

Taiwan

Macroeconomic Trends – Exchange Rates - Forecasts

1st Quarter 2015



Report code:

5WTW11

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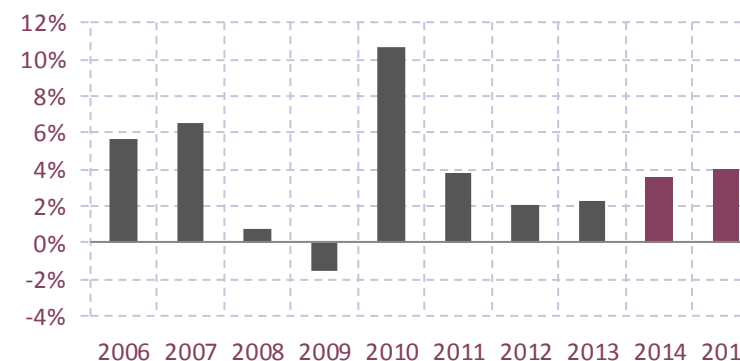
Sources: All our data is collected from national sources (national statistics, central bank).
All forecasts contained in this report are produced by Xerfi Global.

Country outlook

Gross Domestic Product

Unit: real annual % change

After two consecutive years of relatively slow growth (2012-2013), GDP accelerated in 2014, benefitting from a strong recovery in exports. Export growth was driven by strong demand for electronic components and higher tourist arrivals, benefitting from a depreciation of the Taiwanese Dollar against the US Dollar and the Chinese Yuan. Taiwanese manufacturers supply electronic components to global electronics brands such as Apple and Sony and exports of microprocessors and screens were boosted in 2014 by the worldwide success of the new iPhone and the rollout of fourth-generation mobile networks across the world.



Taiwan		Weight	2012	2013	2014	2015
GDP		100%	2.1	2.2	3.6	4.0
Consumer Spending		54%	1.8	2.4	2.6	2.5
Public Spending		20%	-1.1	-1.1	2.9	0.8
Investment		17%	-0.3	6.7	5.1	6.2
Construction		6%	5.0	5.1	9.7	7.8
Equipment		11%	-3.2	7.5	2.5	5.2
Stocks	*	0%	-0.1	-0.4	0.6	-0.3
Exports		72%	0.4	3.5	5.7	4.9
Imports		64%	-1.8	3.3	6.3	2.9
Net exports	*	8%	1.5	0.4	0.1	1.7
Current account	**		1,498	1,705	1,982	2,358
Current account (% of GDP)			10.2	11.2	12.4	14.0
Employment			1.4	1.0	1.0	1.8
Unemployment rate			4.2	4.2	4.0	3.4
Wages			0.3	-0.5	2.6	2.7
Inflation			1.6	1.0	1.4	1.8
General government balance	**		-6.2	-4.9	-3.4	-3.2
General gov't balance (% of GDP)			-4.2	-3.2	-2.1	-1.9
Public debt (% of GDP)			40.9	41.0	40.2	39.0
Nominal GDP	**		14,687	15,221	15,987	16,894

Change over the period, unless otherwise indicated

* contribution to GDP

** TWD billions

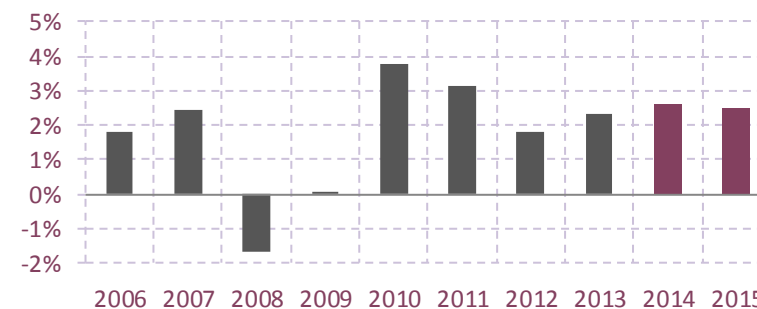
Quarterly macroeconomic data is not entirely consistent with monthly series due to methodological differences

