

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

**National Development Council  
December 2022**



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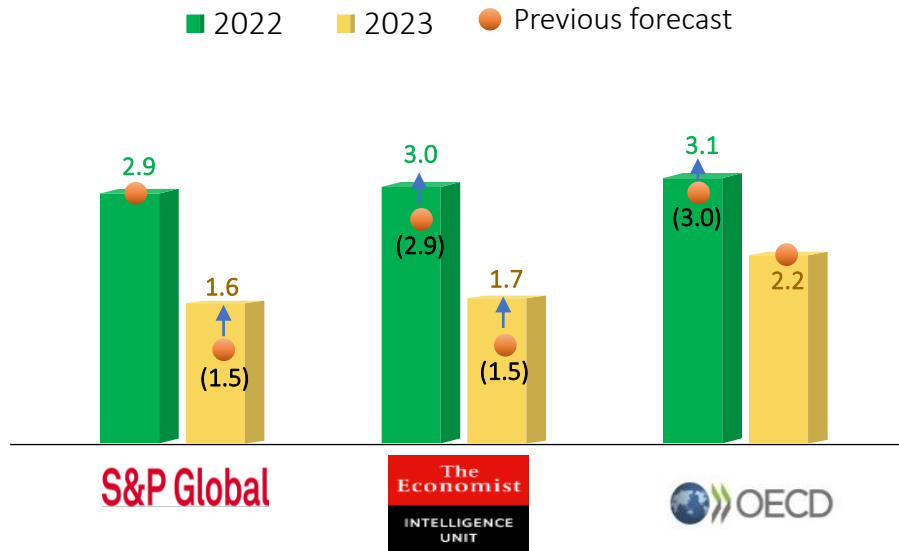
# **I. Global Economic Situation and Outlook**



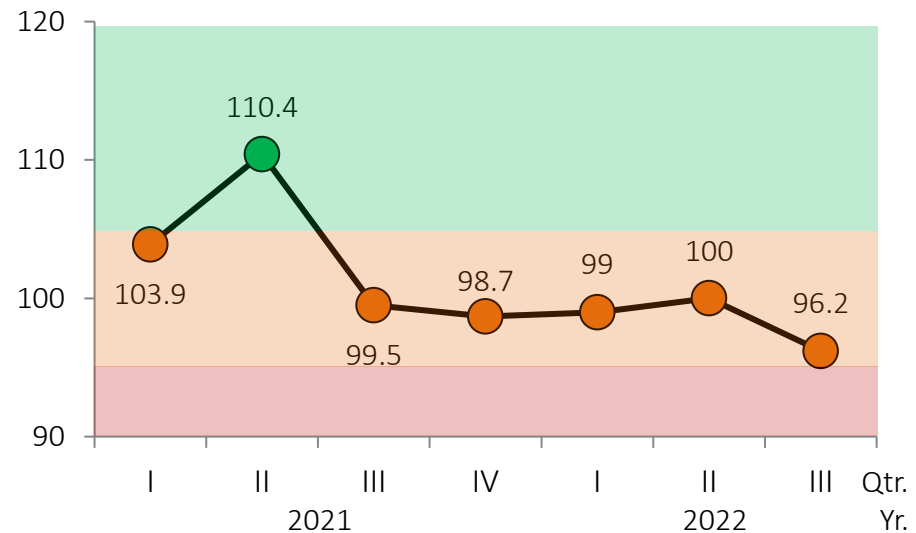
# Gloomy Prospects for the Global Economy and Trade

- While the global economic growth forecasts for 2022 have been revised upward by leading economic institutes, global economic growth will probably fall below 2% next year.
- The latest reading of 96.2 of the WTO Goods Trade Barometer is slightly down from the previous quarter, reflecting a drop in business sentiment and weaker global import demand.

## 2022-23 Global Economic Growth Forecasts



## WTO Good Trade Barometer Trends



**Note:**

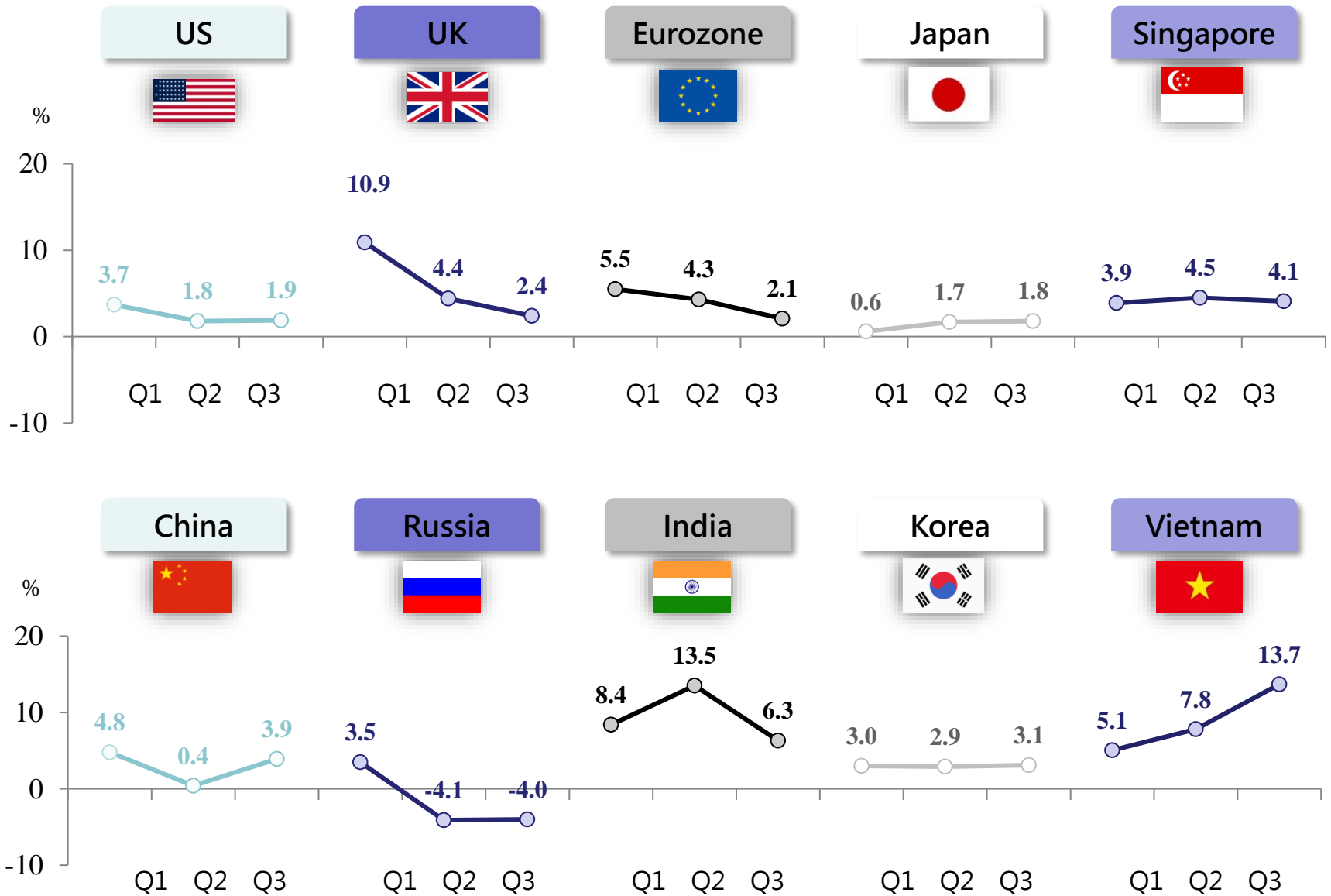
Below 95: red zone, growth substantially below trend.  
 Between 95 and 105: amber zone, growth in line with trend.  
 Above 105: green zone, growth well above trend.

