ECONOMIC OVERVIEW

For the latest forecasts on the economic impacts caused by the coronavirus pandemic, please consult the OECD Economic Outlook Interim Report Coronavirus: the world economy at risk (March 2020) and the IMF’s policy tracking platform Policy Responses to COVID-19 for the key economic responses from governments.

Taiwan's economy currently faced a low economic growth due to lower demand from trade partners, as well as because of tensions took place between China and the U.S. GDP grew at 2.7% in 2019, while Coface forecasts 2% in 2019. According to their analysis, the slowdown is due to trade tensions, massive relocations, lack of competitiveness in the service sector and a growing isolation from the global diplomatic scene. However, Taiwan enjoys a good financial position, is the 4th electronic producer in the world and support R&D. According to the updated IMF forecasts from 14th April 2020, due to the outbreak of the COVID-19, GDP growth is expected to fall to -4% in 2020 and pick up to 3.5% in 2021, subject to the post-pandemic global economic recovery.

According to IMF estimates, public debt closed at 33.6% of GDP in 2019 and is expected to reduce at 32.3% and 30.7% of GDP in 2020 and 2021. Respectively; the budget was in deficit at -1.3% in 2019 and is expected to decrease in the following years. Inflation remained low at 0.5% in 2019. It should remain stable in 2020 and increase to 1.5% in 2021. Taiwan industries are affected by the international trade tensions, which include electronics (40% of Taiwan's exports), machinery, and chemicals. Chinese restrictions on travel from mainland China to Taiwan have also affected this sector. Other economic challenges include massive relocations that weaken industrial employment, uncompetitive service sector, insufficient infrastructure, and diplomatic isolation. Nevertheless, growth will be aided by infrastructure spending in healthcare and energy. The Infrastructure Development Plan will also modernise the rail network and water distribution. While budget deficits are expected, taxes were increase on income and financial transactions. Most public debt is domestic and owed in New Taiwanese dollars.

The unemployment rate remained steady at 3.8% in 2019 and it is expected to increase slightly to 4.4% in 2020 and decrease to 4% in 2021, because of the outbreak of the COVID-19 pandemic. According to national statistics, unemployment rate reached 3.67% in December 2019. Labor force participation rate was equal to 59.22% during the same period. Social challenges include an ageing population, low birth rates, and a tense political agenda about elections in 2020: in which expected to focus on Taiwanese independence vs reunification with mainland China.

<table>
<thead>
<tr>
<th>Main Indicators</th>
<th>2017</th>
<th>2018</th>
<th>2019 (e)</th>
<th>2020 (e)</th>
<th>2021 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (billions USD)</td>
<td>574.90</td>
<td>589.91e</td>
<td>586.10</td>
<td>603.03</td>
<td>635.05</td>
</tr>
<tr>
<td>GDP (Constant Prices, Annual % Change)</td>
<td>3.1</td>
<td>2.7</td>
<td>2.7</td>
<td>-4.0</td>
<td>3.5</td>
</tr>
<tr>
<td>GDP per Capita (USD)</td>
<td>24,390e</td>
<td>25,008e</td>
<td>24,828</td>
<td>25,526</td>
<td>26,861</td>
</tr>
<tr>
<td>General Government Balance (in % of GDP)</td>
<td>-2.0</td>
<td>-1.9e</td>
<td>-1.3</td>
<td>-1.2</td>
<td>-1.2</td>
</tr>
<tr>
<td>General Government Gross Debt (in % of GDP)</td>
<td>35.5</td>
<td>35.1e</td>
<td>33.6</td>
<td>32.3</td>
<td>30.7</td>
</tr>
</tbody>
</table>
### Main Indicators

