

# **TAIWAN'S ECONOMIC SITUATION AND OUTLOOK**

**National Development Council**  
**September 2022**



# CONTENTS

- I. GLOBAL ECONOMIC SITUATION AND OUTLOOK**
- II. CURRENT DOMESTIC ECONOMIC SITUATION**
- III. PROSPECTS FOR 2022**
- IV. CONCLUSION**

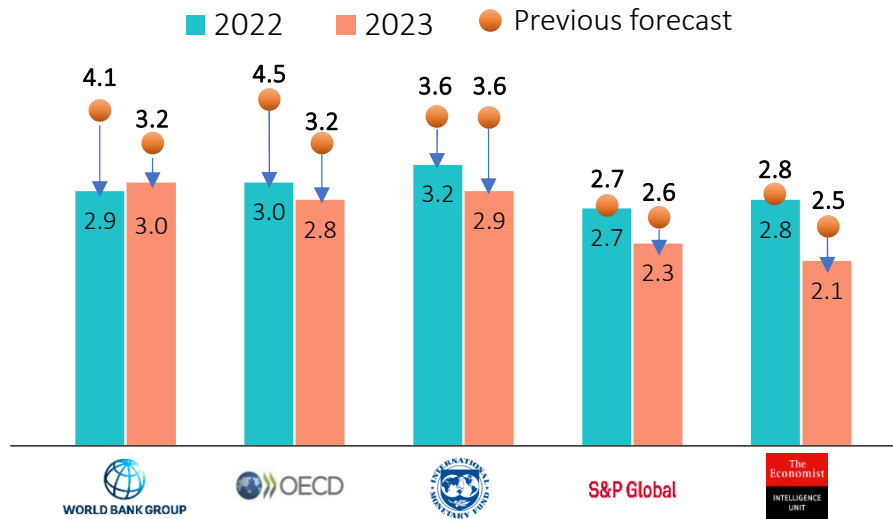


# **I. Global Economic Situation and Outlook**

# Uncertain Prospects for the Global Economy and Trade

- The updated 2022 global economic growth forecasts were again revised down due to uncertainties including monetary policy normalization, extreme climate disasters, and rebounding of the pandemic.
- The latest reading of the WTO Good Trade Barometer, 100.0 is slightly up from the previous quarter, suggesting continued stable growth in trade. Yet concerns over a worldwide economic slowdown cast a shadow on growth in the second half.

## 2022-23 Global Economic Growth Forecasts



**Source:** 1. World Bank, *Global Economic Prospect*, June 7, 2022. (Previous: Jan. 11, 2022)

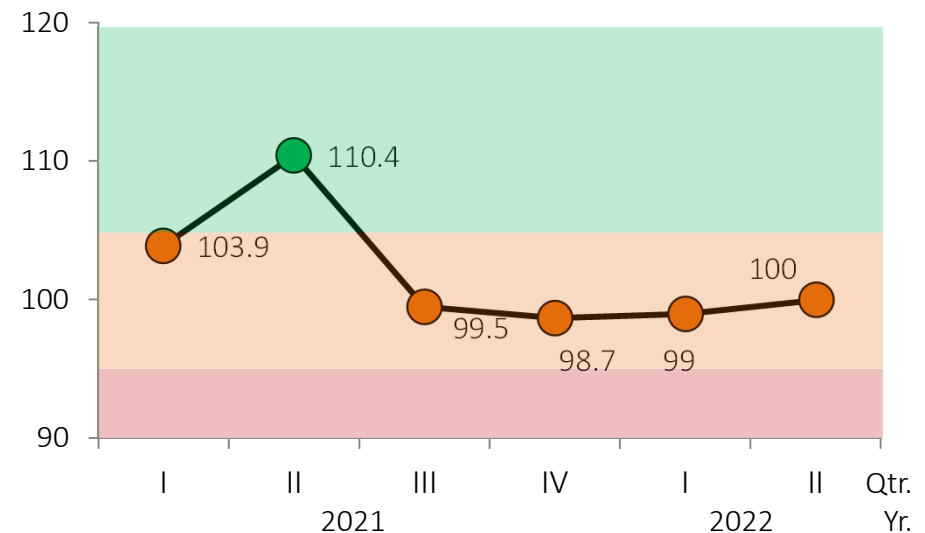
2. OECD, *OECD Economic Outlook*, June 8, 2022. (Previous: Dec. 1, 2021)

3. IMF, *World Economic Outlook*, July 26, 2022. (Previous: April 19, 2022)

4. S&P Global, *World Overview*, August 15, 2022. (Previous: July 15, 2022)

5. EIU, *One-click Report: World*, August 16, 2022. (Previous: July 18, 2022)

## WTO Good Trade Barometer Trends



### Note:

Below 95: red zone, growth substantially below trend.

Between 95 and 105: amber zone, growth in line with trend.

Above 105: green zone, growth well above trend.

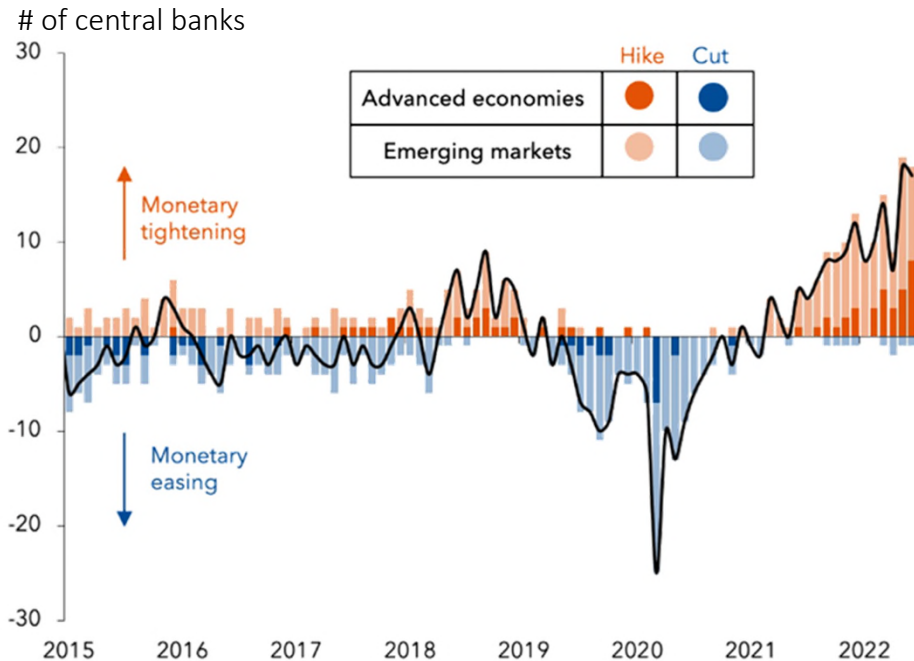
**Source:** WTO, August 23, 2022.



