

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

**National Development Council**  
**June 2023**



# CONTENTS

- I. GLOBAL ECONOMIC SITUATION AND OUTLOOK**
- II. CURRENT DOMESTIC ECONOMIC SITUATION**
- III. PROSPECTS FOR 2023**
- IV. CONCLUSION**

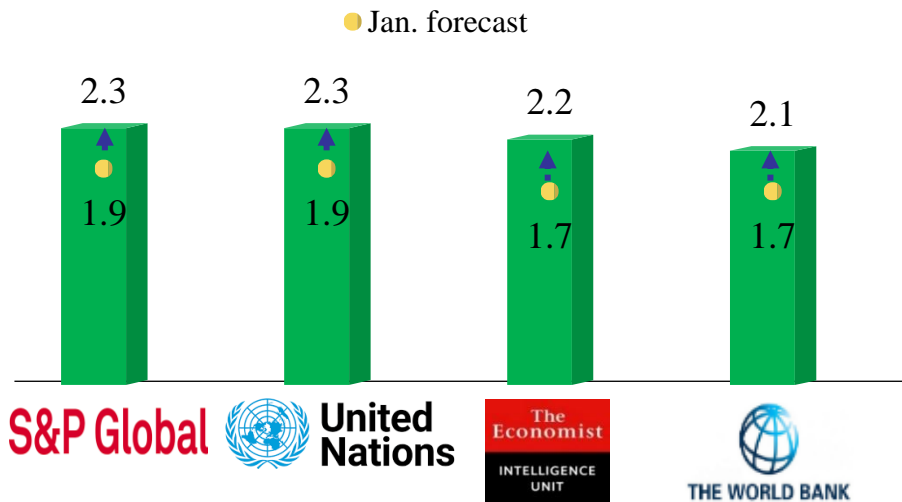


# **I. Global Economic Situation and Outlook**

# Slight Recovery in Global Economy and Trade Growth

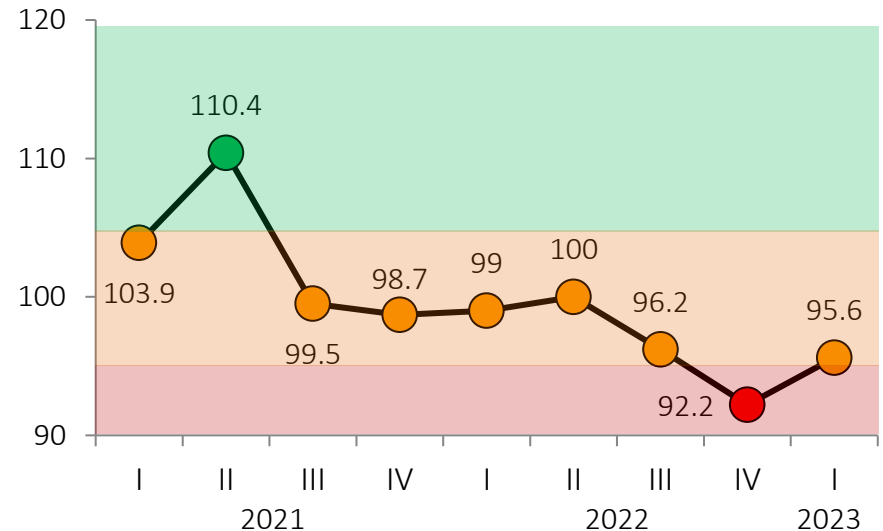
- Despite persistent global inflationary pressure, 2023 global economic growth forecasts were further revised up due to softer commodity prices and gradual easing of strain on supply chains.
- The latest reading of 95.6 of the WTO Goods Trade Barometer is slightly up from the previous quarter, but remains well below the baseline value of 100.

## 2023 Global Economic Growth Forecasts



**Source:** 1. S&P Global, *World Overview*, May 15, 2023.  
2. UN, *World Economic Situation and Prospects*, May 16, 2023.  
3. EIU, *Global outlook summary*, May 18, 2023.  
4. World Bank, *Global Economic Prospect*, June 7, 2023.

## WTO Goods Trade Barometer



**Note:**

Below 95: red zone, growth substantially below trend.