Main forecasts (1)

Consumer spending

Unit: real annual % change

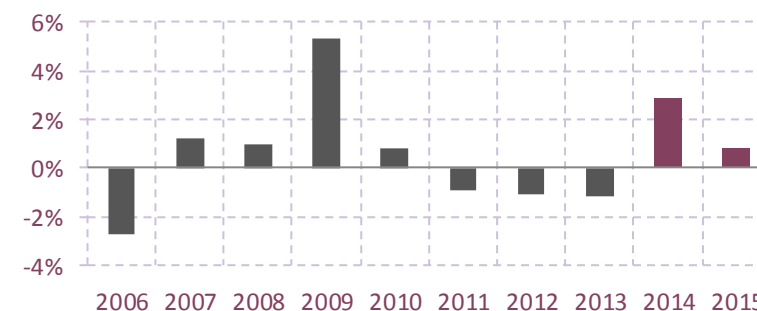
The export-led recovery in 2014 resulted in higher revenues and accelerating consumption. Consumer spending increased 2.6% and its growth is set to stabilise at around 2.5% in 2015. In 2012-2013 household purchasing power was affected by decreasing real wages, as nominal wages grew at a slower pace than consumer prices.



Public spending

Unit: real annual % change

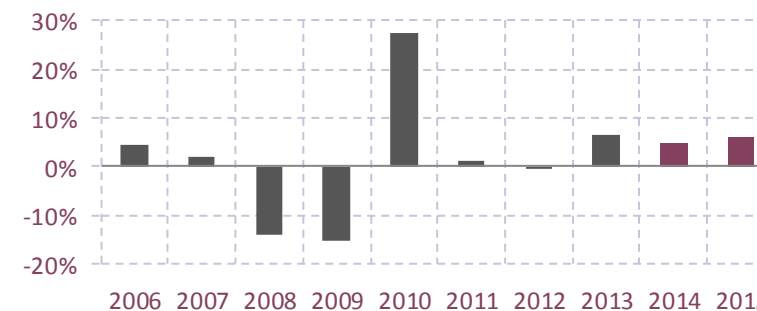
Public spending bounced back in 2014 after dropping for three years in a row (2011-2013). These cuts in public spending followed a 6% hike in 2009, when a consistent stimulus package contributed to supporting economic activity during the global crisis.



Investment

Unit: real annual % change

Following a very strong rebound in 2010, investment stagnated in 2011-2012. After increasing by 6.7% and 5.1% in 2013 and 2014, respectively, investment growth will remain strong in 2015, benefitting from the simplification of the repatriation procedures for previously offshored activities. Nonetheless, Taiwan's economy must still absorb overcapacities, especially in the industrial sector, where investment in equipment bounced back too strongly (+43%) in 2010.

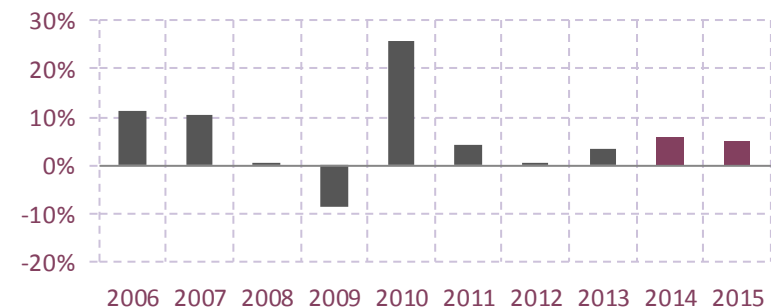


Main forecasts (2)