# Escalating Debt Crisis in Emerging Economies

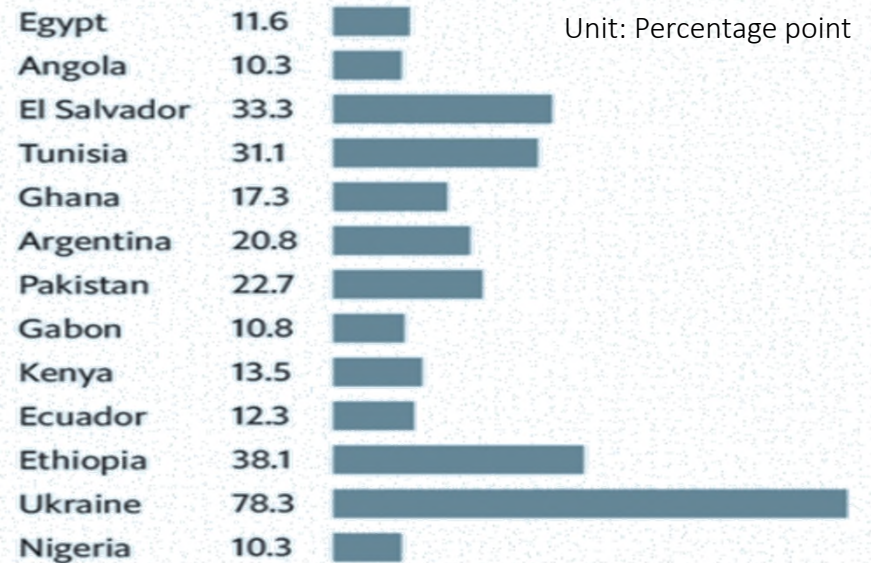
- The Russo-Ukrainian War has propelled the surge in the price of energy and commodities, causing supply chain bottlenecks. Central banks have begun to tighten monetary policy to combat inflationary impact.
- Due to tighter global financial conditions, emerging countries are facing capital outflows and currency depreciation. Higher interest rates will place more debt burden on these fragile economies.

## More Central Banks Adopt Tight Monetary Policy



**Source:** Adrian, T. and F. Natalucci, "Central Banks Hike Interest Rates in Sync to Tame Inflation Pressures", August 10, 2022, IMF Blog.

## Emerging Countries with Yield Spread Over US Treasuries More Than 10pp



**Source:** The Economist, "The 53 Fragile Emerging Economies", July 23, 2022. 5  
**Data Source:** Bloomberg emerging-market index, July 20, 2022.



# Overview of Latest Economic Growth Forecasts for 2022

 **2.3%**  
U.S. (-1.4%)

 **2.4%**  
Mexico (0.4%)

 **1.7%**  
Brazil (0.9%)

 **2.6%**  
Eurozone (-0.2%)

 **2.3%**  
South Africa (0.4%)

 **-6.0%**  
Russia (2.5%)

 **3.3%**  
China (-1.1%)

 **7.4%**  
India (-0.8%)

 **1.7%**  
Japan (-0.7%)

 **5.3%**  
ASEAN-5 (0.0%)

**Note:** (1) Figures in parathesis are differences from previous projections on April 19, 2022.

(2) ASEAN-5 are Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

**Source:** IMF, "World Economic Outlook", July 26, 2022.



# Snapshot of Worldwide Risks



## Inflation Persists

- Owing to disturbances including the Russo-Ukrainian War, rebounding of the pandemic, zero-COVID measures in China, and recent extreme natural disasters, there are concerns that the global economy will suffer from chronic inflation.



## Fluctuation in Financial Markets

- Major economies including the U.S. and the EU start to raise interest rates. If inflation doesn't slow down as expected, the pace of lifting rate might accelerate, which will possibly cause greater fluctuations in global financial markets.



## Default Crisis Escalates

- As previously discussed, emerging economies with higher interest spreads and sovereign debts are now haunted by escalating default risks.
- Frequent defaults in the Chinese housing market cast a shadow over the physical economy as well.



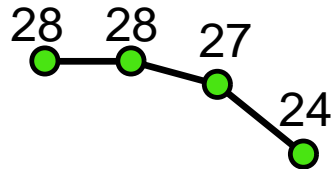
## **II. Current Domestic Economic Situation**





# Latest Overview of the Domestic Economy

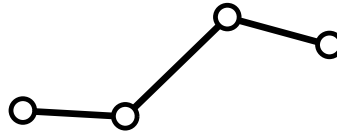
Business Indicator  
(July)



Retail

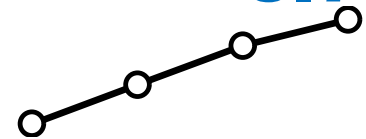
(July)

17.2%



Unemployment  
(July)

3.78%



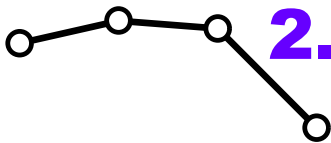
GDP Growth  
(2022 Q2)

3.05%



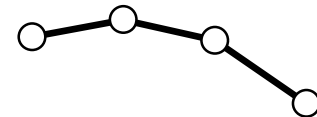
Export  
(August)

2.0%



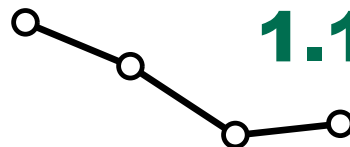
CPI  
(August)

2.66%



Industrial Production  
(July)

1.12%

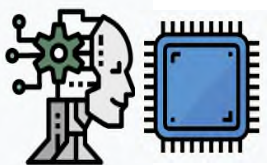


**Note:** GDP growth was preliminary estimated by DGBAS on Aug. 12, 2022.  
All except business indicator are stated as year-on-year rates.