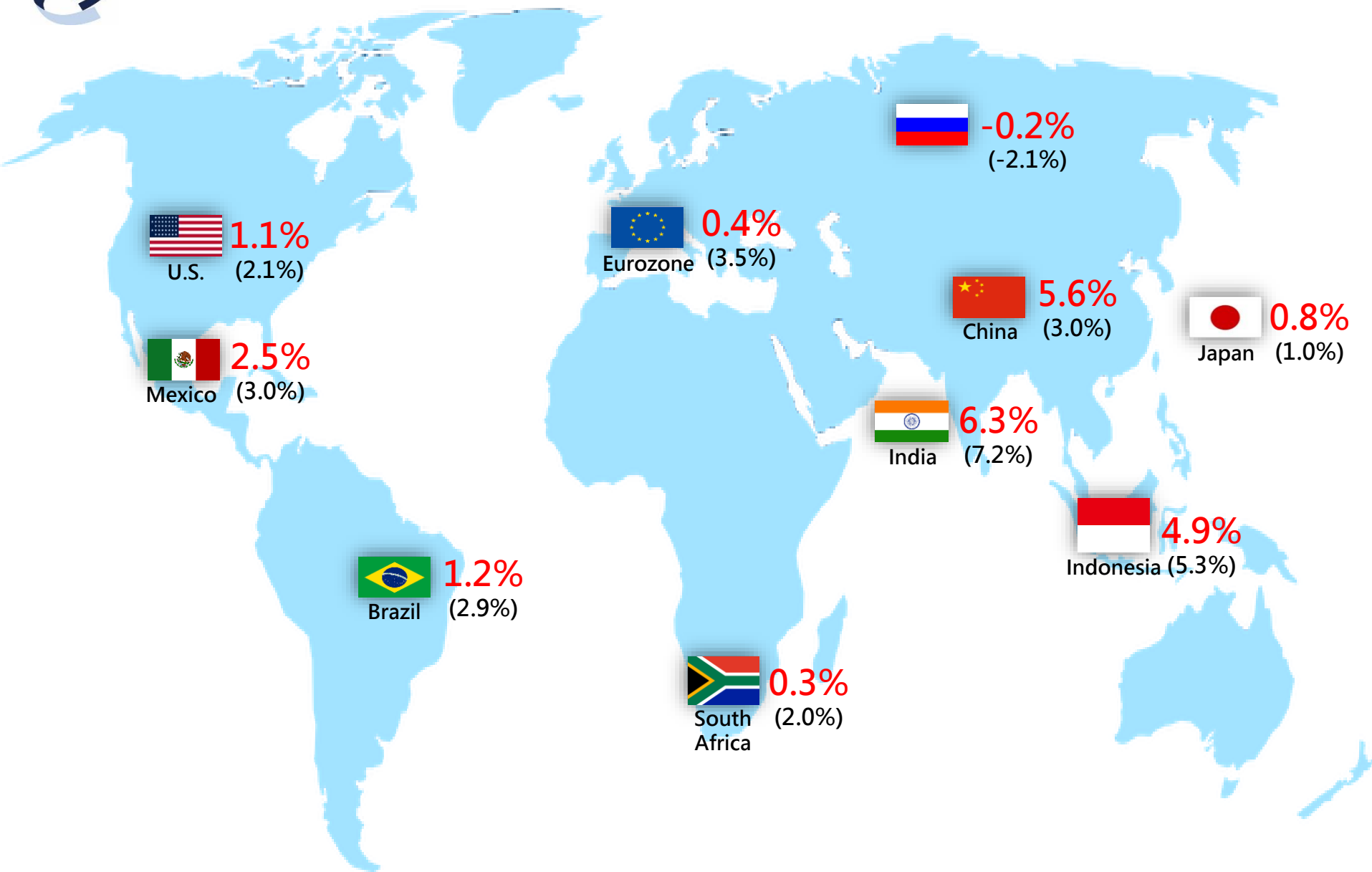
Between 95 and 105: amber zone, growth in line with trend.

Above 105: green zone, growth well above trend.

**Source:** WTO, May 31, 2023.



# Lower Economic Growth in 2023



**Note:** Figures in parathesis are economic growth rates for 2022.

**Source:** World Bank, *Global Economic Prospect*, June 7, 2023.



# Snapshot of Worldwide Risks



## Tighter Financial Conditions

- Major countries continued raising interest rates to tame inflationary pressures, resulting in liquidity challenges in the financial system. If the problem spreads further, banks may tighten lending even more, negatively impacting economic growth.



## Unresolved Inflationary Pressures

- Tight labor markets in many countries drive elevated core inflation. Escalating geopolitical conflicts and extreme weather could reverse the downward trajectory of commodity prices, raising global inflationary pressures.



## Russia-Ukraine War in Ongoing

- The Russia-Ukraine conflict is ongoing. If the situation escalates, it could result in a new energy crisis in Europe and worsen food security challenges in low-income countries.



## Risk of Sovereign Debt Crisis

- Tightening monetary policies of major central banks and a strong U.S. dollar pressure emerging markets, deepening the risk of potential debt defaults.



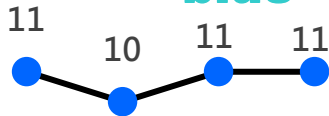
## **II. Current Domestic Economic Situation**



# Latest Overview of the Domestic Economy

Business  
Indicator  
(April)

**“blue” signal**



Retail  
(April)

**7.5%**



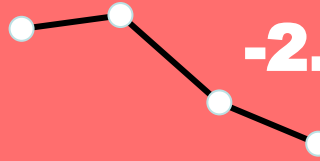
Unemployment  
(April)

**3.50%**



GDP Growth  
(2023 Q1)

**-2.87%**



Export  
(May)

**-14.1%**



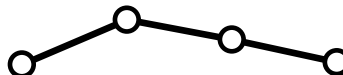
CPI  
(May)

**2.02%**



Industrial  
Production  
(April)

**-22.86%**



**Note:** GDP growth was preliminarily estimated by DGBAS on May 26, 2023.

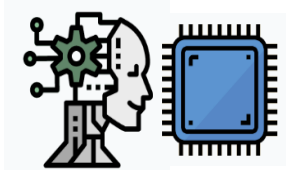
All except business indicator are stated as year-on-year rates.





# Foreign Trade Continues to Show Negative Growth

- In May 2023, Taiwan's total exports contracted by 14.1% year-on-year, as global demand slowed down and industry chains continued to adjust inventory.



