

- As major countries start to raise interest rates, the emerging economies are facing currency depreciation and fund outflow, which may trigger debt crisis.
- Severe financial sanctions have been imposed on Russia, the foreign exchange reserve is frozen and default risk is increasing.

II. Current Domestic Economic Situation



Latest Overview of the Domestic Economy

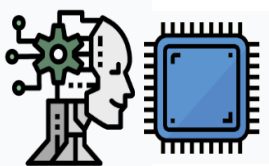


Note: GDP growth was forecast by DGBAS on May 27, 2022.
All except business indicator are stated as year-on-year rates.



Foreign Trade Continues to Grow

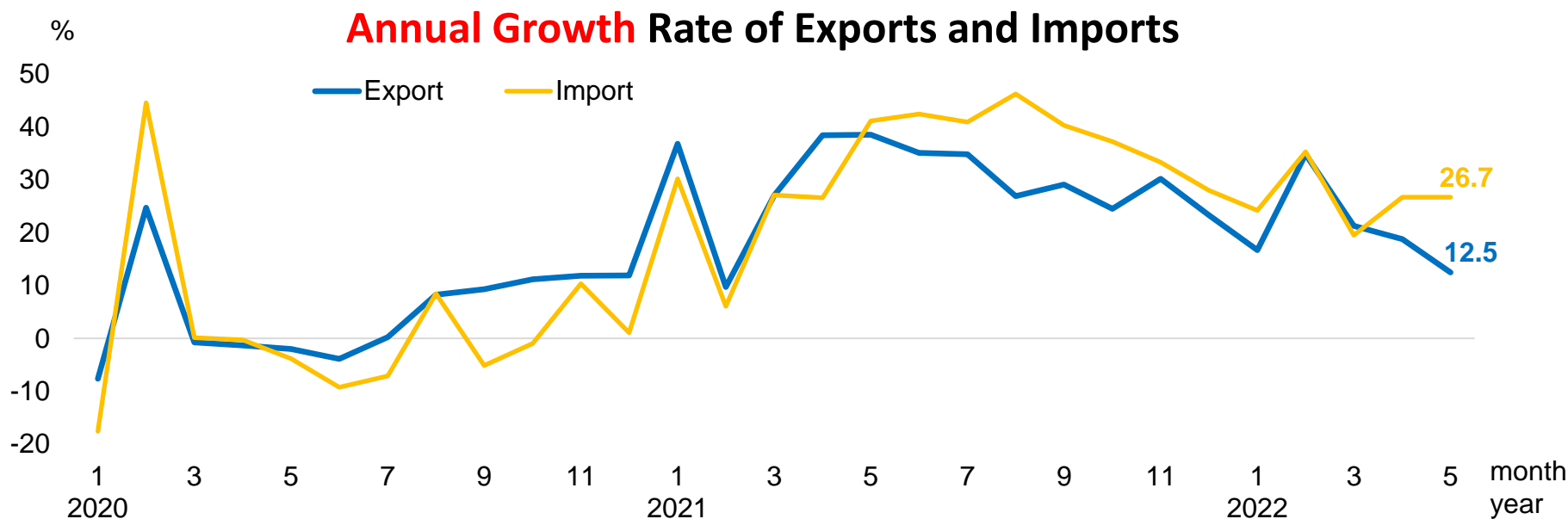
- In May 2022, Taiwan's total exports increased by 12.5% year-on-year, mainly supported by robust demand for new technological applications and enterprise digitalization.