**Source:** WTO, Nov. 28, 2022.

**Source:** 1 S&P Markit, *World Overviews*, Dec. 15, 2022. (Previous: Nov. 15, 2022)  
 2. EIU, *Global outlook summary*, Dec. 15, 2022. (Previous: Nov. 15, 2022)  
 3. OECD, *OECD Economic Outlook*, Nov. 22, 2022. (Previous: Sep. 26, 2022)



# Major Economies Show Growth Slowdown in 2022



Source: Official Websites of Countries/Economic Entity Above



# Snapshot of Worldwide Risks



## Monetary Policy Normalization

- The U.S. signals a shift to slower interest rate increases.
- The EU expects to raise the rates further to tame inflation pressures.



## Uncertainty from Europe's Energy Situation

- While Europe's energy crisis has stabilized for now, the Russo-Ukrainian War and uncertainties in energy supplies will plague the continent.



## Financial Market Fluctuations

- As financial conditions tighten, the vulnerabilities of more-indebted sovereigns, households and corporates are at greater risk of coming to the fore.



## Multiple Constraints on China's Economic Growth

- Besides China's property debt crisis and zero-COVID controls, the U.S. expanded export controls on chips to China, adding extra pressure on the economy.

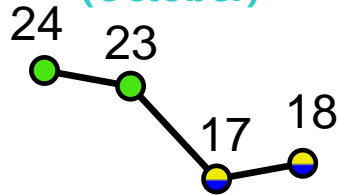


## **II. Current Domestic Economic Situation**

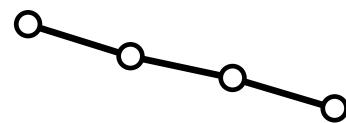


# Latest Overview of the Domestic Economy

**Business Indicator (October)**

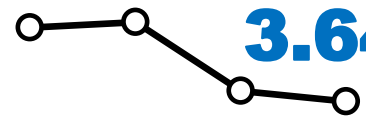


**Retail (October)**  
**2.1%**



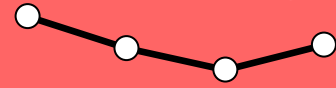
**Unemployment (October)**

**3.64%**



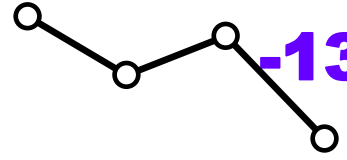
**GDP Growth (2022 Q3)**

**4.01%**



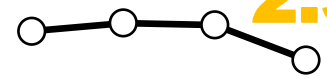
**Export (November)**

**-13.1%**



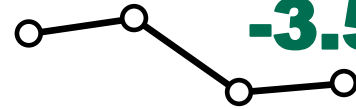
**CPI (November)**

**2.35%**



**Industrial Production (October)**

**-3.56%**



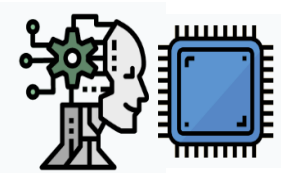
**Note:** GDP growth was preliminary estimated by DGBAS on Nov. 29, 2022.  
All except business indicator are stated as year-on-year rates.





# Foreign Trade Continues to Have Negative Growth

- In November 2022, Taiwan's total exports contracted by 13.1% year-on-year, following the slowdown in global demand and the continuous inventory adjustment of the industrial chain.