Exports

Unit: real annual % change

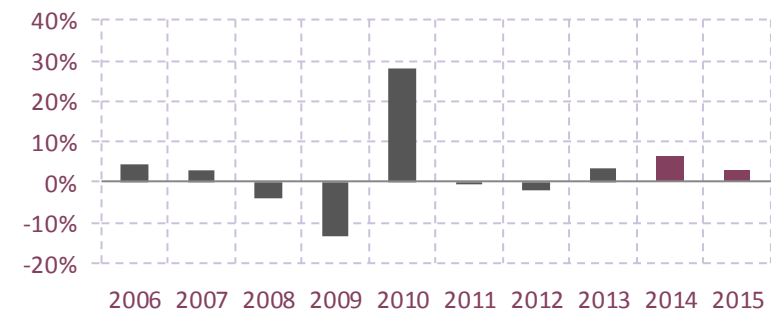
The recovery of world trade and the acceleration of the Chinese economy, which accounts for nearly one-third of Taiwan's total exports (mainly information technology and consumer electronic products), resulted in a strong rebound in exports in 2010 (+26%). A marked slowdown in Taiwan's exports was observed in 2011-2012, as the world economy lost momentum. Export growth accelerated in 2014, driven by global demand for electronic components and higher tourist arrivals.



Imports

Unit: real annual % change

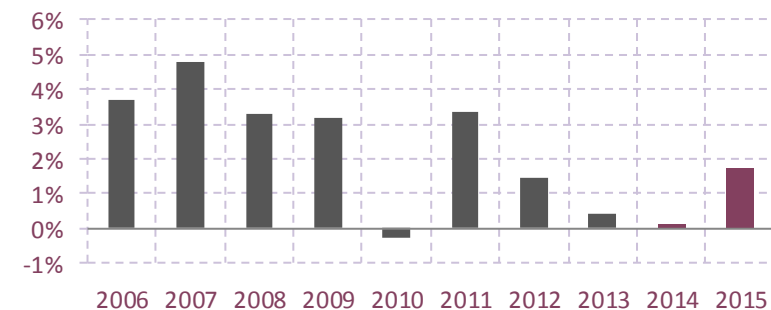
Taiwan's imports are closely linked to export and industrial activities, since they are mainly composed of raw materials, intermediate products and machinery. As a consequence, their trend is similar to that of exports. It was marked by flat growth in 2011-2012, after a sharp recovery in 2010. Last year, imports bounced back strongly as industrial activity gained momentum, driven by exports. Japan is the first country of origin for Taiwan's imports.



Net Exports

Unit: contribution to GDP growth

Net exports have contributed significantly to GDP growth since 2002. The contribution of foreign trade to GDP growth weakened in 2013-2014 while remaining positive, as exports and imports grew at a similar pace during the last two years. Nonetheless, Taiwan's current account surplus is still huge : it reached nearly 13% of GDP in 2014, according to our estimation.

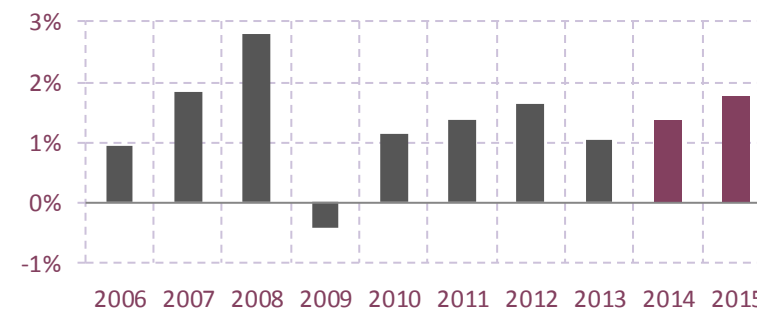


Main forecasts (3)