Parts of electronic products
+25.9%



Information, communication and
audio-video products **+1.7%**





Sustainable Growth in Industrial Production

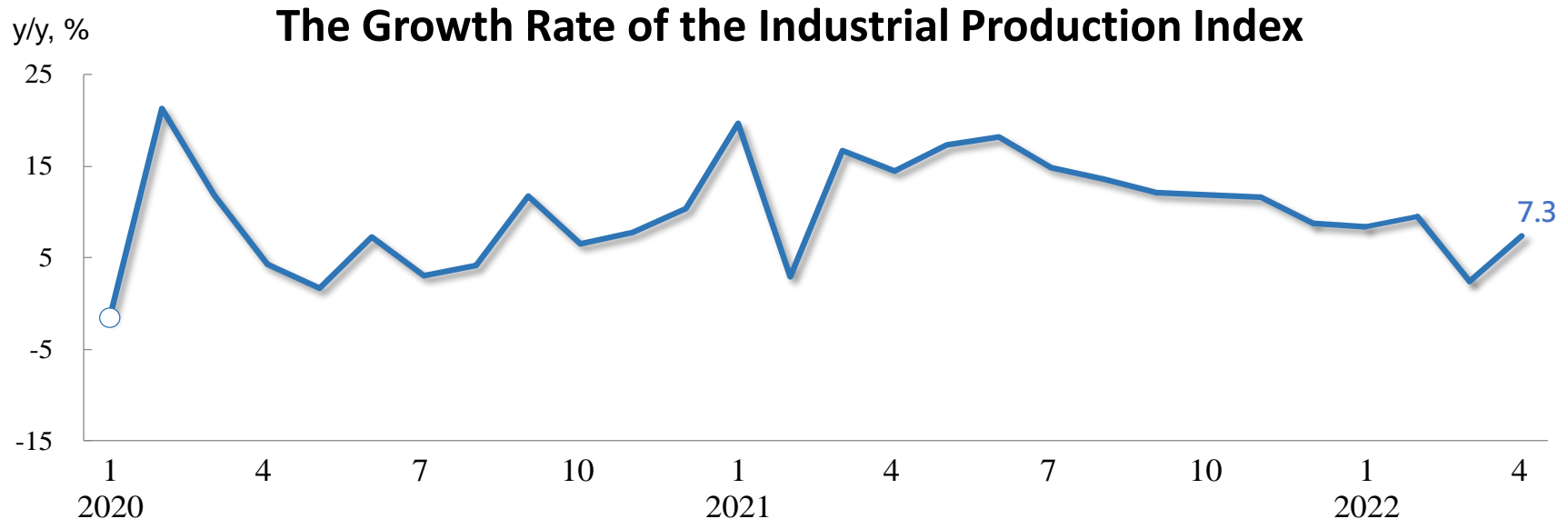
- The Industrial Production Index (IPI) reported an annual increase of 7.3% in April 2022, rising for the 27th consecutive month, as global demand for semiconductors and high-tech gadgets remained robust.



Electronic parts
and components **+17.8%**



Information, communication and
audio-video products **+5.5%**



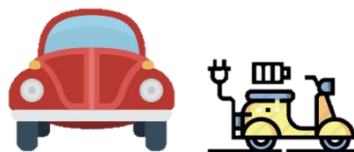


Retail Trade Continues to Grow

- In April 2022, retail trade sales increased by 4.7% year-on-year, marking the 8th consecutive month of growth, due to the effect of Quintuple Stimulus Voucher expiration.



General merchandise stores **+1.6%**



Motor vehicles and motorcycles **+4.6%**



Retail sale via mail order houses or Internet **+15.4%**

Growth Rate of Retail Trade and Food Services



Source: Ministry of Economic Affairs, May 2022.