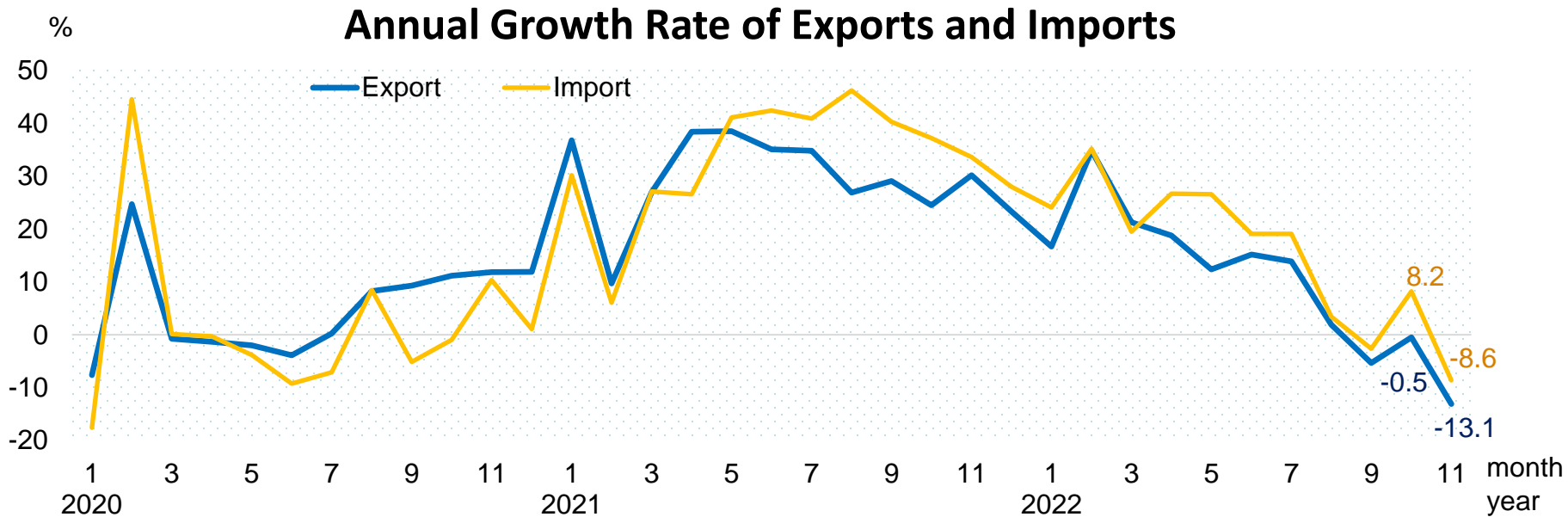


Parts of electronic products

**-4.9%**



Information, communication and audio-video products **-5.4%**



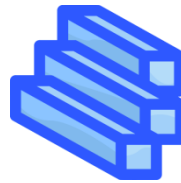


# Industrial Production Slows

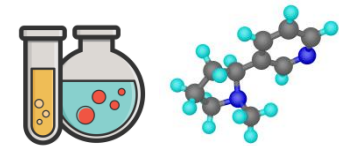
- The Industrial Production Index (IPI) decreased 3.6% year-on-year in October 2022, as global economy slowed, which led to falling demand and supply chain inventory adjustments.



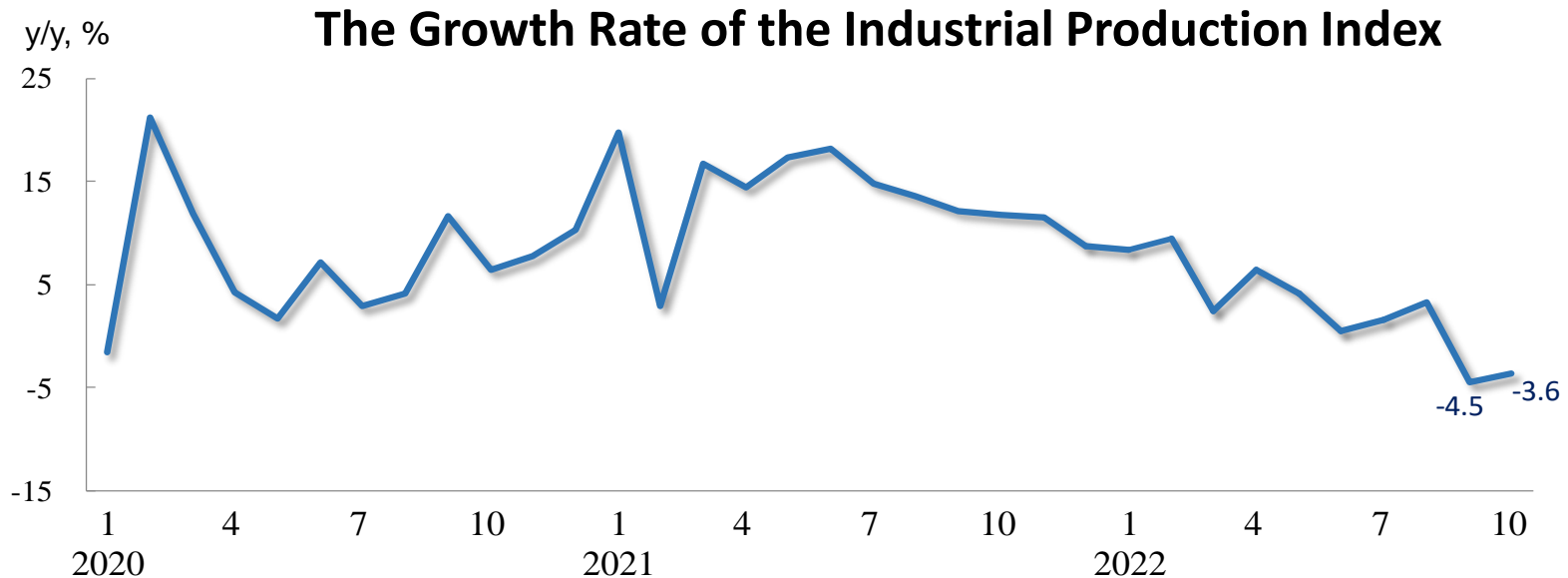
Electronic parts and components **+2.1%**



Basic metal **-21.1%**



Chemical raw material industry **-22.2%**





# Retail Trade Continues to Grow

- In October 2022, retail trade sales increased by 2.1% year-on-year, marking the 14th consecutive month of growth, thanks to recovering consumer traffic and anniversary sale campaigns.