Inflation

Unit: annual % change

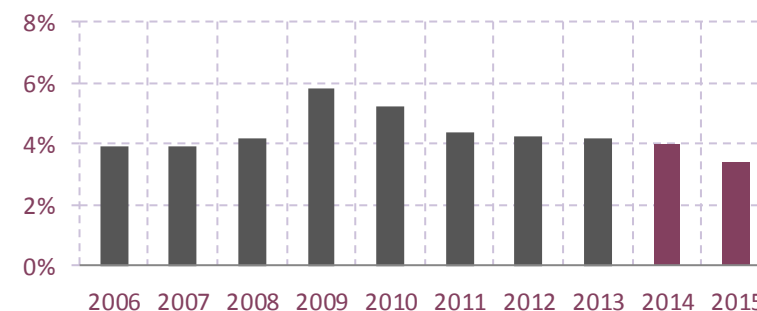
Inflation accelerated slightly in 2014, as the economic activity bounced back and food prices grew at a fast pace (at around 5% year on year between March and August). Nonetheless, overall inflation remained relatively low (at 1.4%). Before slowing down in 2013, prices were on an upward trend in 2011-2012, in the context of high commodity prices in global markets.



Unemployment rate

Unit: %

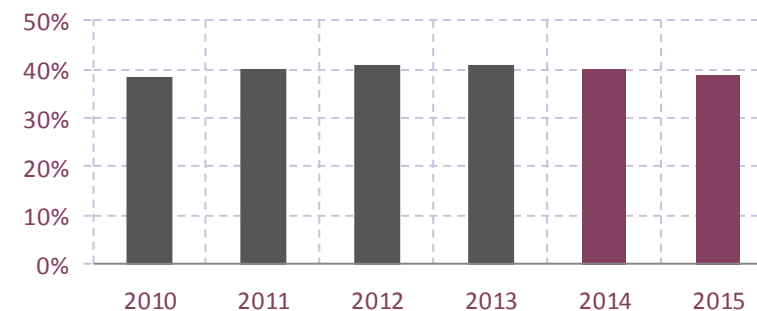
Unemployment stood at 4% of active population on average over 2014. It decreased slightly compared to 2012 and 2013, benefitting from a rebound in economic activity driven by exports. It peaked to nearly 6% of the active population in 2009 when the economy suffered from the global recession.



Public debt

Unit: % of GDP

Increasing public debt was seen as a necessary action by the government to create new jobs and hence support household incomes during the 2008-2009 global crisis. As a consequence, public deficit soared and the public-debt-to-GDP ratio approached 38% in 2010. The latter has increased beyond 40% since then but it remains at a fairly low level compared to other industrialised countries.

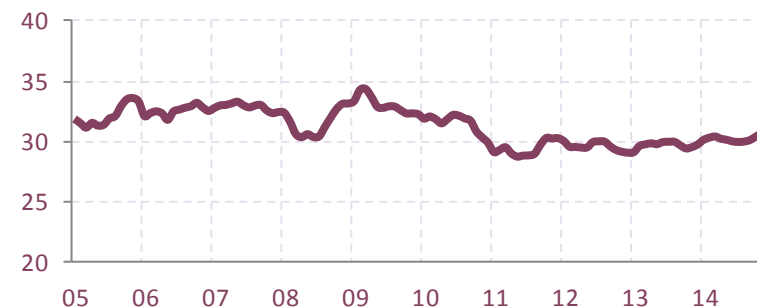


Exchange and interest rates

US Dollar / TW Dollar exchange rate

Unit: TW Dollar per US Dollar

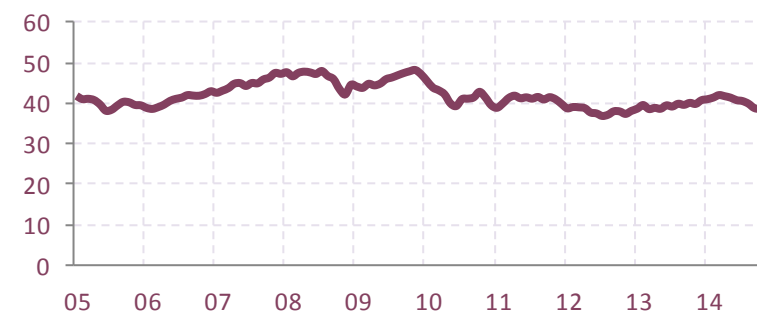
After having depreciated sharply against the US dollar during the second half of 2008, the Taiwanese currency appreciated with respect to the greenback in 2009-2011, before stabilising at around 30 TW Dollars per US Dollar since early 2012. A sharp depreciation of the TW Dollar with respect to the US Dollar and the Yuan took place in the second half of 2014, benefitting to Taiwanese export competitiveness and tourism activities.