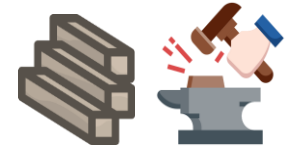
Parts of electronic products

**-9.9%**



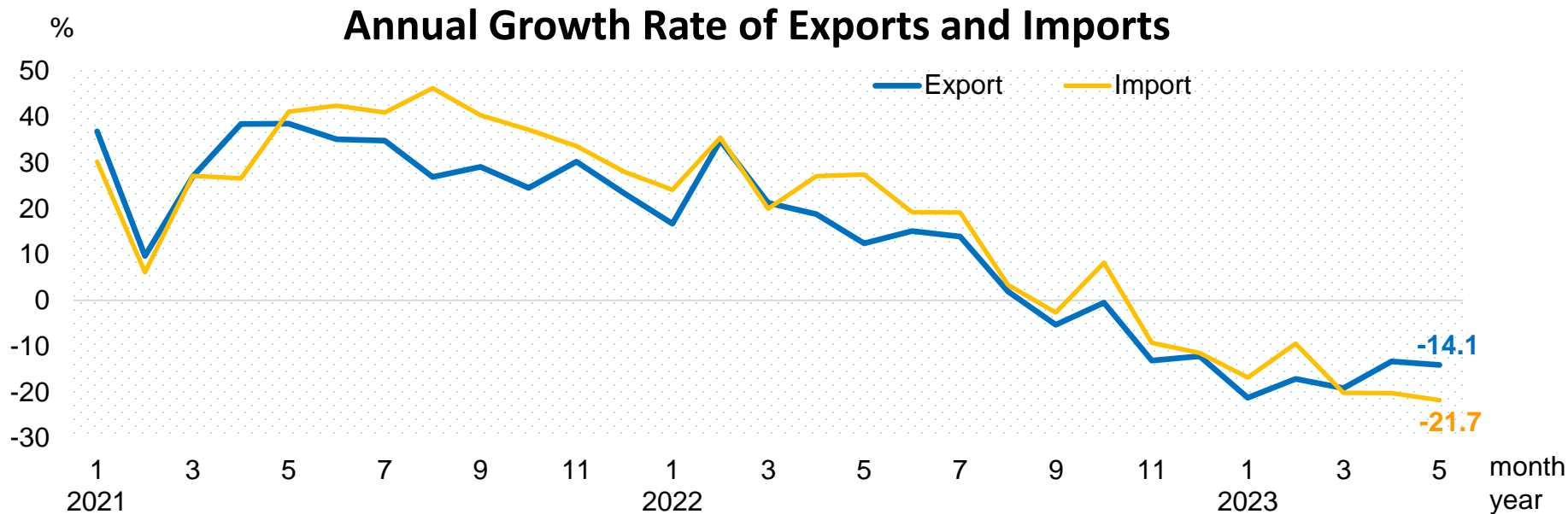
Information, communication  
and audio-video products

**11.9%**



Base metals and  
articles of base metal

**-24.6%**





# Industrial Production Slows

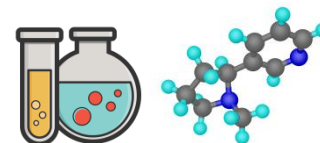
- The Industrial Production Index (IPI) decreased 22.9% year-on-year in April 2023, mainly due to sluggish demand for terminal products and supply chain inventory adjustments.



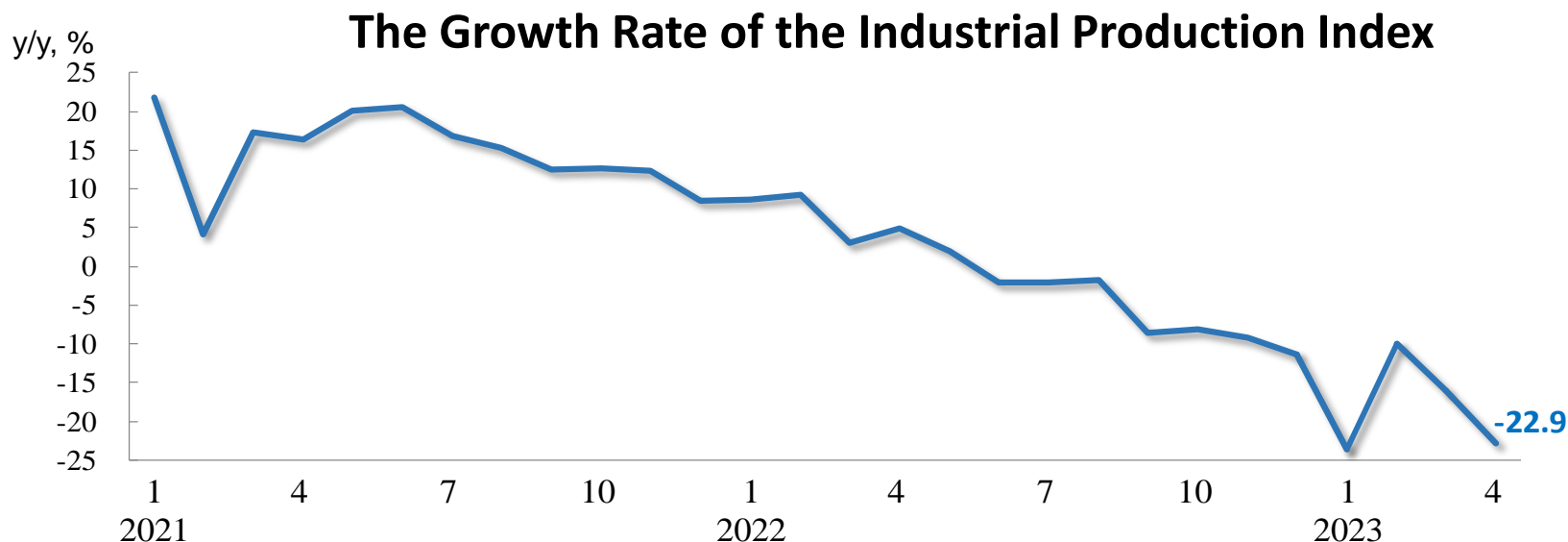
Electronic parts  
and components **-31.1%**



Computers, electronic &  
optical products **-14.0%**



Chemical raw material  
industry **-19.4%**





# Retail Trade Continues to Grow

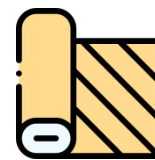
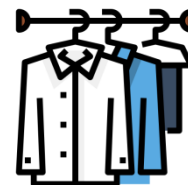
- In April 2023, retail trade sales increased by 7.5% year-on-year, marking the 20th consecutive month of growth, driven by rising demand during the Tomb Sweeping Festival holiday and Mother's Day.