# Foreign Trade Growth Rate Slows Down

- In Aug. 2022, Taiwan's total exports increased by 2.0% year-on-year, mainly supported by exports of parts of electronic products growing by 12%. However, exports of information, communication and audio-video products declined 1.6%, owing to falling demand for consumer electronic devices.

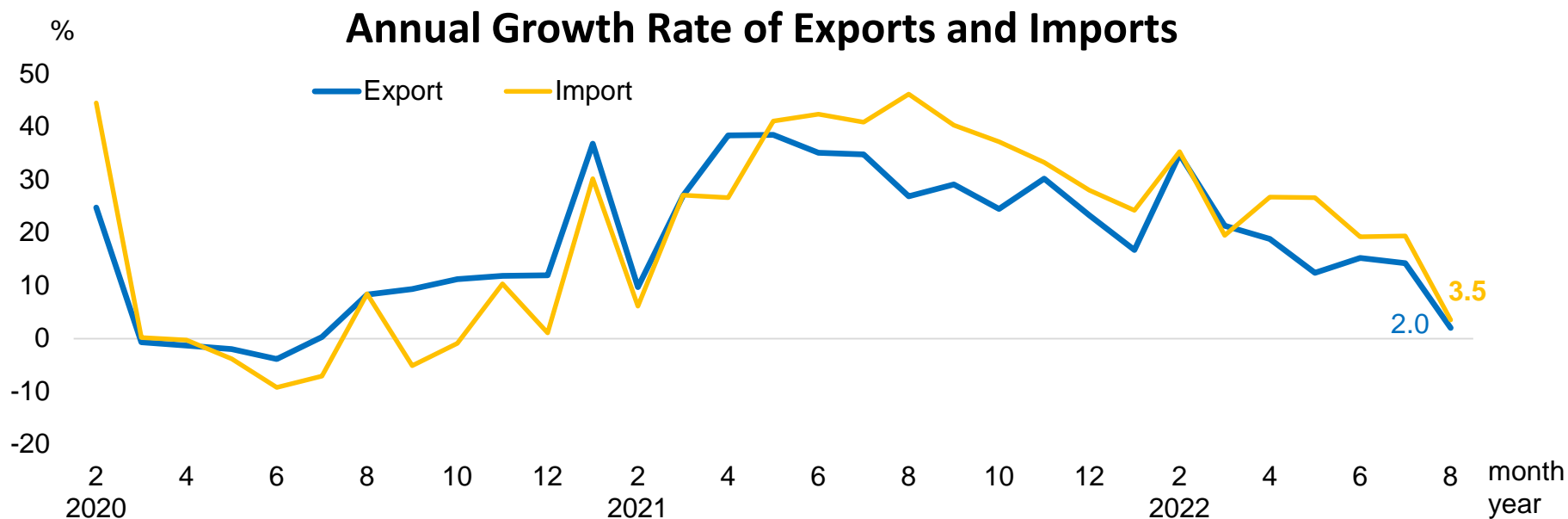


Parts of electronic products

**+12.0%**



Information, communication and  
audio-video products **-1.6%**





# Maintaining Growth in Industrial Production

- The Industrial Production Index (IPI) reported an annual increase of 1.1% in July 2022, rising for the 30th consecutive month, as a result of strong chip demand from the world's major smartphone vendors and increasing adoption of emerging technologies.

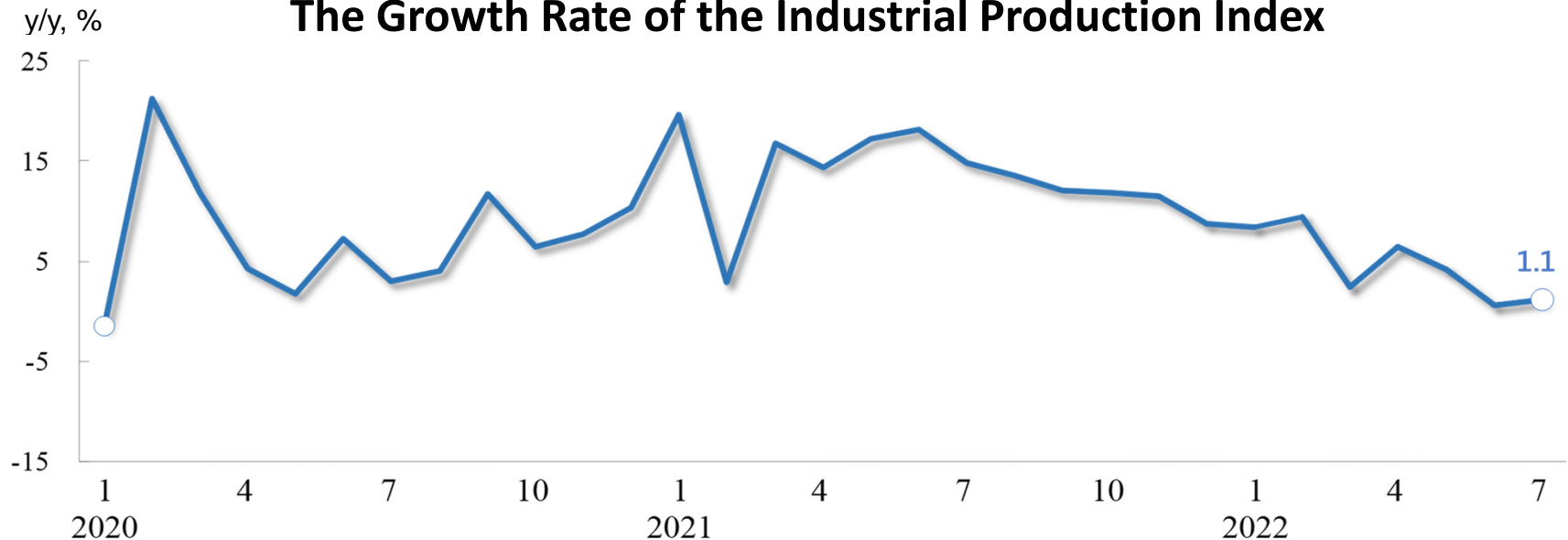


Electronic parts  
and components **+9.3%**



Information, communication and  
audio-video products **+12.2%**

## The Growth Rate of the Industrial Production Index



Source: Ministry of Economic Affairs, Aug. 2022.