Euro / TW Dollar exchange rate

Unit: TW Dollar per Euro

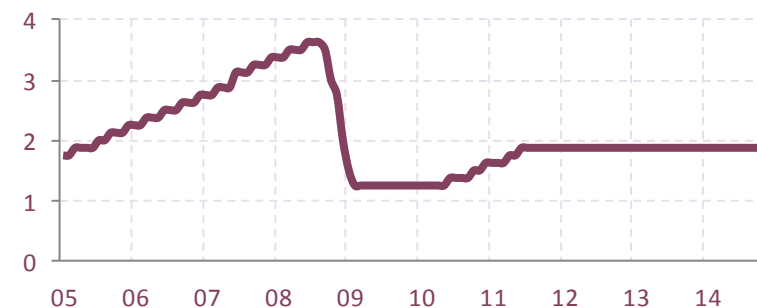
The Taiwanese Dollar depreciated strongly with respect to the Euro between 2002 and 2008. After a brief interlude of appreciation against the Euro during the first half of 2010, the exchange rate stabilised at around 40 Taiwanese Dollars per Euro. A slight appreciation of the TW Dollar against the Euro was observed during the second and third quarters of 2014.



Intervention rate

Unit: %, end of period

The intervention rate of the Central Bank was gradually increased to cool down inflation between the second quarter of 2010 and the second quarter of 2011. It stands at 1.88% at the time of writing, compared at 1.25% at the height of the crisis. Since the summer of 2011, the Taiwanese Central Bank has kept stable its intervention rate as the global economic environment remained sluggish.

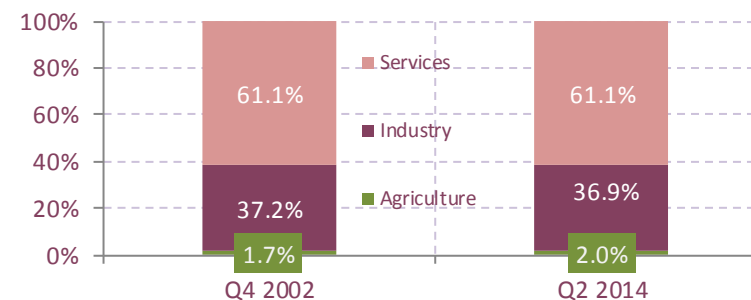


Economic structure (1)

Sectoral breakdown of the economic activity

Unit: % of GDP at market prices

Industrial activities, especially in the electronics sector, play an important role in the Taiwanese economy and industrial exports are still one of the major engines of GDP growth. Electronic components (such as microprocessors) accounts for more than 20% of Taiwan's exports. Weights of agriculture, industry and services in the country's GDP have remained rather stable since 2002.



Key figures

Sectoral breakdown of the economic activity

Unit: % of GDP at market prices

	Q4 2002	Q2 2014
Agriculture	1.7%	2.0%
Industry	37.2%	36.9%
Services	61.1%	61.1%

Main exports, 2012

Unit: % of total exports

Electronic components	21.3%
Plastic articles	7.1%
Optics	6.9%
Refined petroleum products	6.6%
Electrical apparatus	5.8%
Telecommunications equipment	5.1%
Miscellaneous hardware	5.1%
Basic organic chemicals	4.4%

GDP structure

Unit: weight in 2012 GDP, %

Consumer Spending	54.4%
Public Spending	20.0%
Investment	17.5%
Stocks	0.1%
Exports	71.6%
Imports	63.6%
Net exports	8.0%

Main countries of origin for imports, 2012

Unit: % of total imports

Japan	17.9%
China	15.3%
United States	8.2%
South Korea	6.1%
Saudi Arabia	5.6%
Australia	3.2%
Germany	3.0%
Malaysia	3.0%