General merchandise stores **+1.5%**

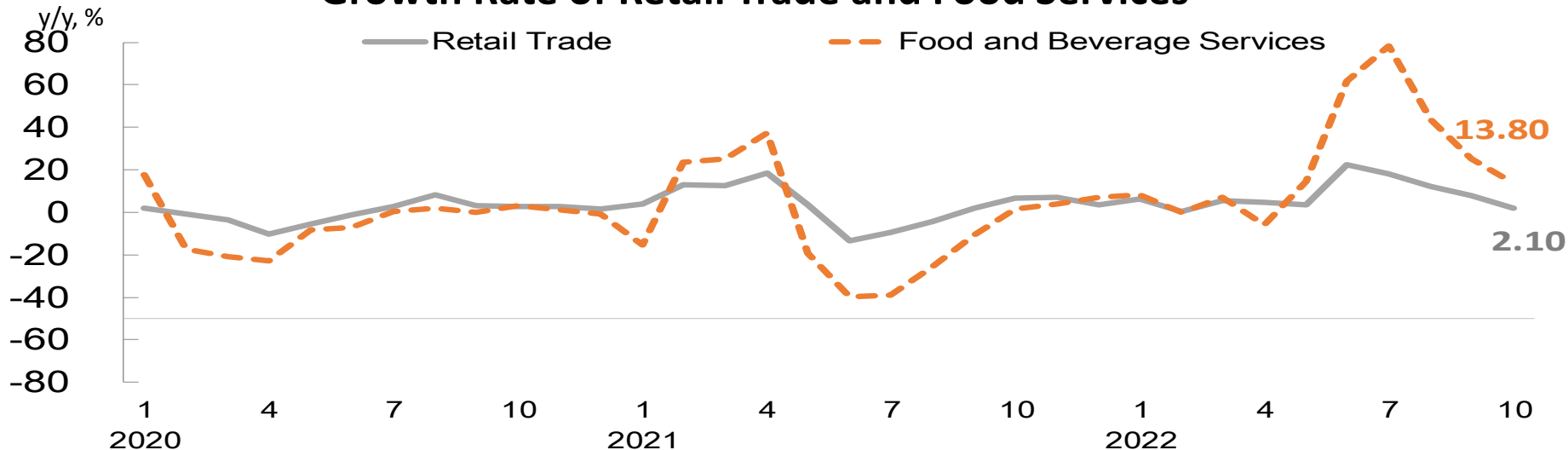


Motor vehicles and motorcycles **+10.0%**



Retail sale via mail order houses or via Internet **+8.2%**

## Growth Rate of Retail Trade and Food Services





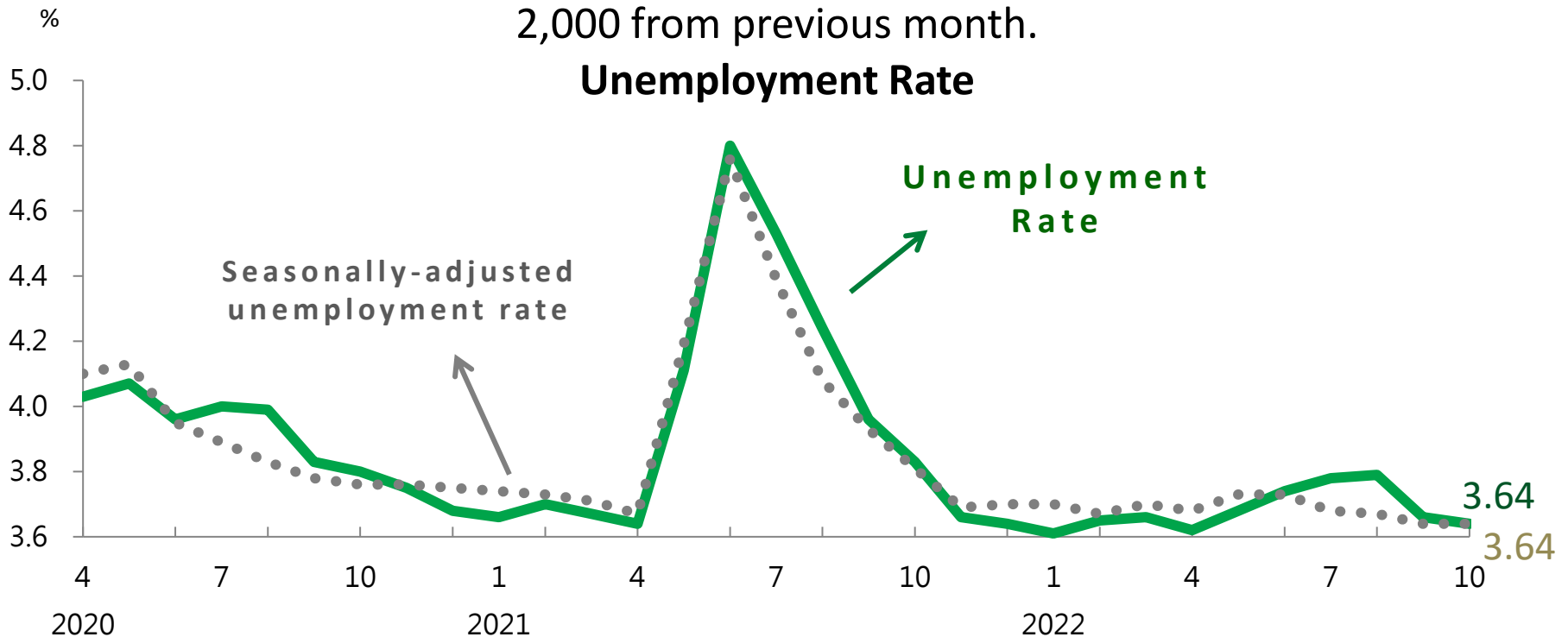
# Labor Market Remains Stable

- The unemployment rate fell 0.02 percentage points from a month earlier to 3.64% in October 2022, mainly because fewer people lost their jobs to business downsizing and closures.



Number of unemployed people decreased by 2,000 from previous month.