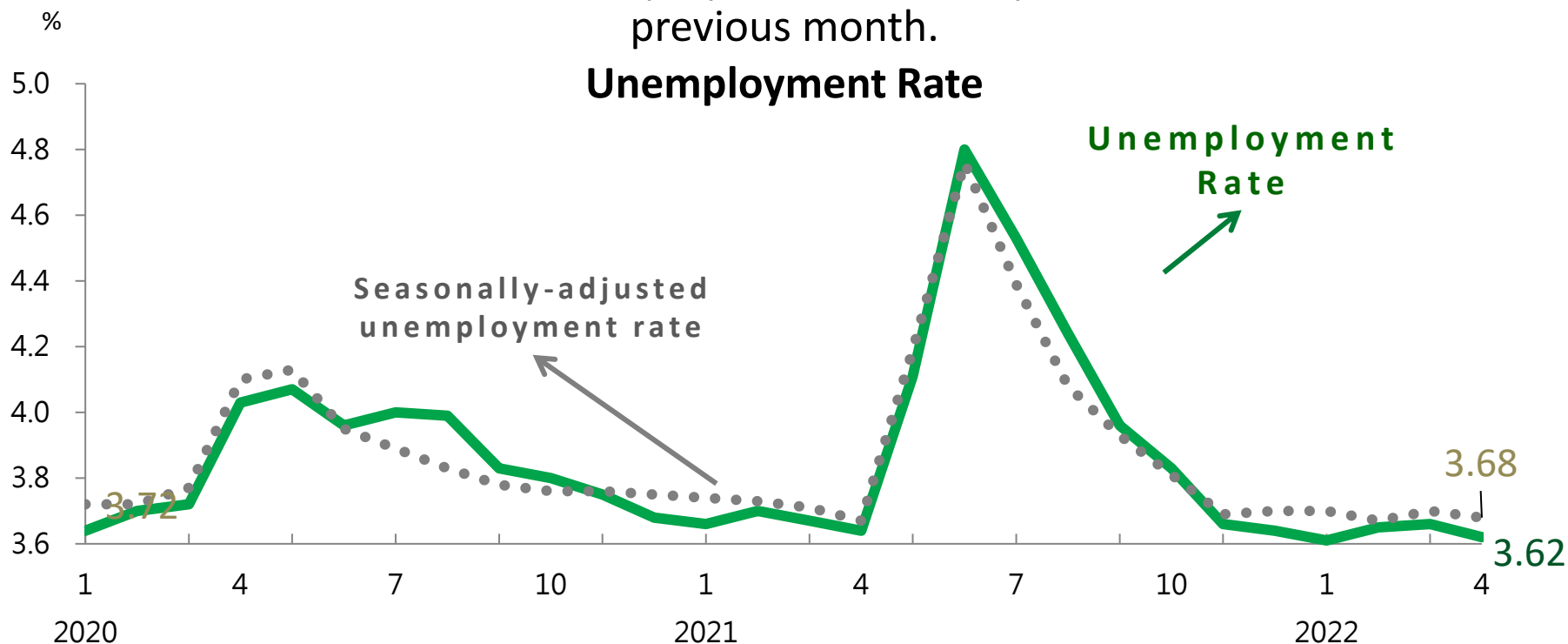
Unemployment Rate Moderates

- The unemployment rate fell by 0.04 percentage points from a month earlier to 3.62% in April 2022, but could rise again in May because of the spike in domestic COVID-19 cases.



Number of unemployed decreased by 6,000 from previous month.

Unemployment Rate



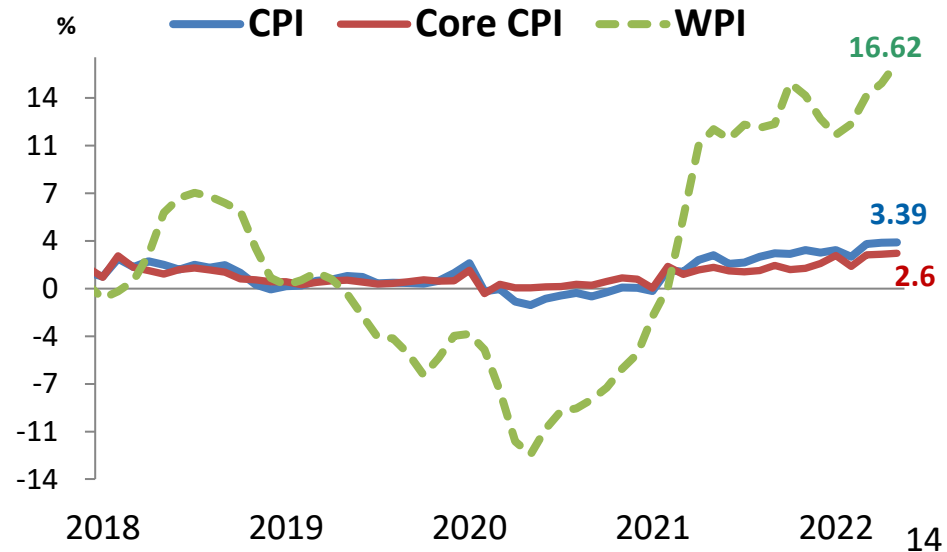
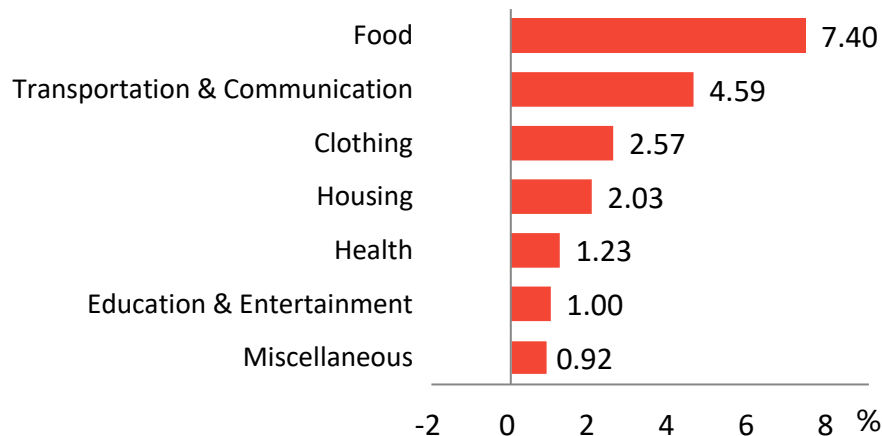