General merchandise stores **+12.6%**

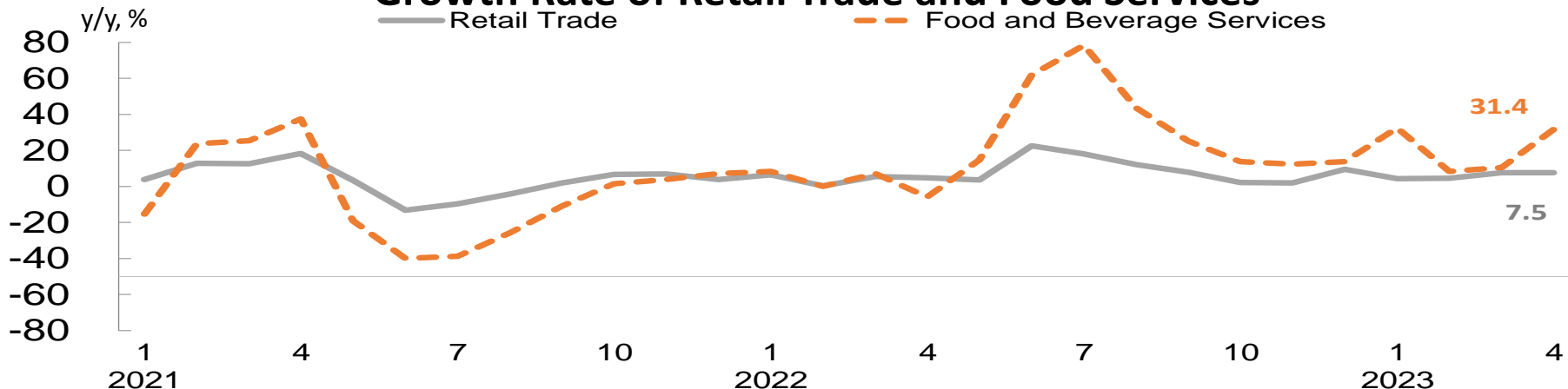


Motor vehicles and motorcycles **+11.3%**



Textiles and Clothing **+29.4%**

## Growth Rate of Retail Trade and Food Services





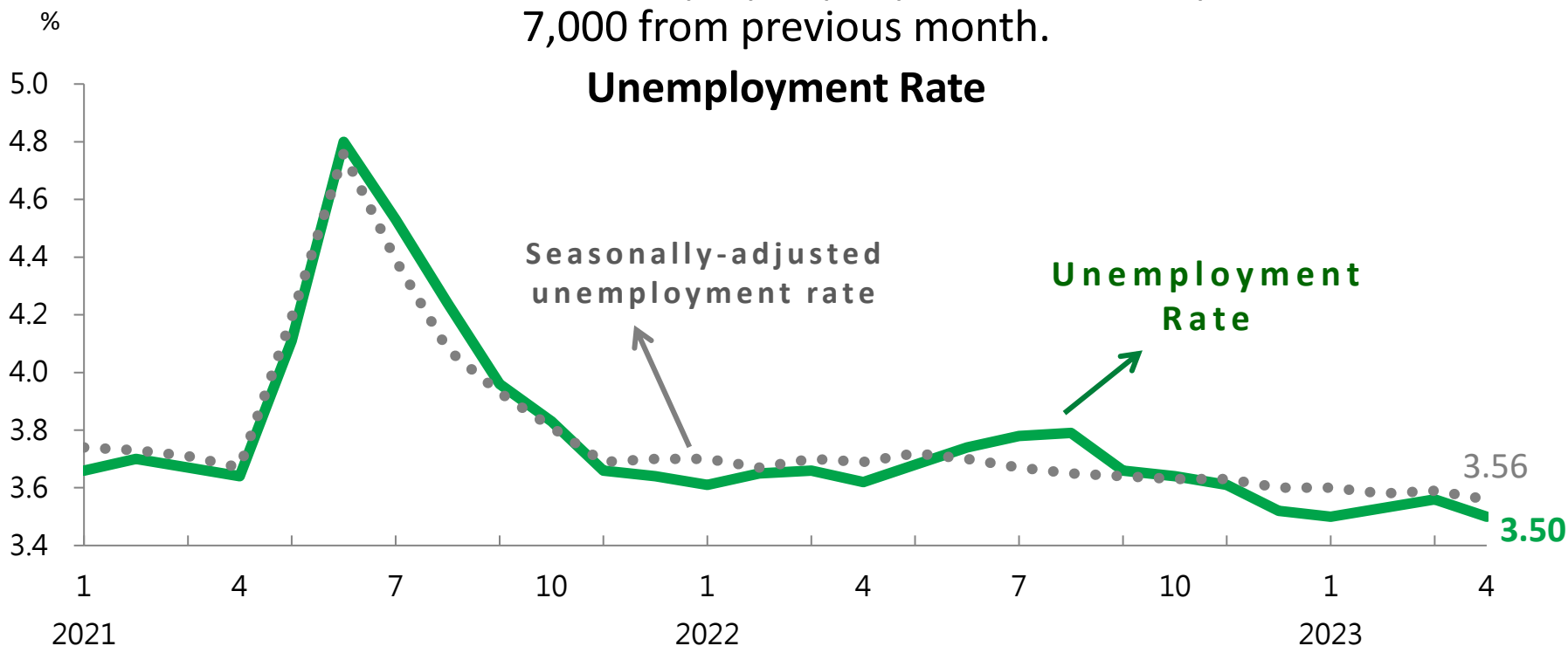
# Labor Market Remains Stable

- The unemployment rate fell 0.06 percentage points from the previous month to 3.50% in April 2023, mainly because fewer people lost their jobs due to business downsizing and closure.



Number of unemployed people decreased by 7,000 from previous month.