## Unemployment Rate

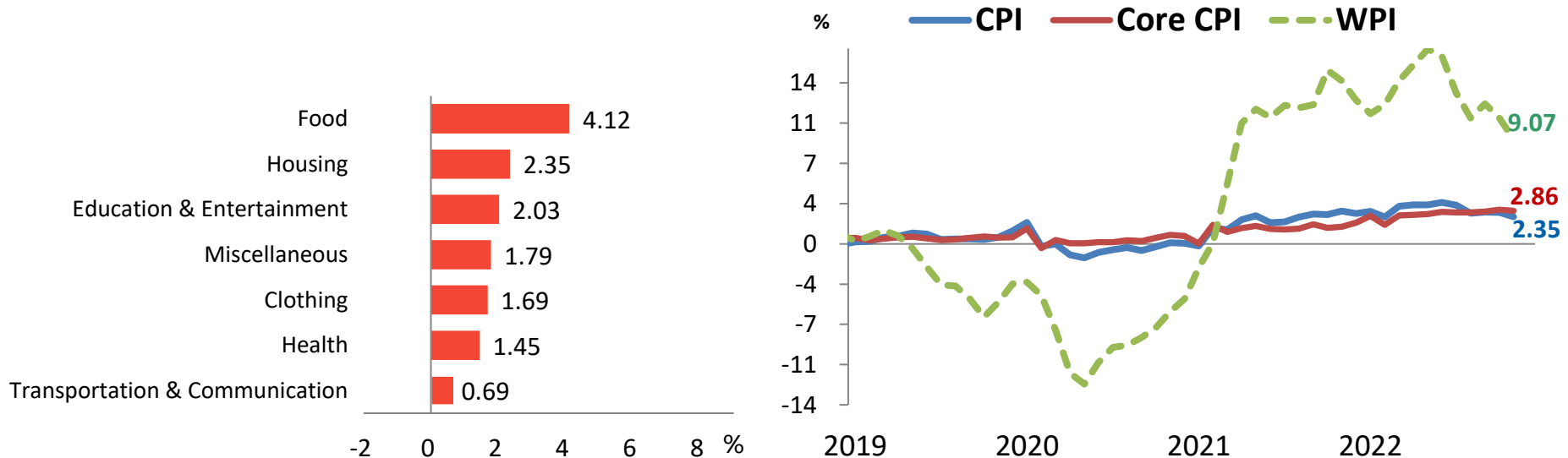




# Inflation Pressure Slows Down

- The CPI rose 2.35% year-on-year in November 2022, mainly because the index for food eaten away from home rose 5.81%, and the indices for eggs and meats rose 24.81% and 5.79%, respectively. The core CPI increased 2.86%.
- The WPI in November 2022, compared to the same month in 2021, increased 9.07%. Indices for electronic parts & components, petroleum & coal products, and machinery & equipment rose 10.72%, 17.14%, and 6.09%, respectively.

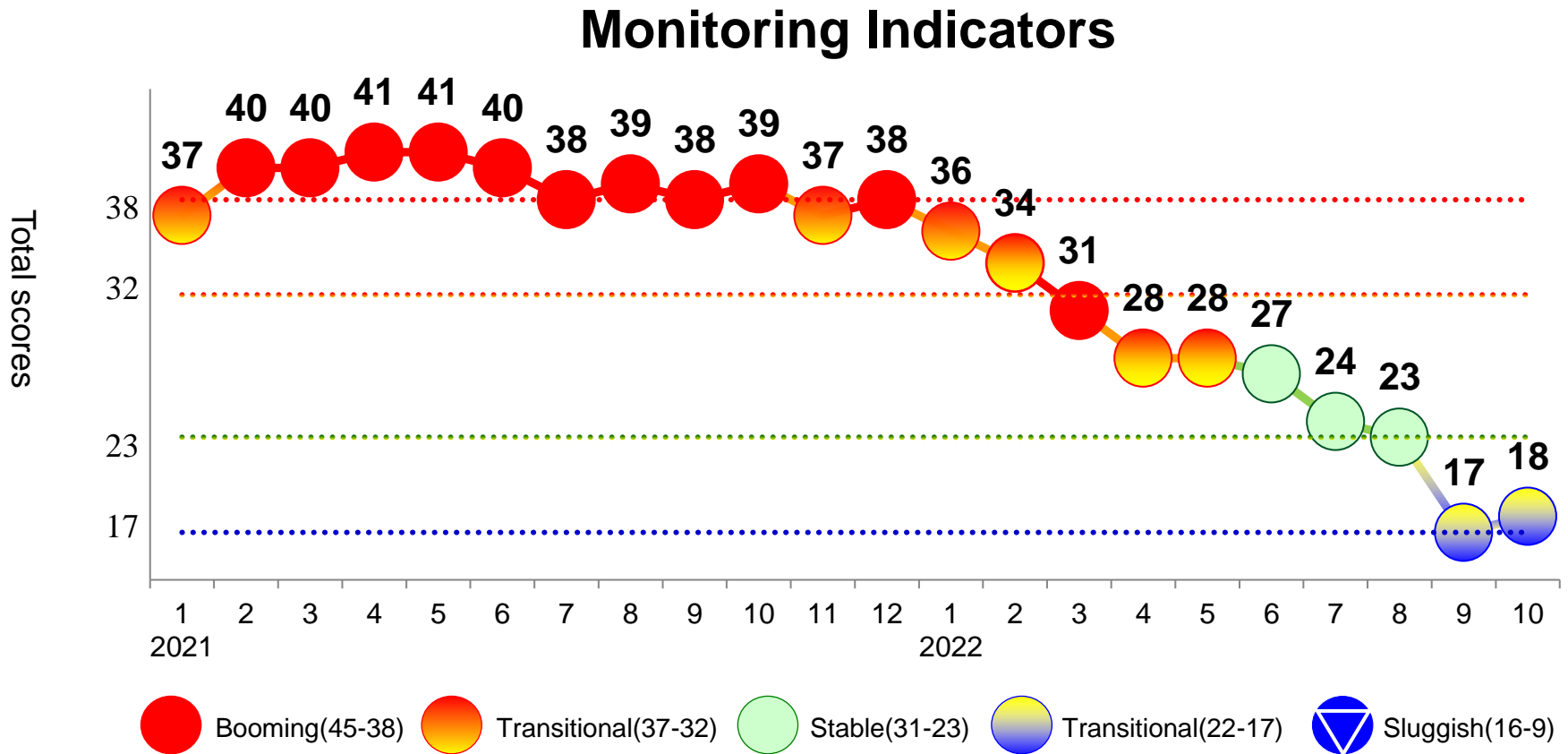
## Annual Changes of Consumer Price Indices