Inflation Pressure Rise

- The CPI rose 3.39% year-on-year in May 2022, mainly because the index for fuels and lubricants rose 12.62%, and the index for vegetable rose 22.12%. Moreover, indices for food away from home, as well as residential rent rose 5.80% and 1.54%, respectively. The core CPI increased 2.60%.
- The WPI in May 2022, compared with the same month of 2021, increased 16.62%. Indices for quarrying and mining products, petroleum and coal products, basic metals, as well as electronic parts and components rose 74.14%, 56.41%, 20.08%, and 12.20%, respectively.

Annual Changes of Consumer Price Indices

(May 2022)

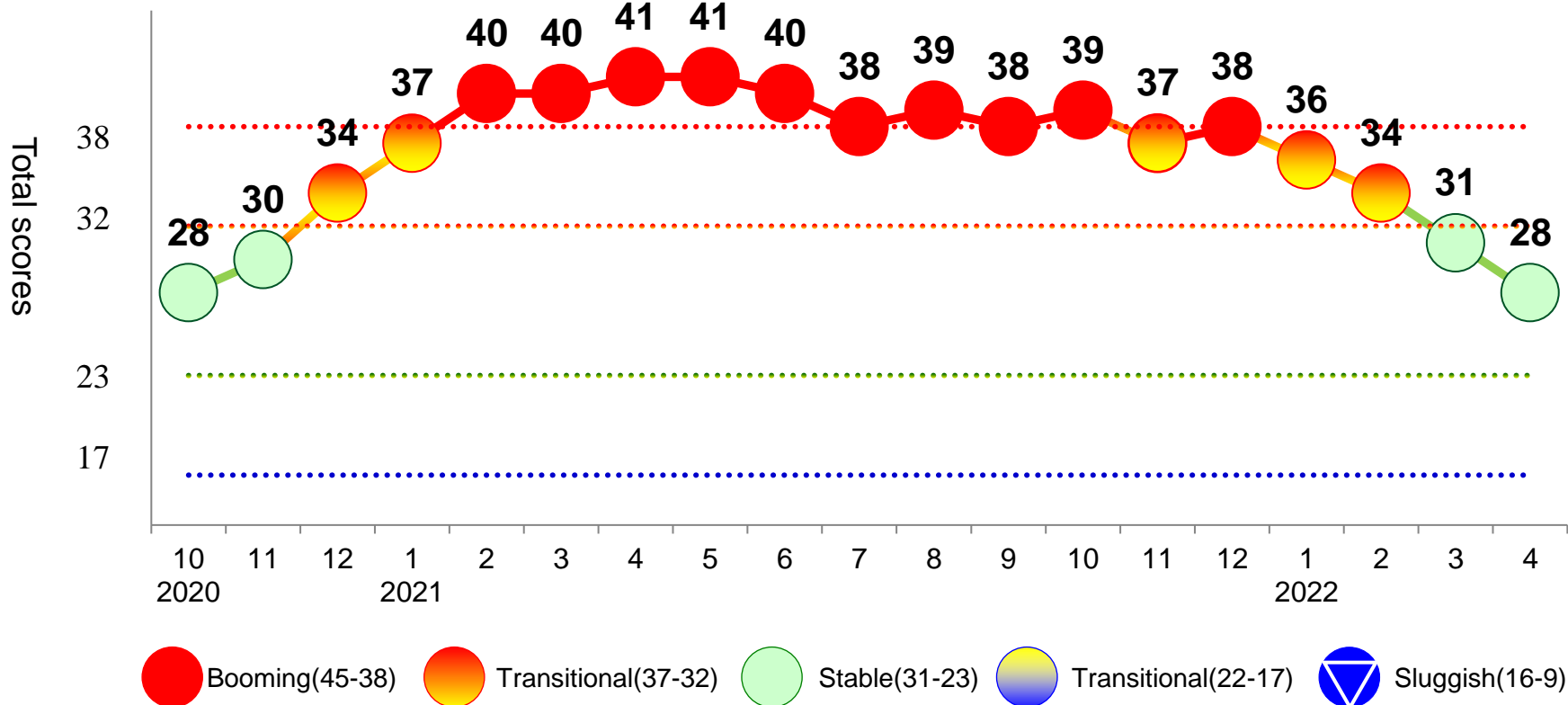