Main export markets, 2012

Unit: % of total exports

China	34.9%
United States	11.4%
Japan	6.8%
Singapore	5.9%
South Korea	4.4%
Viet Nam	2.9%
Hong Kong	2.6%
Philippines	2.6%

Main imports, 2012

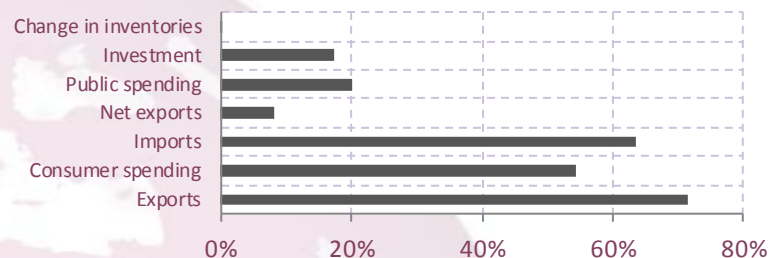
Unit: % of total imports

Crude oil	13.5%
Electronic components	12.8%
Refined petroleum products	6.0%
Basic organic chemicals	4.7%
Specialized machines	4.7%
Natural gas	4.0%
Non ferrous metals	3.8%
Electrical apparatus	3.6%

Economic structure (2)

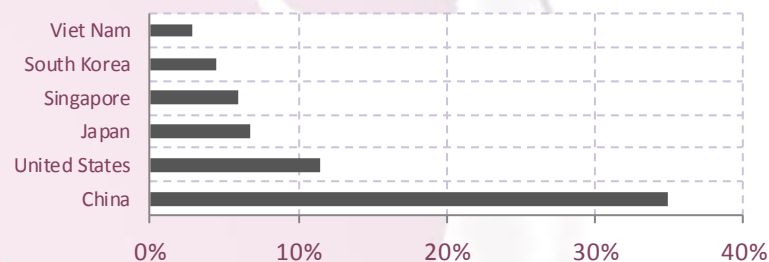
GDP structure

Unit: weight in 2012 GDP, %



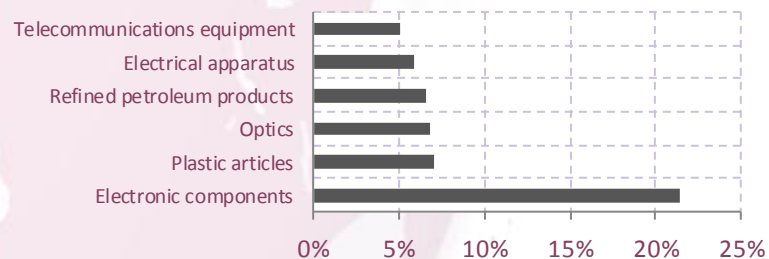
Main export markets, 2012

Unit: % of total exports



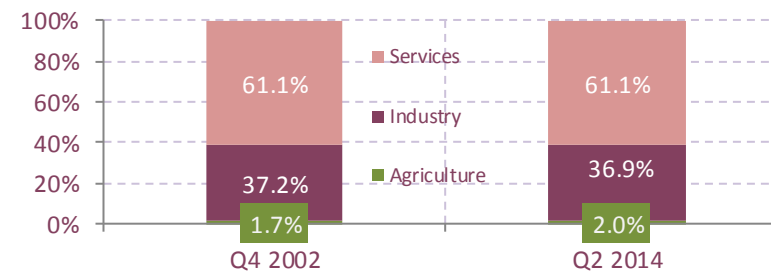
Main exports, 2012

Unit: % of total exports



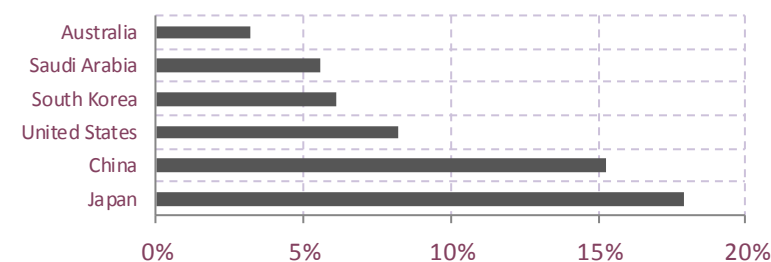
Sectoral breakdown of the economic activity