## Unemployment Rate

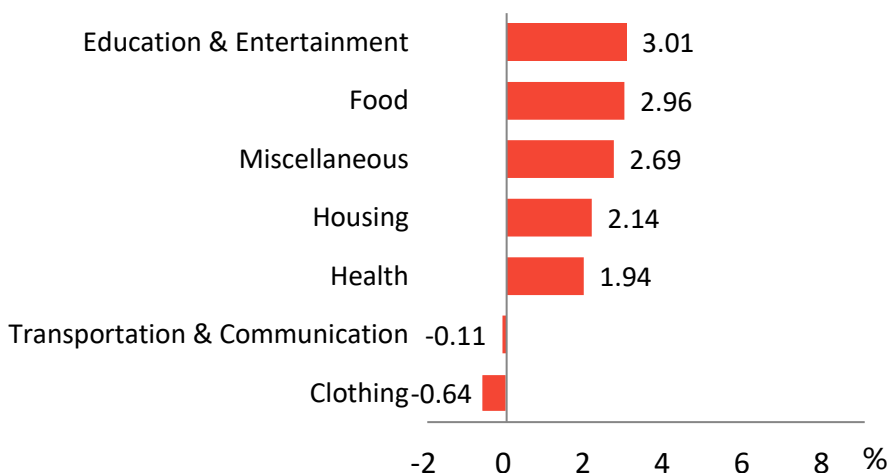




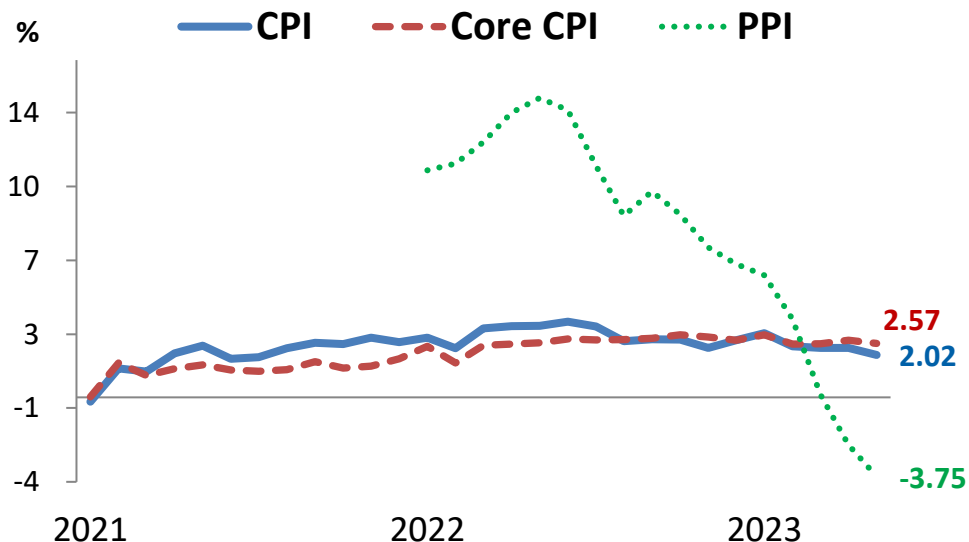
# Inflation Pressure Slows Down

- The CPI rose 2.02% year-on-year in May 2023, mainly because the index for entertainment services rose 6.17%. Moreover, the indices for eggs, nursery and nursing care services, meat, and food eaten outside the home also rose 13.07%, 7.08%, 6.43%, 4.49%, respectively. The core CPI increased 2.57%.
- The PPI in May 2023, compared with the same month in 2022, decreased 3.75%, mainly because the petroleum and coal products, basic metals, as well as fabricated metal products, fell 20.44%, 11.98% and 7.93%, respectively.

Annual Changes of Consumer Price Indices



Source: DGBAS June 2023.



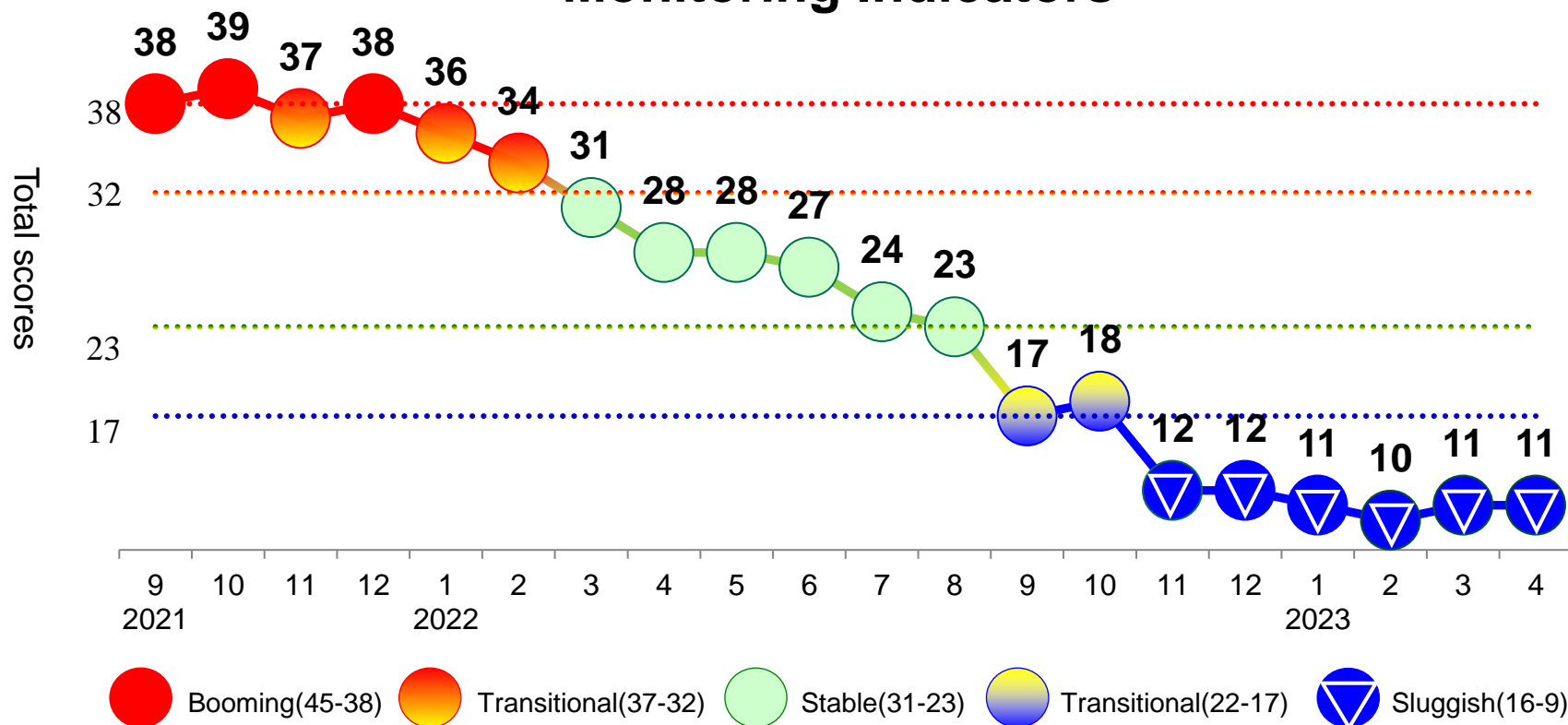
**Note:** Producer Price Index (PPI) compiled monthly from January 2021, so annual growth rate data only be available from 2022.