Monitoring Indicators Flash “Green” Signal

- In April 2022, the overall monitoring indicator continued to flash the “green” signal, with the total score decreased by 3 points 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/nc_199_35847

Source: NDC, May 2022.

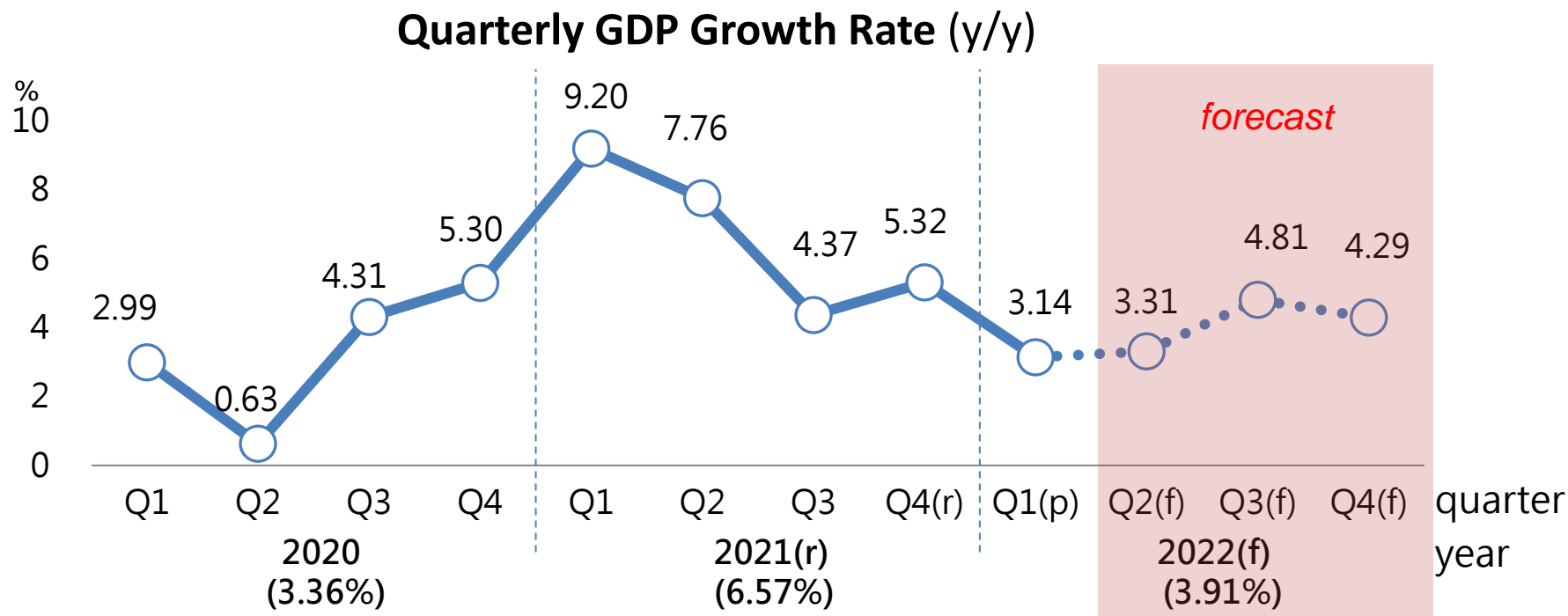


III. PROSPECTS FOR 2022



The Economy Will Remain Solid

- Taiwan's GDP growth forecast has been cut to 3.91% for 2022, mainly due to global inflation and COVID-19 dampening consumer demand.
- However, with the latest round of stimulus measures, the reshoring of Taiwan's overseas companies, as well as strong global demand derived from new technological applications, Taiwan's economy will remain solid.