# Retail Trade Continues to Grow

- In July 2022, retail trade sales increased by 17.2% year-on-year, marking the 11th consecutive month of growth, as consumers returned to normal life and recommenced shopping at large retailers.



General merchandise stores **+24.2%**

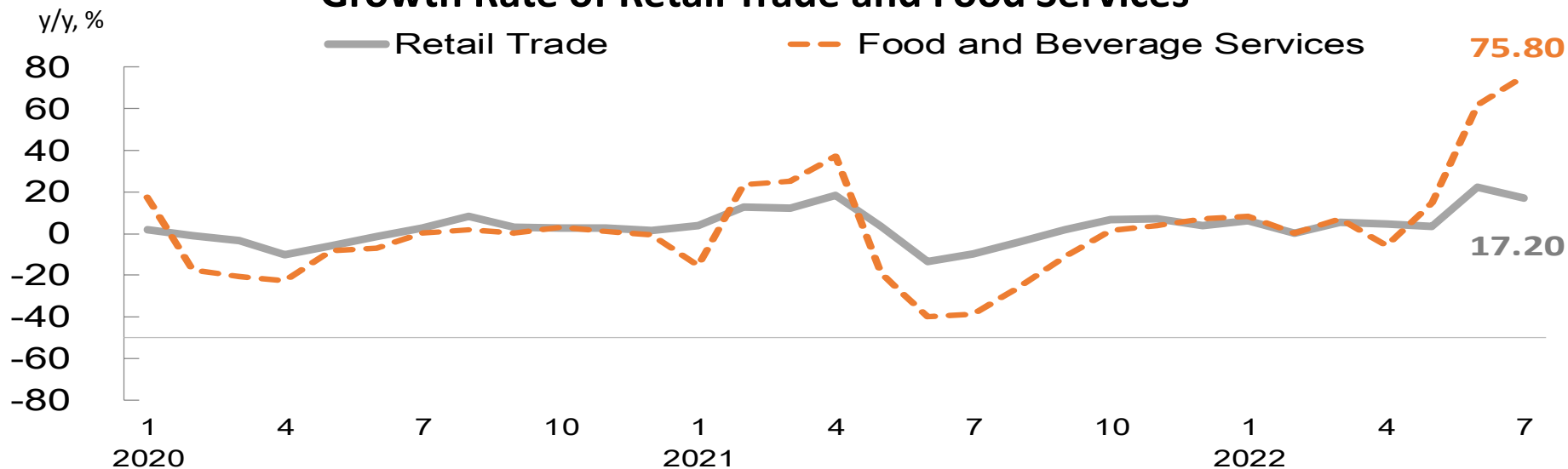


Motor vehicles and motorcycles **+3.8%**



Retail sale via mail order houses or Internet **+0.9%**

## Growth Rate of Retail Trade and Food Services



Source: Ministry of Economic Affairs, Aug. 2022.



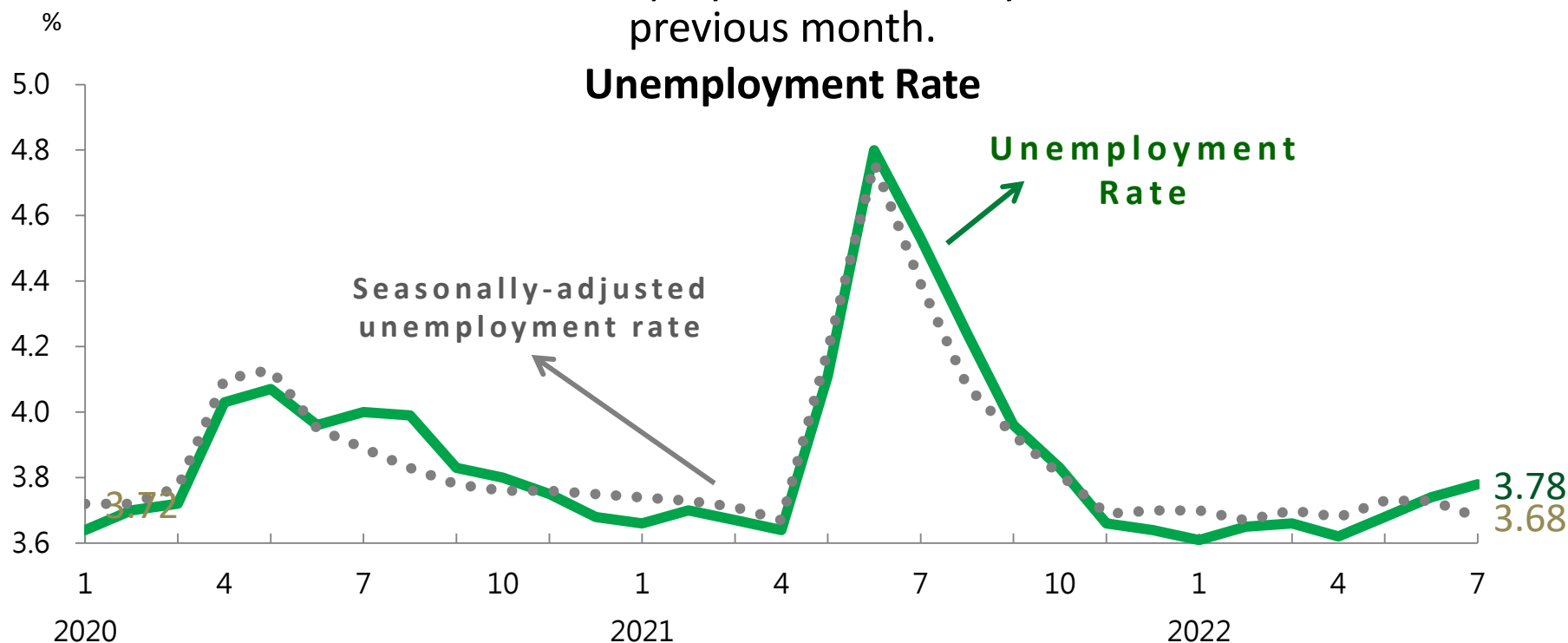
# Unemployment Rate Increases Slightly

- The unemployment rate rose by 0.04 percentage points from a month earlier to 3.78% in July 2022, due to the graduation season.