# Monitoring Indicators Stay at “Blue” Signal

- In April 2023, the overall monitoring indicator remained at the “blue” signal, the total score same as the previous month ,11.

## 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 details:

[https://www.ndc.gov.tw/en/nc\\_199\\_36938](https://www.ndc.gov.tw/en/nc_199_36938)

**Source:** NDC, May 2023.

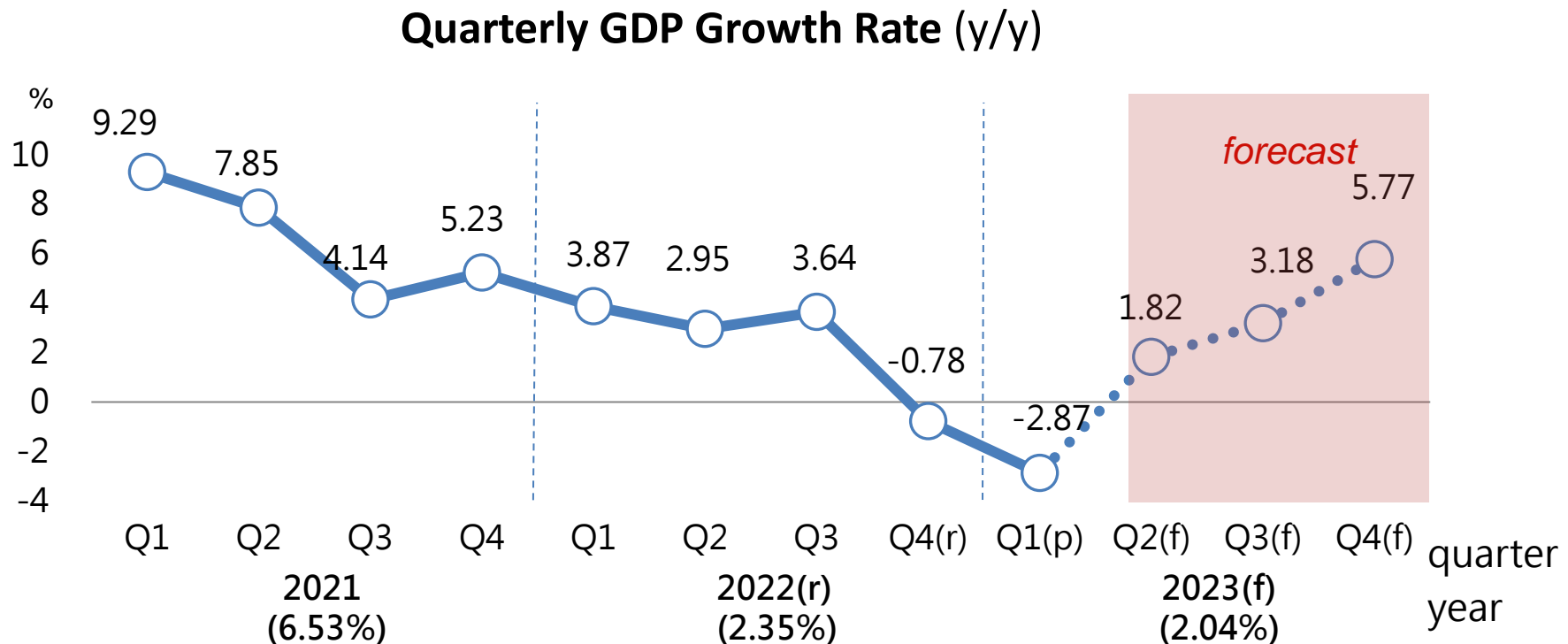


### **III. PROSPECTS FOR 2023**



# 2023 GDP Forecast Revised Downward

- Real GDP is projected to grow by 2.04% in 2023, revised downward by 0.08 percentage point from the previous forecast. Economic growth is likely to be low in the first half of the year under continuing global inflationary pressure, but momentum may pick up in the second half.







# Fixed Investment to Turn Cautious

- Continuing investment of the semiconductor industry, the reshoring of Taiwan's overseas companies, ongoing investment in offshore wind energy and airline companies expanding aircraft their fleets to cope with increasing cross-border tourism will all boost investment.
- However, enterprise capital spending may be cautious due to the uncertain global outlook and the effect of the previous year's high base. The growth rate of fixed investment is expected to decrease by 1.46% in 2023.