# Monitoring Indicators Flash “yellow-blue” Signal

- In October 2022, the overall monitoring indicator continued to flash the “yellow-blue” signal, the total score increased 1 point to 18.



**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\\_36401](https://www.ndc.gov.tw/en/nc_199_36401)

**Source:** NDC, Nov. 2022.



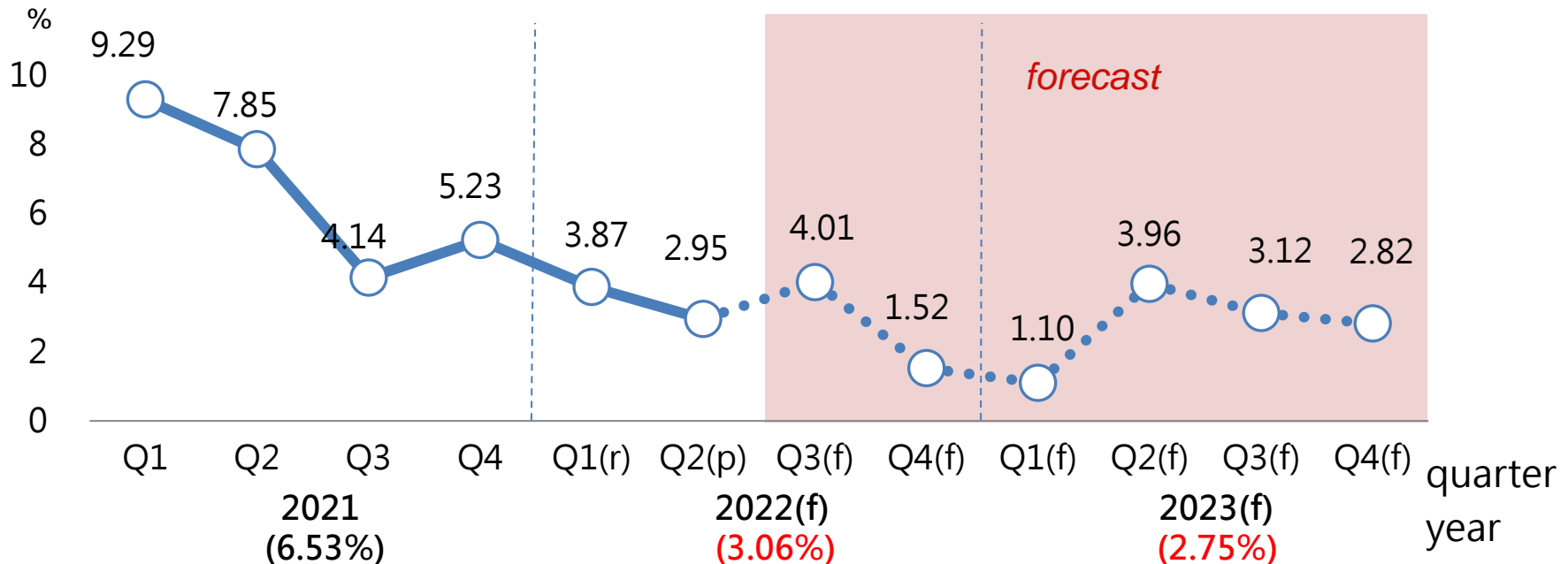
### **III. PROSPECTS FOR 2022 and 2023**



# Economy to Remain Stable

- The inflation, tightening monetary policies, and pandemic control measures in China have all weakened global demand. According to the IMF, the world trade volume is projected to grow by 2.5% in 2023, lower than 4.3% in 2022, which may drag down export growth. However, the capacity expansion of leading semiconductor manufacturers and sustained investment in offshore wind energy will support investment growth. Combining the contributions from the domestic sector with the recovering consumption driven by flourishing cross-border tourism, Taiwan's real GDP will grow by 3.06% and 2.75% in 2022 and 2023, respectively.

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





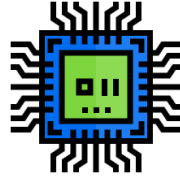


# Investment Expected to Grow Moderately

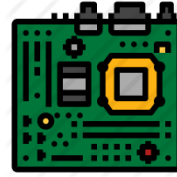
- The growth rate of fixed investment is expected to grow by 7.11% in 2022, slowing to 3.36% in 2023.