Unit: % of GDP at market prices



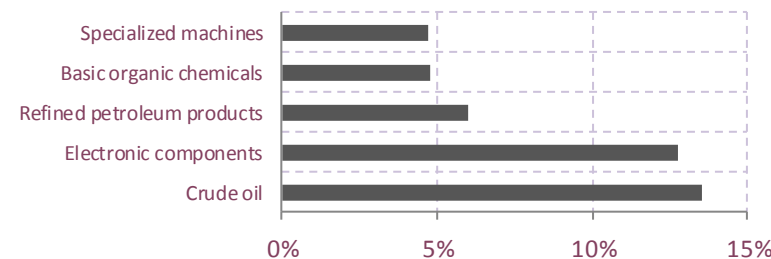
Main countries of origin for imports, 2012

Unit: % of total imports



Main imports, 2012

Unit: % of total imports

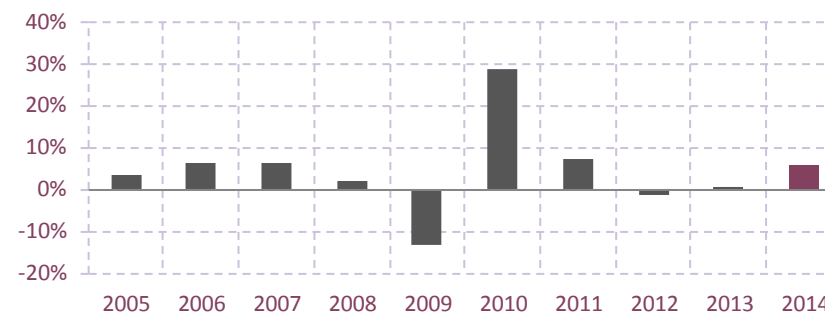


Industry (1)

Total

Unit: annual % change

Taiwan's industrial production has decelerated sharply since 2011, mostly due to slowing demand from China, accounting for more than one third of Taiwan's exports. Production fell 1.1% in 2012 but recovered moderately in 2013, before gaining momentum in 2014 (+5.8%). This rebound was driven by intermediate goods (including electronic components) and capital goods, which are mostly exported to China.



Key figures

Total

Unit: annual % change

	Index	Change
2008	83.9	2.1%
2009	72.9	-13.1%
2010	93.8	28.8%
2011	100.6	7.2%
2012	99.5	-1.1%
2013	100.1	0.6%
2014	105.9	5.8%

Consumer goods

Unit: annual % change

	Index	Change
2008	91.0	-4.0%
2009	80.6	-11.4%
2010	92.2	14.4%
2011	100.3	8.7%
2012	95.6	-4.6%
2013	89.2	-6.8%
2014	89.3	0.1%

Electricity, gas & water

Unit: annual % change

	Index	Change
2008	98.1	-0.2%
2009	93.5	-4.6%
2010	97.9	4.7%
2011	99.9	2.0%
2012	98.4	-1.5%
2013	101.1	2.8%
2014	102.0	0.8%

Capital goods

Unit: annual % change

	Index	Change
2008	86.4	0.8%
2009	67.7	-21.7%
2010	88.1	30.3%
2011	99.7	13.1%
2012	95.2	-4.5%
2013	92.5	-2.8%
2014	103.6	12.0%

Manufacturing

Unit: annual % change

	Index	Change
2008	82.7	2.5%
2009	71.7	-13.2%
2010	93.7	30.6%
2011	100.6	7.4%
2012	99.5	-1.2%
2013	99.9	0.5%
2014	106.1	6.1%