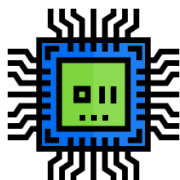


Investment Expected to Grow Moderately

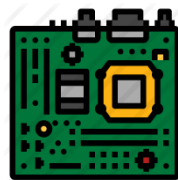
- The growth rate of fixed investment is expected to grow by 4.64% in 2022.



Reshoring Taiwan's overseas companies



Accelerating investment of semiconductor industry



Sustaining investment in offshore wind energy and supportive businesses

Growth Rate of Each Component of Fixed Investment

Unit: %

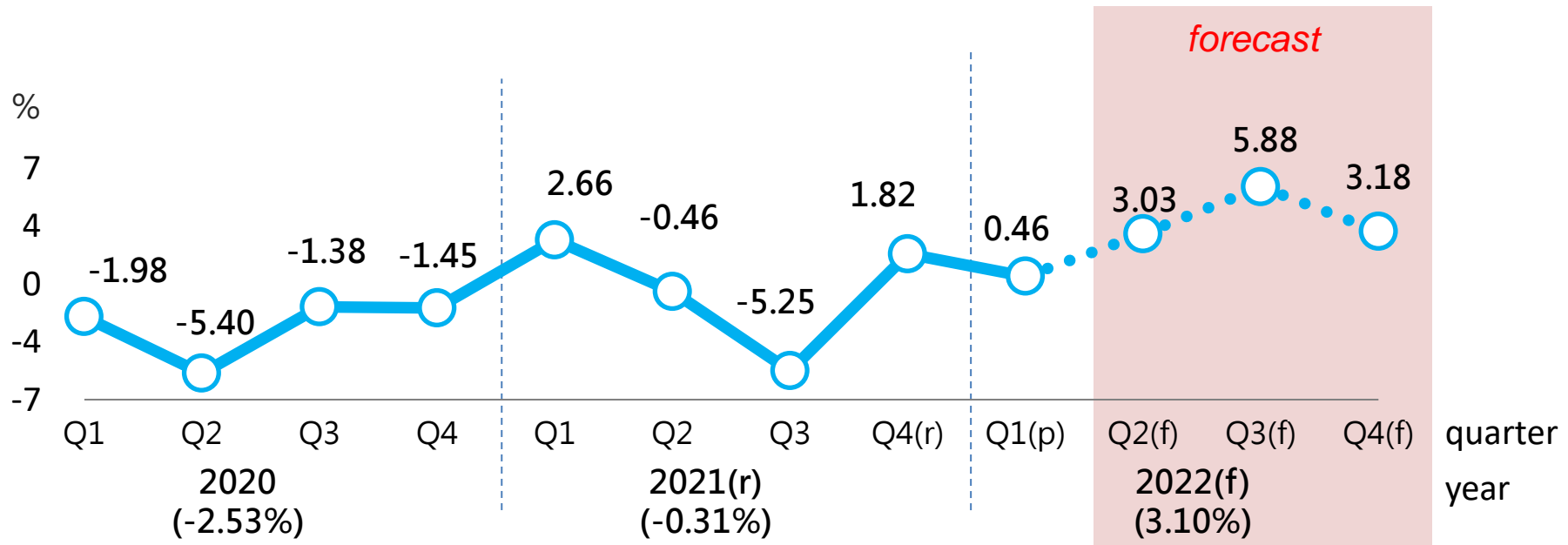
	Fixed Investment	Private Enterprises	Public Enterprises	Government
2020	5.91	4.53	28.78	6.18
2021(r)	15.40	19.91	4.00	-8.31
2022(f)	4.64	4.61	13.04	0.89
Q1(p)	5.82	6.64	0.61	1.07
Q2(f)	8.12	8.22	26.61	-0.63
Q3(f)	-0.48	-1.21	10.25	1.58
Q4(f)	5.68	5.60	13.02	1.37



Private Consumption Grow Remains Steady

- Real private final consumption grew by 0.46% in 2022Q1, primarily due to weakness in service consumption such as transportation and recreation.
- Despite the recent surge in Omicron variant cases causing social distancing, weakened stock market trading and reduced auto sales caused by supply-chain disruption, real private consumption will grow by 3.10%, mainly driven by wage and income raise.