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

## Unemployment Rate

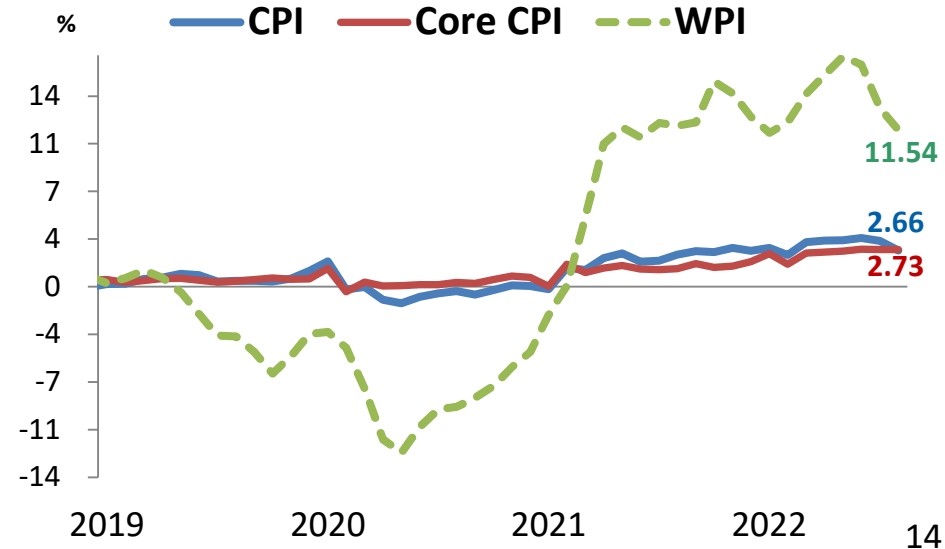
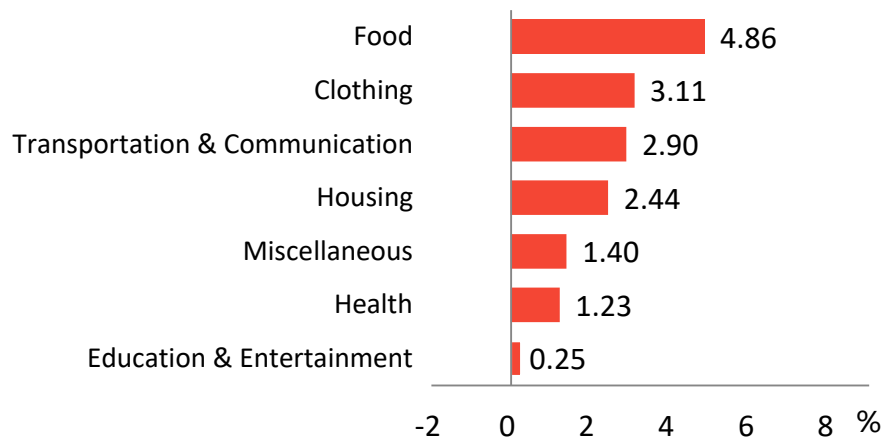




# Inflation Pressure Slows Down

- The CPI rose 2.66% year-on-year in Aug. 2022, mainly because the index for fruits rose 15.04%, and the indices for eggs and meats rose 33.29% and 5.77%, respectively. Moreover, indices for fish & seafood and food eaten away from home rose 7.35% and 6.64%, respectively. The core CPI increased 2.73%.
- The WPI in Aug. 2022, compared with the same month of 2021, increased 11.54%. Indices for electronic parts & components, petroleum & coal products, and chemical materials, other chemical products & pharmaceuticals rose 9.69%, 30.47%, and 7.14%, respectively.

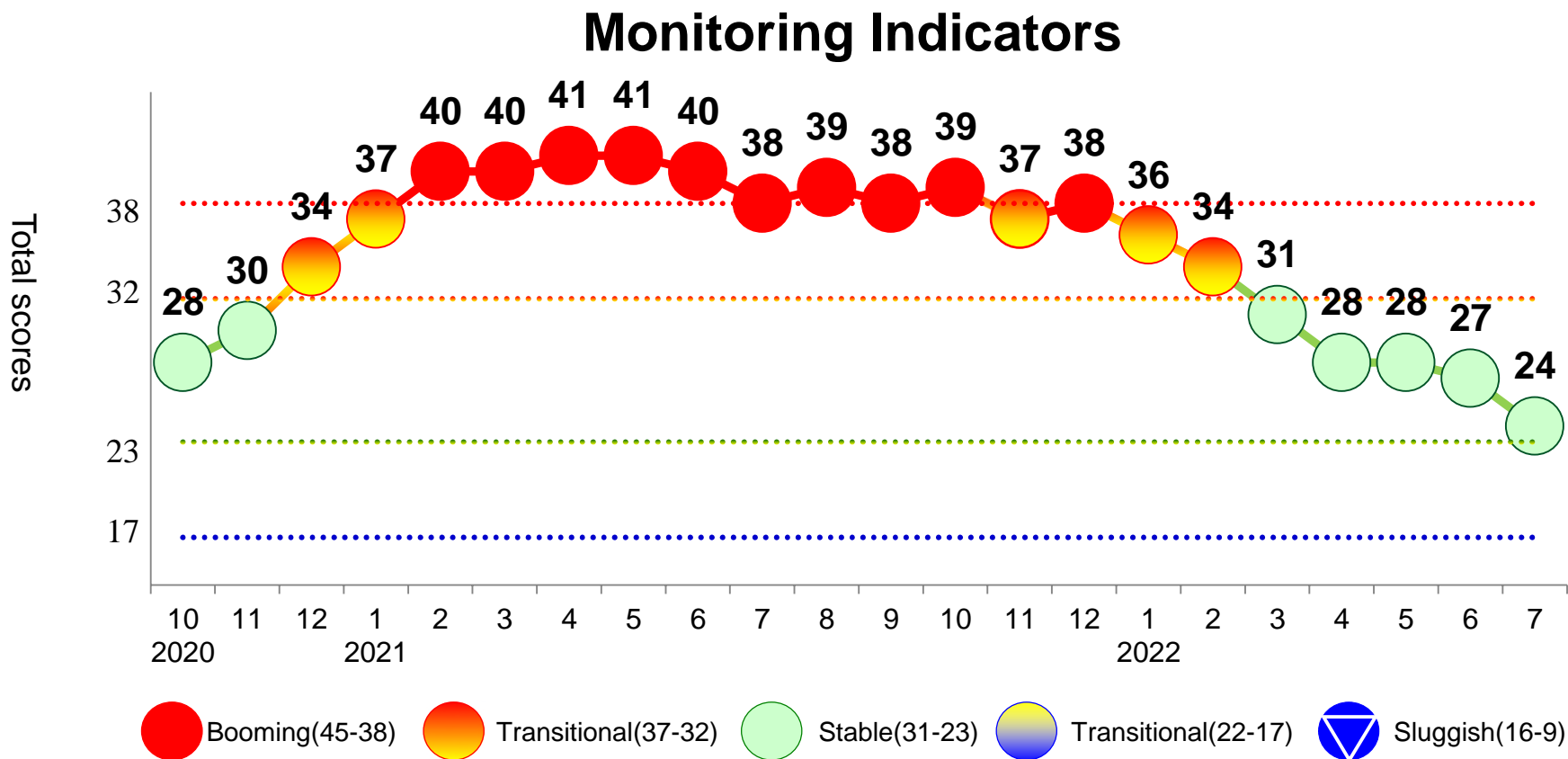
Annual Changes of Consumer Price Indices