## Growth Rate of Each Component of Fixed Investment

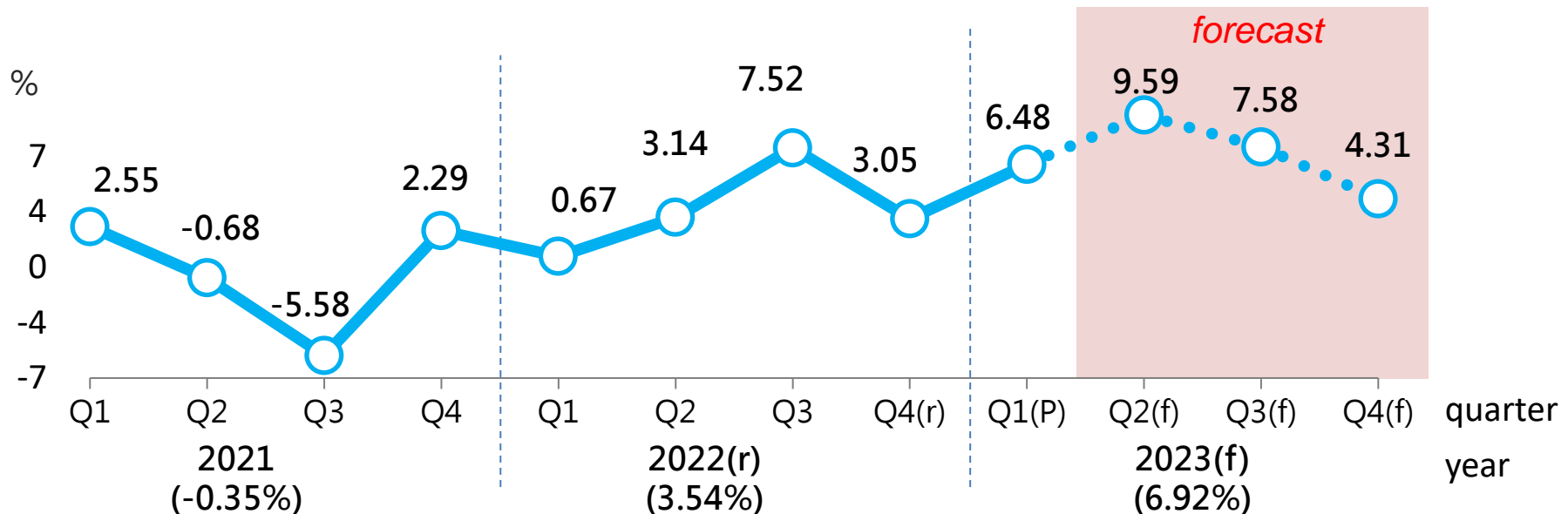
Unit: %

	Fixed Investment	Private Enterprises	Public Enterprises	Government
2021	14.46	18.90	5.04	-10.10
2022(r)	6.29	6.24	13.13	3.41
2023(f)	-1.46	-2.49	6.55	2.81
Q1 (p)	-0.83	-2.16	26.23	2.13
Q2 (f)	-2.99	-3.87	-0.11	3.61
Q3 (f)	-1.54	-1.33	-10.40	1.85
Q4 (f)	-0.44	-2.64	15.62	3.34

# Private Consumption to Continue to Increase

- Real private final consumption grew by 6.48% in 2023 Q1, mainly driven by rebound in spending on dining out, accommodation, recreation, transportation, and flourishing outbound tourism following the reopening of borders.
- Real private consumption is projected to grow by 6.92% in 2023. Consumption has returned to normal after the end of the pandemic along with strong gains in shopping, travel, and food services. Growth also benefitted from the reopening of borders and the government's universal cash remittance launched this April.

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



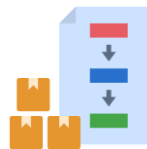


# Export Growth to Slow Down

- According to the IMF, slowing global demand will lead world trade volume to grow by a projected 2.4% in 2023, lower than the 5.1% in 2022, which may drag down export growth. Real exports of goods and services are forecast to decrease by 0.6% in 2023.