Growth Rate of Private Consumption (y/y)



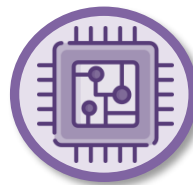


Exports Continue to Grow

- In 2022, real exports of goods and services are expected to continue to grow by 5.85%, mainly supported by the increasing foreign demand for applications of emerging technologies and rising domestic production capacity.

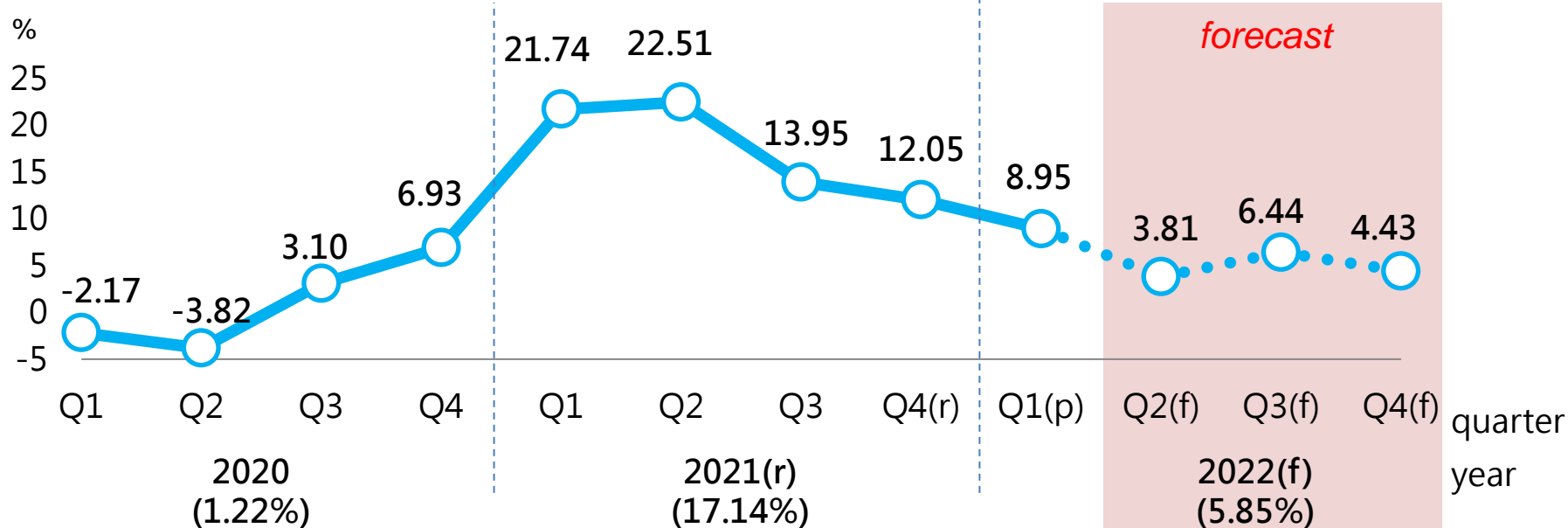


Demand for applications of emerging technologies (IOT, automotive electronic, high performance computing, etc.)