Reshoring Taiwan's overseas companies



Accelerating investment of the semiconductor industry



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

## Growth Rate of Each Component of Fixed Investment

Unit: %

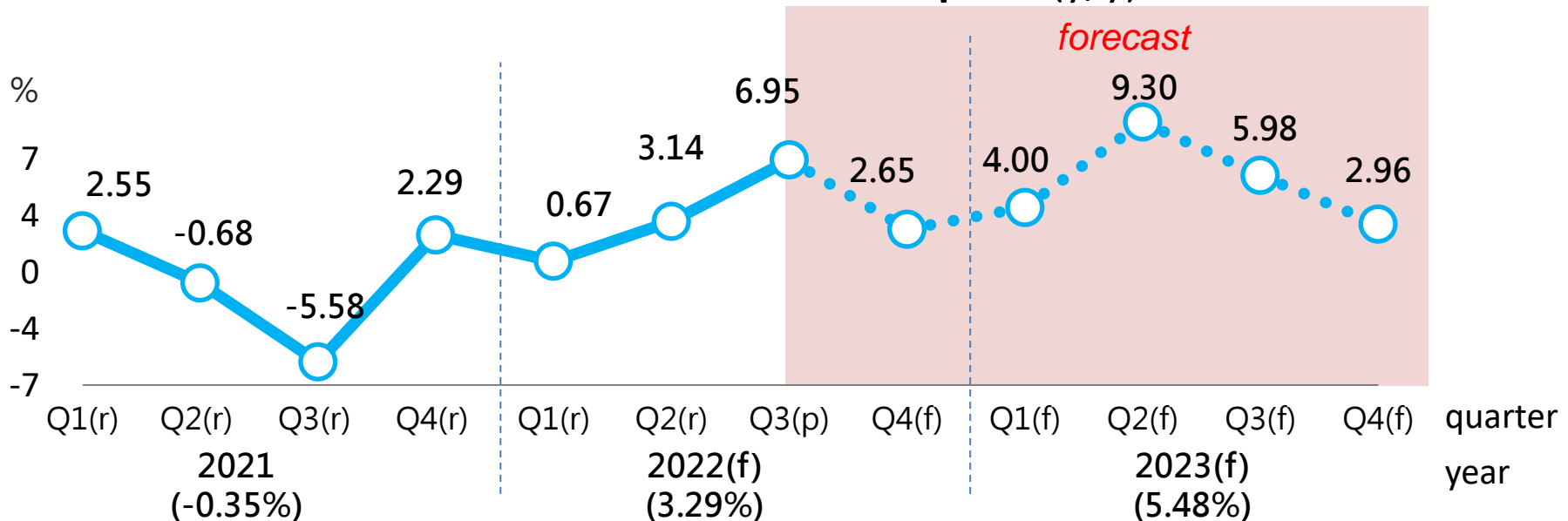
	Fixed Investment	Private Enterprises	Public Enterprises	Government
2020	6.15	4.87	28.87	5.80
2021	14.46	18.90	5.04	-10.10
2022(f)	7.11	7.30	13.77	2.32
Q1 (r)	9.22	10.33	0.95	2.32
Q2 (p)	11.27	11.38	34.58	0.38
Q3 (f)	4.97	3.52	31.77	6.04
Q4 (f)	3.56	4.45	-1.55	1.02
2023(f)	3.36	3.04	5.29	5.06



# Private Consumption Continues to Increase

- Real private final consumption grew by 6.95% in 2022 Q3, primarily due to recovery in consumption, including retail, dining out, recreation, and transportation, compared to the low base of the 2021 nationwide pandemic alert period.
- Real private consumption is projected to grow by 3.29% in 2022. As domestic COVID-19 control restrictions are eased, consumption is going back to normal; in addition, the growth will also benefit from the improvement in employment and wage raises.

### The Growth Rate of Private Consumption (y/y)



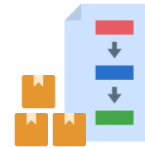


# Export growth Slows Down

- According to the IMF, the momentum of global demand is crumbling, indicated by a world trade volume projected to grow by 2.5% in 2023, lower than 4.3% in 2022, which may drag down export growth. Real exports of goods and services are forecast to grow by 3.96% and 3.75% in 2022 and 2023, respectively.

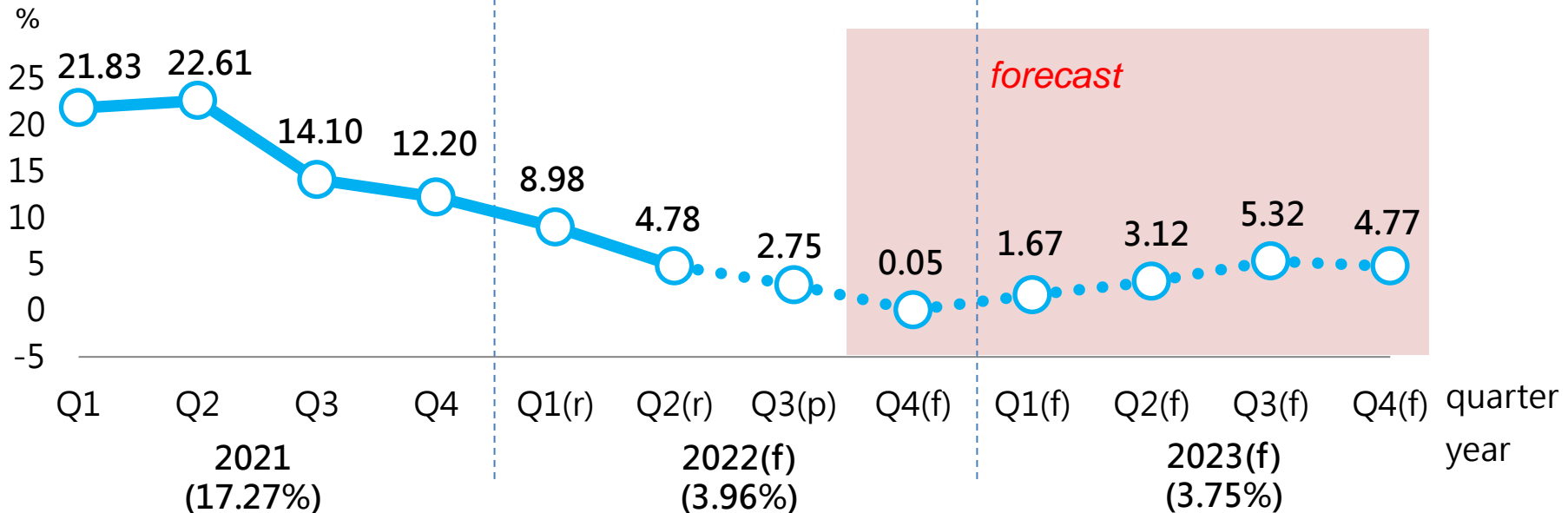


New technological applications  
(5G, IOT, high performance  
computing, etc.)