# Monitoring Indicators Flash “Green” Signal

- In July 2022, the overall monitoring indicator continued to flash the “green” signal; the total score decreased 3 points to 24.



**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\\_36137](https://www.ndc.gov.tw/en/nc_199_36137)

**Source:** NDC, Aug. 2022.



### **III. PROSPECTS FOR 2022**

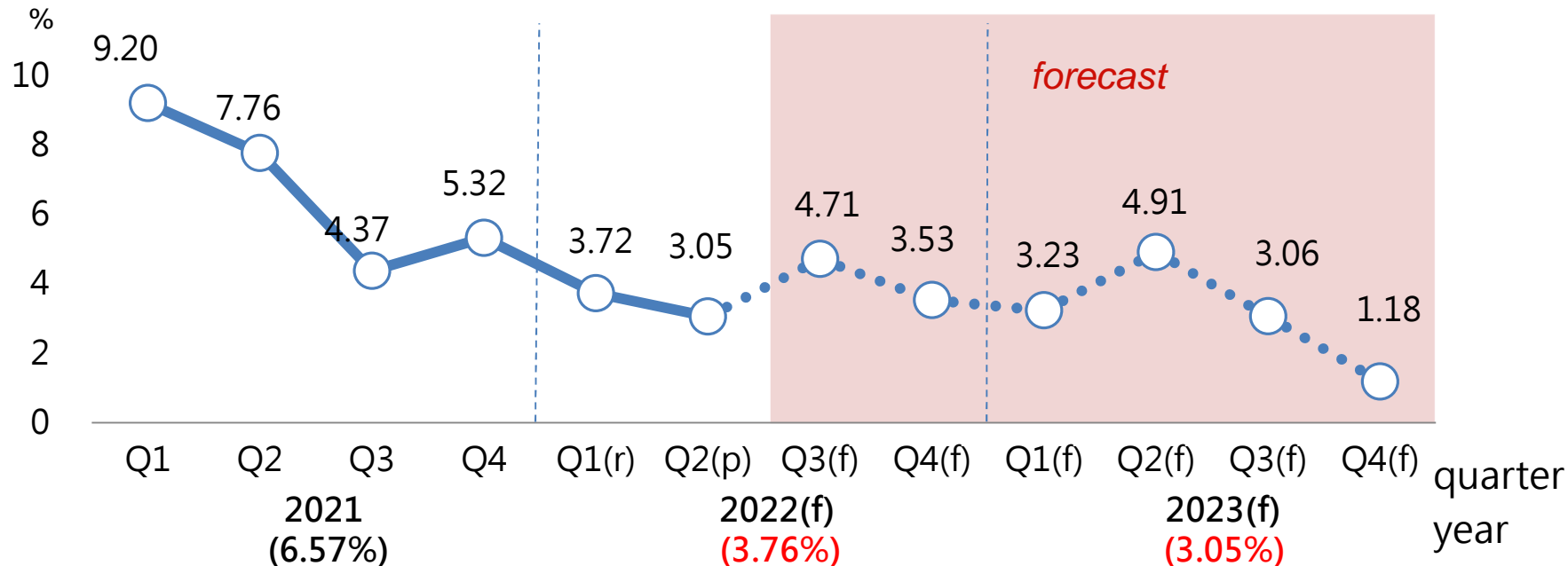




## Economy to Remain Stable

- Global economic growth is projected to slowdown, owing to the Russia-Ukraine War, lockdowns in Mainland China and increasing interest rate hikes worldwide. However, the domestic capacity expansion of the advanced capacity of leading semiconductor manufacturers and sustaining investment in offshore wind energy will support Taiwan's export and investment growth. Combining the contribution from the domestic sector, with the recovering consumption driven by expected cross-border tourism, Taiwan's real GDP will grow by 3.76% and 3.05% in 2022 and 2023, respectively.

**Quarterly GDP Growth Rate (y/y)**



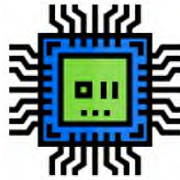


# Investment Expected to Grow Moderately

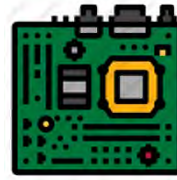
- The growth rate of fixed investment is expected to grow by 6.14% in 2022.