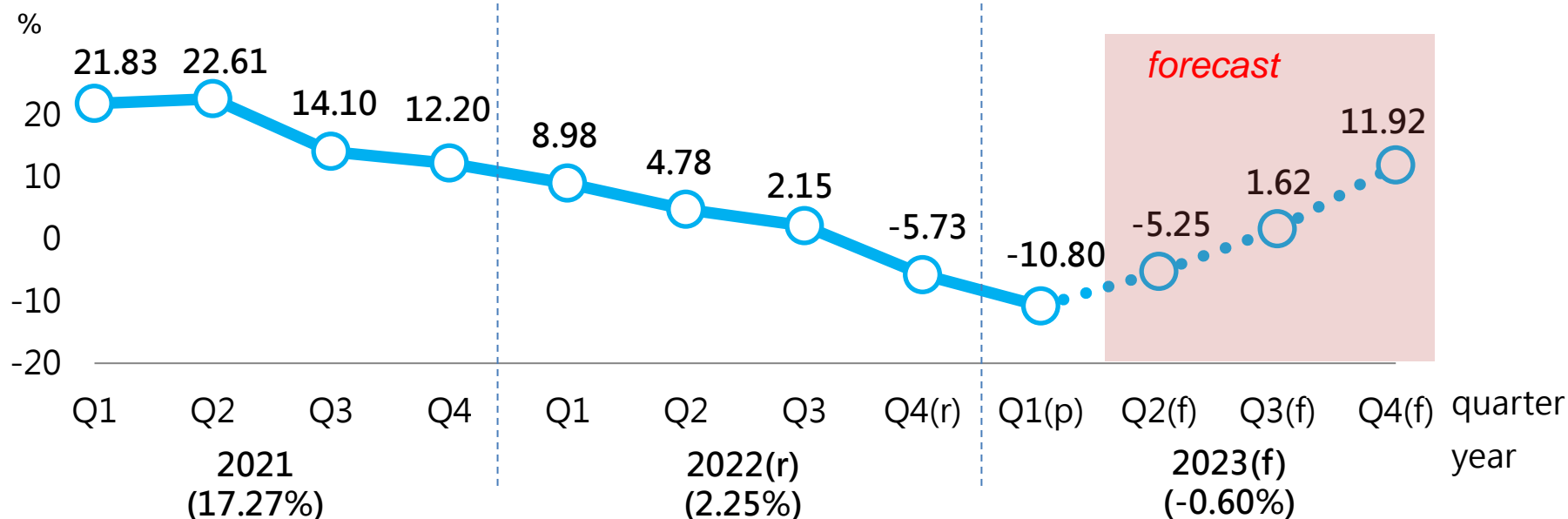


Global demand slow down



Inventory adjustment of the industrial chain

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





# Moderate Inflation is Forecast

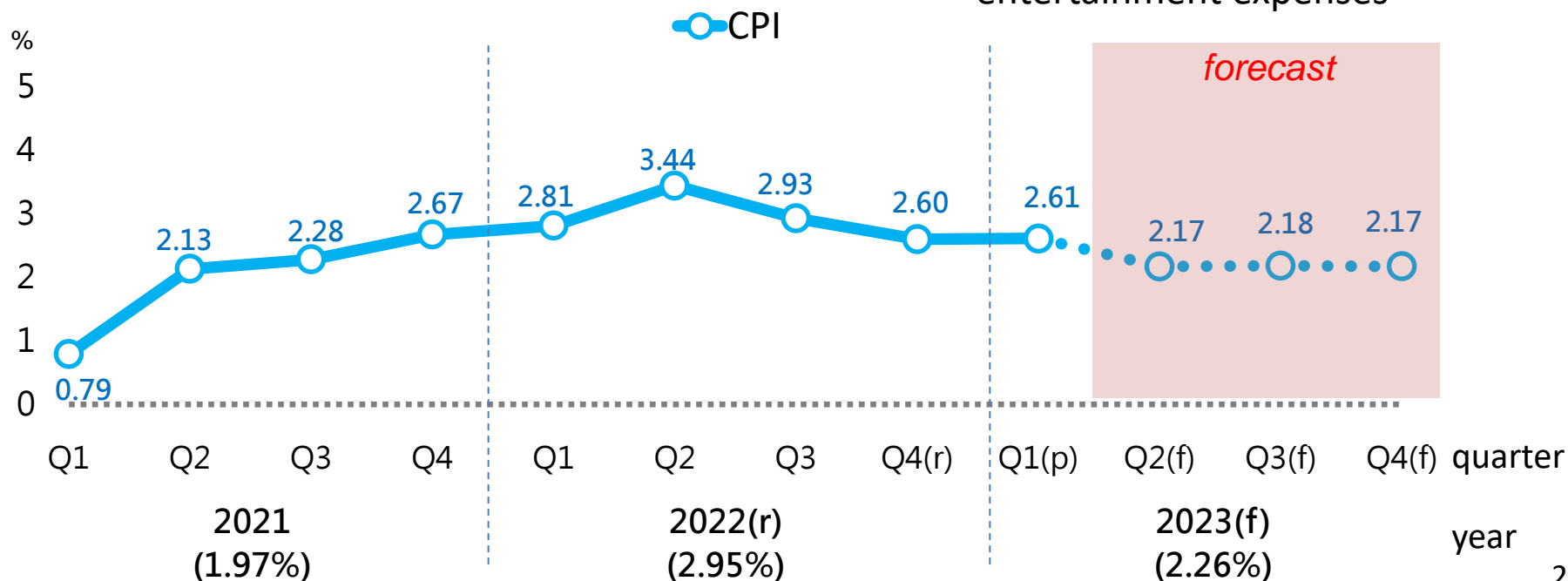
- The CPI is forecast to increase 2.26% in 2023, mainly reflecting the rise in housing rent and service prices such as entertainment expenses due to increase in demand. However, the rise in CPI is forecast to be moderate compared to last year.



residential rent



entertainment expenses





## Forecasts for Taiwan's Economy

	Real GDP (yoy, %)		Consumer Price Index (yoy, %)	
	2022	2023 (f)	2022	2023 (f)
<b>DGBAS (2023.5.26)</b>	2.35	2.04	2.95	2.26
<b>CBC (2023.3.23)</b>		2.21		2.09
<b>TIER(2023.4.25)</b>		2.31		2.20
<b>CIER (2023.4.21)</b>		2.01		2.18
<b>S&amp;P Global (2023.5.15)</b>		1.15		2.14
<b>IMF (2023.4.11)</b>		2.1		1.9
<b>ADB (2023.4.4)</b>		2.0		2.0

Note:

1. DGBAS = Directorate-General of Budget, Accounting and Statistics, ROC (Taiwan); CBC = Central Bank of Republic of China (Taiwan); 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) indicates forecast.



## IV.CONCLUSION

- Global economic growth forecasts were revised up due to softer commodity prices and a gradual easing of strain on supply chains. However, global inflationary pressure could continue while volatility in financial markets increases, driven by factors including tightening monetary policies of major world economies, climate change, and geopolitical conflict.
- On the domestic side, according to the latest DGBAS forecast, real GDP is projected to grow by 2.04% in 2023. Investment and export growth may slow down due to the uncertain global outlook. However, consumption has returned to normal after the pandemic along with strong gains in shopping, travel, and food services.
- To respond to continued inflationary pressure and the risk of global economic downturn this year, Taiwan passed the "Special Act for Enhancing Post-pandemic Economic and Social Resilience and National Sharing Economy Achievement" with a scale of NT\$380 billion; this will help reduce people's financial burden, stabilize consumer prices, restructure the industrial sector, and maintain economic momentum.



Thank you