Domestic capacity expansion
Reshoring overseas companies

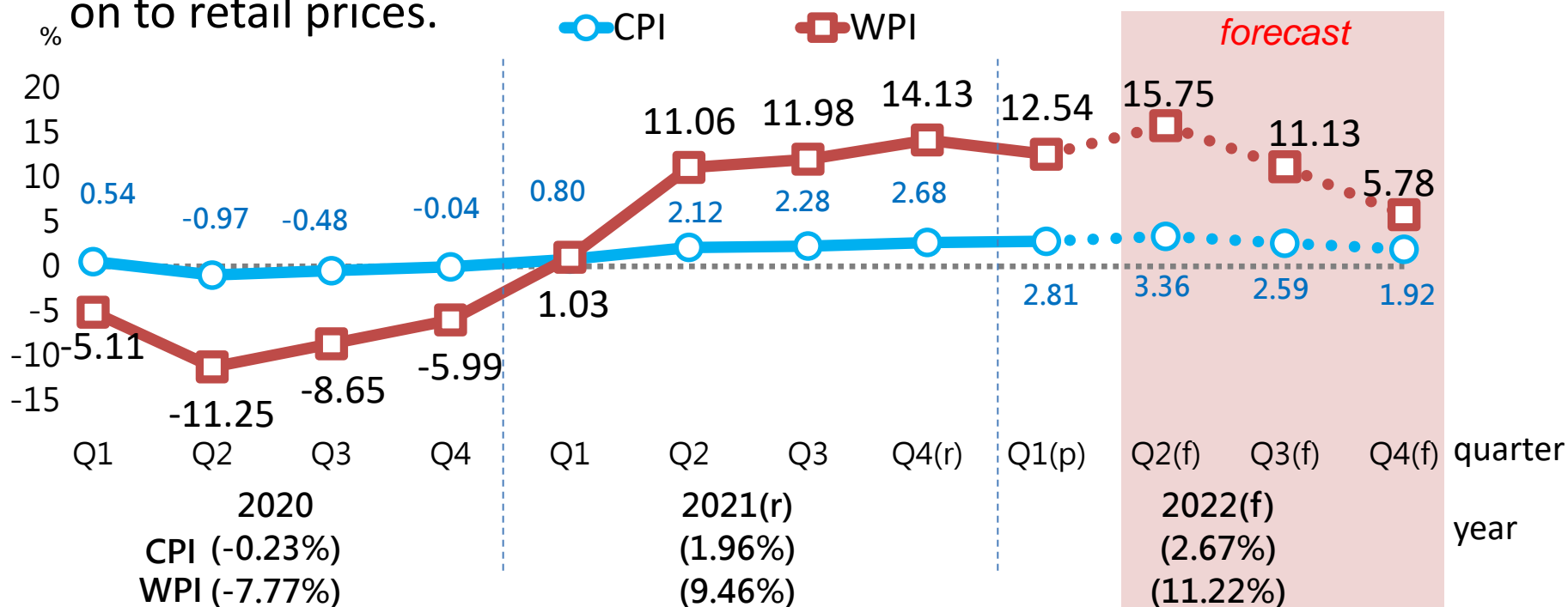
Growth Rate of Real Goods and Service Exports (y/y)





Inflation Forecast Rises

- The Russo-Ukrainian War has pushed up the international prices of oil and agricultural and industrial products. Moreover, the NTD devaluation has increased the import cost of domestic manufacturers. DGBAS forecasts that WPI in 2022 will grow by 11.22%, upward revised by 0.74 percentage point.
- On the CPI side, it is forecast to increase by 2.67%, upwardly revised by 0.74 percentage point, mainly reflecting producers passing import cost on to retail prices.





Forecasts for Taiwan's Economy

	Real GDP (yoy, %)		Consumer Price Index (yoy, %)	
	2021	2022 (f)	2021	2022 (f)
DGBAS (2022.5.27)	6.57	3.91	1.96	2.67
CBC (2022.3.17)		4.05		2.37
TIER (2022.4.25)		4.10		2.40
CIER (2022.4.20)		3.96		2.56
IHS Markit (2022.5.17)		3.5		2.72
IMF (2022.4.19)		3.2		2.3
ADB (2022.4.6)		3.8		1.9

Note:

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;

ADB = Asian Development Bank



IV.CONCLUSION

- Major institutions such as the UN, EIU and IHS have revised downwards their forecasts for global economic growth for 2022, mainly due to constant uncertainties such as the Russo-Ukrainian War, tight monetary policy of the Fed, and supply chain disruption.
- On the domestic side, according to the latest DGBAS forecast, real GDP is projected to grow by 3.91% in 2022, as global inflation constrains worldwide economic activity and the domestic COVID-19 outbreak dampens private consumption.
- A new round of NT\$34.56 billion stimulus measures has been approved to support several industries and people hard hit by surging COVID-19 infections. The government will create a more resilient "new Taiwan model" that simultaneously aims for normal life, active disease prevention and steady reopening.



Thank you