Reshoring Taiwan's overseas companies



Accelerating investment of semiconductor industry



Sustaining investment in green energy and its supportive industries' capacity and equipment

## Growth Rate of Each Component of Fixed Investment

Unit: %

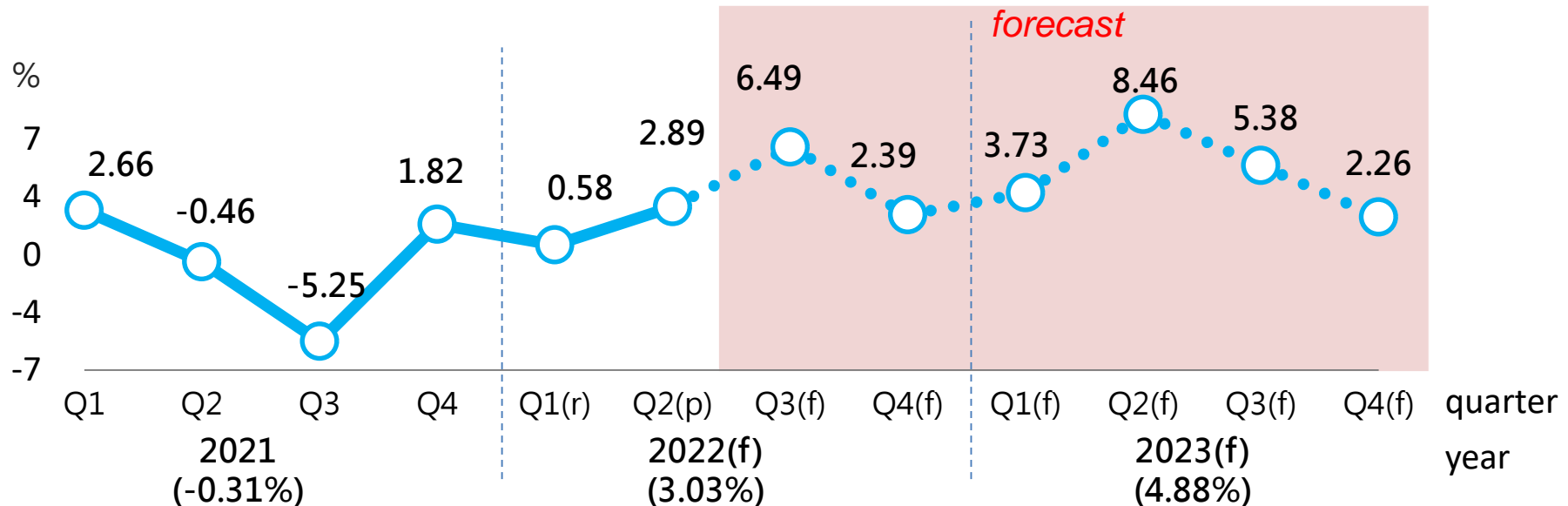
|         | Fixed Investment | Private Enterprises | Government | Public Enterprises |
|---------|------------------|---------------------|------------|--------------------|
| 2020    | 5.91             | 4.53                | 6.18       | 28.78              |
| 2021    | 15.40            | 19.91               | -8.31      | 4.00               |
| 2022(f) | 6.14             | 6.55                | 0.02       | 12.28              |
| Q1 (r)  | 7.71             | 8.79                | 0.95       | 0.67               |
| Q2 (p)  | 10.73            | 11.00               | -2.05      | 35.94              |
| Q3 (f)  | 1.31             | 1.19                | 0.49       | 6.12               |
| Q4 (f)  | 5.33             | 5.98                | 0.62       | 8.70               |
| 2023(f) | 3.68             | 3.34                | 3.59       | 7.83               |



# Private Consumption Grow Remains Steady

- Real private final consumption grew by 2.89% in 2022 Q2, primarily due to revival in consumption such as retail, dining out, recreation and transportation, compared to a low base of 2021.
- In spite of the weak consumption caused by the pandemic in the first half of 2022, eased COVID-19 control restrictions and the domestic travel subsidy program are reviving domestic travel tourism gradually. Real private consumption will grow by 3.03%, mainly owing to wage and dividend raise.

**The 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 5.84%, mainly supported by strong demand for new technological applications, enterprise digitalization and infrastructure investment overseas.