Inventory adjustment of  
the industrial chain

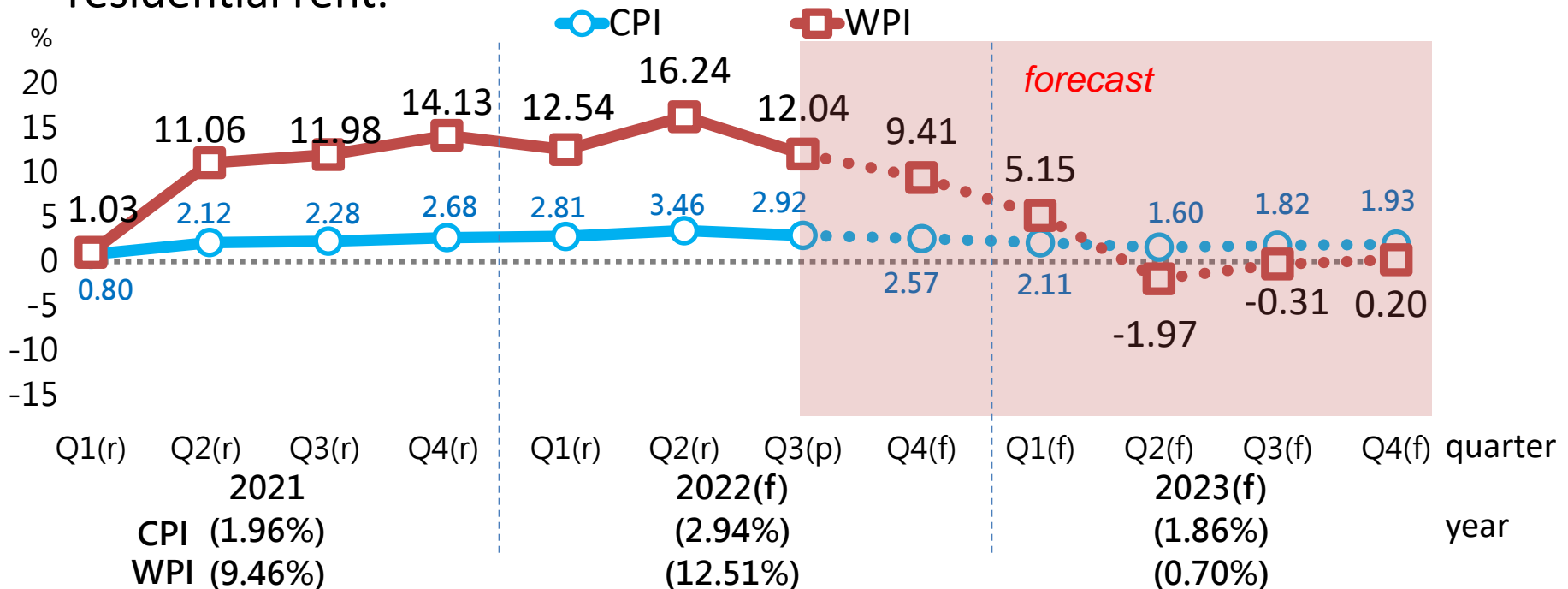
## Growth Rate of Real Goods and Service Exports (y/y)





# Inflation Forecast to Rise

- The Russia-Ukraine War has disrupted the supply chain and caused high prices of international raw materials. Moreover, NTD devaluation increased the import costs of manufacturers. DGBAS forecasts that WPI in 2022 will grow by 12.51%, revised upward by 0.59 percentage points.
- On the CPI side, it is forecast to increase by 2.94%, revised upward 0.02 percentage points from August, mainly reflecting the higher import prices and significant price hikes in food away from home and residential rent.





## Forecasts for Taiwan's Economy

	Real GDP (yoy, %)		Consumer Price Index (yoy, %)	
	2022 <sub>f</sub>	2023 <sub>f</sub>	2022 <sub>f</sub>	2023 <sub>f</sub>
<b>DGBAS (2022.11)</b>	3.06	2.75	2.94	1.86
<b>CBC (2022.12)</b>	2.91	2.53	2.93	1.88
<b>TRI (2022.12)</b>	3.01	2.51	3.05	1.96
<b>CIER (2022.12)</b>	3.04	2.72	2.94	1.97
<b>TIER (2022.11)</b>	3.45	2.91	2.98	1.95
<b>S&amp;P Global (2022.12)</b>	2.86	2.15	2.90	1.88
<b>ADB (2022.12)</b>	3.4	3.0	2.8	2.0
<b>IMF (2022.10)</b>	3.3	2.8	3.1	2.2

Note:

1. DGBAS = Directorate-General of Budget, Accounting and Statistics, ROC (Taiwan); CBC = Central Bank of Republic of China (Taiwan); TRI = Taiwan Research Institute; CIER = Chung-Hua Institution for Economic Research, Taipei; TIER = Taiwan Institute of Economic Research, Taipei; ADB = Asian Development Bank ; IMF = International Monetary Fund.

2. f = forecast



## IV.CONCLUSION

- While the 2022 global economic growth forecasts have been revised upward by leading economic institutes, global economic growth will probably fall below 2% in 2023, mainly due to uncertainties caused by the Russo-Ukrainian War, inflation, interest rate hikes across much of the world, rising debt levels, and China's property sector crisis.
- On the domestic side, according to the latest DGBAS forecast, real GDP is projected to grow by 3.06% in 2022, putting Taiwan's economy above 3 percent growth for a fourth consecutive year since 2019. In addition, real GDP is projected to grow by 2.75% in 2023, mainly driven by continuous real private consumption and investment growth.
- Following the decline in growth momentum of the global economy in 2023, President Tsai has put forward three directives to stimulate economic growth, including maintaining the momentum of economic growth and stabilizing domestic prices, strengthening care for the disadvantaged and reducing the burden of life, and ensuring economic and financial stability.



Thank you