Intermediate goods

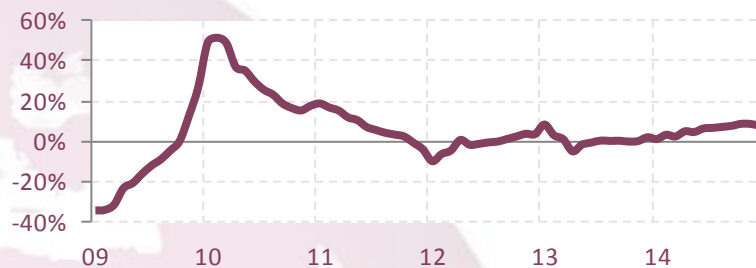
Unit: annual % change

	Index	Change
2008	80.6	4.2%
2009	70.8	-12.2%
2010	94.8	34.0%
2011	100.9	6.4%
2012	101.0	0.1%
2013	103.6	2.6%
2014	110.6	6.7%

Industry (2)

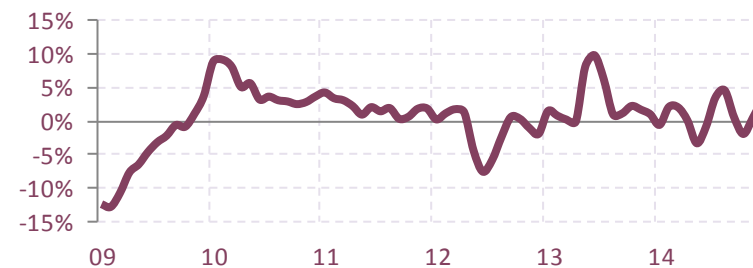
Industrial (total)

Unit: year on year 3 month moving average change (%)



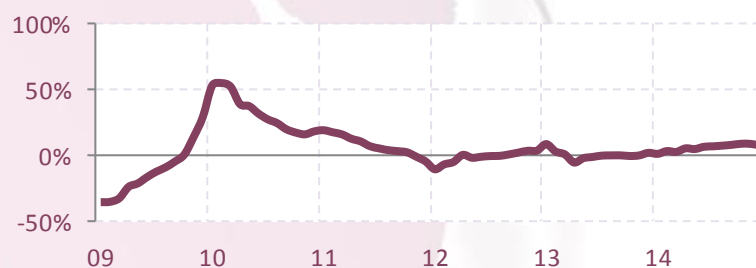
Electricity, gas & water

Unit: year on year 3 month moving average change (%)



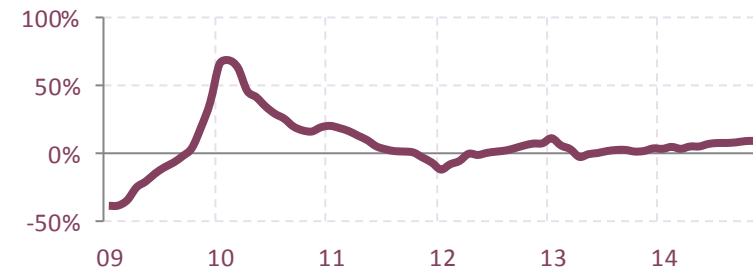
Manufacturing

Unit: year on year 3 month moving average change (%)



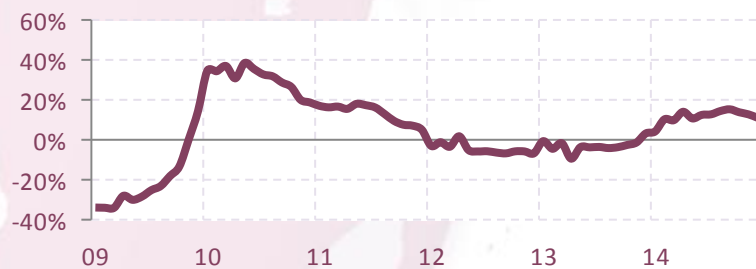
Intermediate goods

Unit: year on year 3 month moving average change (%)



Capital goods

Unit: year on year 3 month moving average change (%)



Consumer goods

Unit: year on year 3 month moving average change (%)