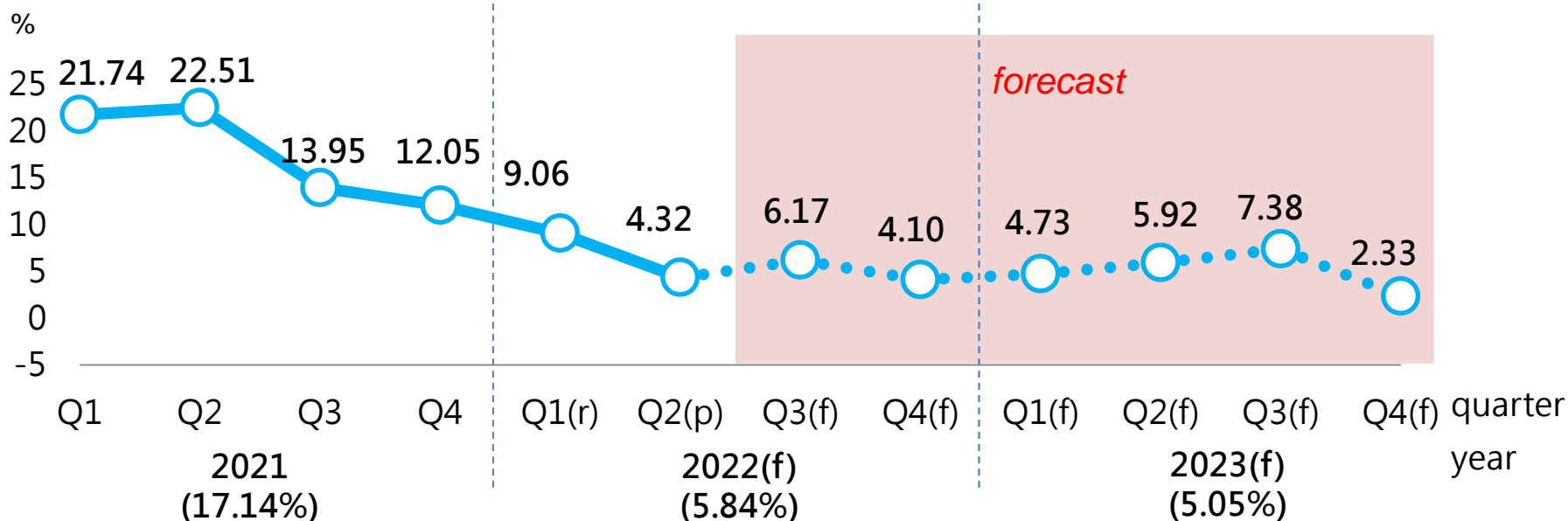


Demand for new technological applications and enterprise digitalization



Demand for infrastructure investment overseas

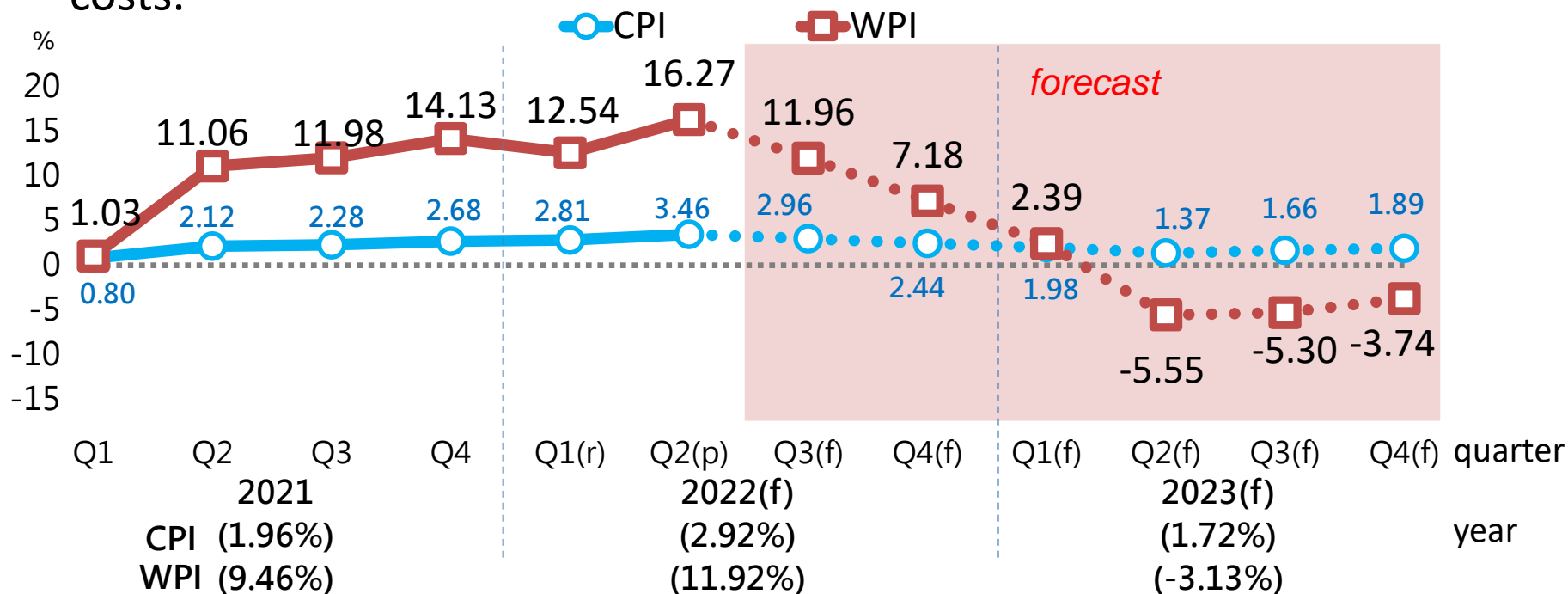
## Growth Rate of Real Goods and Service Exports (y/y)





# Inflation Forecast to Rise

- The Russia-Ukraine war has disrupted the supply chain. Moreover, NTD devaluation increases the import costs of domestic manufacturers. DGBAS forecasts that WPI in 2022 will grow by 11.92%, upwardly revised by 0.70 percentage point.
- On the CPI side, it is forecast to increase by 2.92%, revised upward 0.25 percentage points from May, mainly reflecting the costs of higher import prices, and significant prices hike in eating-out fees and rental costs.





## Forecasts for Taiwan's Economy

|                                | Real GDP<br>(yoy, %) |                   | Consumer Price Index<br>(yoy, %) |                   |
|--------------------------------|----------------------|-------------------|----------------------------------|-------------------|
|                                | 2022 <sub>f</sub>    | 2023 <sub>f</sub> | 2022 <sub>f</sub>                | 2023 <sub>f</sub> |
| <b>DGBAS (2022.8)</b>          | 3.76                 | 3.05              | 2.92                             | 1.72              |
| <b>CBC (2022.6)</b>            | 3.75                 | -                 | 2.83                             | -                 |
| <b>TIER (2022.7)</b>           | 3.81                 | -                 | 2.95                             | -                 |
| <b>CIER (2022.7)</b>           | 3.56                 | 3.41              | 3.11                             | 2.06              |
| <b>IEAS (2022.7)</b>           | 3.52                 | -                 | 3.16                             | -                 |
| <b>TRI (2022.6)</b>            | 3.80                 | -                 | 2.77                             | -                 |
| <b>ADB(2022.7)</b>             | 3.8                  | 3.0               | 2.8                              | 2.0               |
| <b>S&amp;P Global (2022.8)</b> | 3.17                 | 2.74              | 2.89                             | 1.89              |
| <b>IMF (2022.4)</b>            | 3.2                  | 2.9               | 2.3                              | 2.2               |

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; IEAS = Institute of Economics, Academia Sinica ; TRI = Taiwan Research Institute ; ADB = Asian Development Bank ; IMF = International Monetary Fund.

2. f = forecast



## IV.CONCLUSION

- According to the latest forecast by major institutions such as the OECD, IMF, S&P Global and EIU, global economic growth momentum is expected to slowdown in 2022, mainly due to uncertainties including inflation, interest rate hikes across much of the world and rising debt levels.
- On the domestic side, according to the latest DGBAS forecast, real GDP is projected to grow by 3.76% in 2022, putting Taiwan's economy above 3 percent growth for a fourth consecutive year since 2019. In addition, the main economic institutions forecast that Taiwan's real GDP growth rate for 2022 will be 3.17%-3.81%.
- With global supply chains now undergoing major restructuring, Taiwan's government is leveraging the nation's robust manufacturing and production capabilities to promote industry's adoption of smart technology and transform Taiwan into a high-end production hub for Asia and advanced semiconductor manufacturing center. These efforts will furthermore enhance the autonomy and resilience of Taiwan's industry chains.



Thank you