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
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<th>2019 (e)</th>
<th>2020 (e)</th>
<th>2021 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflation Rate (%)</strong></td>
<td>1.1</td>
<td>1.5</td>
<td>0.5</td>
<td>0.5</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Unemployment Rate (%)</strong></td>
<td>3.8</td>
<td>3.7</td>
<td>3.8</td>
<td>4.4</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Current Account (billions USD)</strong></td>
<td>83.52</td>
<td>71.99e</td>
<td>67.02</td>
<td>64.93</td>
<td>64.10</td>
</tr>
<tr>
<td><strong>Current Account (in % of GDP)</strong></td>
<td>14.5</td>
<td>11.6</td>
<td>10.5</td>
<td>8.2</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Source: IMF - World Economic Outlook Database, Latest Available Data

**Note 1:** (e) Estimated Data

**Note 2:** The following indicators were updated by the IMF in April 2020: GDP (Constant Prices, Annual % Change), Inflation Rate (%), Unemployment Rate (% of the Labour Force) and Current Account (in % of GDP); the rest of the indicators were last updated in October 2019.

**Note 3:** The indicator GDP (Constant Prices, Annual % Change) was updated by the IMF in June 2020.

### Country Risk

See the country risk analysis provided by La Coface.

### MAIN SECTORS OF INDUSTRY

The agriculture sector contributes only very modestly to the GDP (1.7% in 2017) and employs about 5% of the labour force in Taiwan. Taiwan’s main crops are rice, sugar cane, fruits and vegetables. The Ministry of Labor now allows dairy farms to hire migrant workers to compensate for labor shortages (Focus Taiwan). Taiwan’s natural resources are limited.

The secondary sector accounts for **35.37% of GDP** and employs about 36% of the labour force. Although traditional industries such as iron and steel, chemicals and machinery account for almost half of industrial production, new industries are the more dynamic. Taiwan is one of the world’s largest suppliers of semiconductors, computers and mobile phones. It is also the largest supplier of computer screens. Google plans to develop the floating solar panel market in Taiwan (CNBC).

Services accounts for **62.82% of GDP** and employs just under 60% of the labour force. Taiwan, which faces the continued relocation of large labour-intensive industries to countries where it is less costly, will need innovative changes to move to an economy based on more advanced technologies and services to support them. Tourism attracted 11 million visitors in 2018, which reflects an increase, compared to 10.7 million people in 2017; tourist diversification in 10 key markets (Japan, South Korea, Singapore, Malaysia, Philippines, Vietnam, Thailand, India, Indonesia and Australia) has become the goal of the Tourism Bureau (Ejinsight).

<table>
<thead>
<tr>
<th>Monetary Indicators</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Taiwan Dollar (TWD) - Average Annual Exchange Rate For 1 USD</strong></td>
<td>31.57</td>
<td>33.09</td>
<td>33.59</td>
<td>30.42</td>
<td>30.15</td>
</tr>
</tbody>
</table>

Source: CIA - The World Factbook - Latest available data.

### FOREIGN TRADE

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Trade represented 62.7% of GDP in Taiwan from 2015 to 2017 (WTO). Main exports include electrical equipment, machinery, computers, plastics, medical apparatus, mineral fuels and vehicles; while imports include electrical equipment, mineral fuels, machinery and computers.

Taiwan’s main export partners in 2016 were China, Hong Kong, the United States, the E.U. and Japan. Imports were predominantly acquired from China, Japan, the U.S., the E.U., and the Republic of Korea. Since Taiwan’s economy is highly export-oriented, it depends on a regime open to international trade and remains vulnerable to fluctuations in the global economy. Political tensions between separatist and reunificationists in Taiwan made reaching policy consensus difficult. President Trump’s commercial battle against China increases risk in Asian economies, although said dispute it at a standstill as of February 2019 (NPR). Lack of international recognition from other countries also complicates Taiwan’s international position.

Taiwan exported USD 317.4 billion and imported USD 259.5 billion in 2017 (WTO). Electronics industry is the largest industrial export sector and it receives the most US investment. Taiwan’s membership in the WTO as an independent economy has also supported its commerce since 2002. The island has also a free trade agreement with New Zealand.

<table>
<thead>
<tr>
<th>Foreign Trade Values</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports of Goods (million USD)</td>
<td>281,850</td>
<td>237,549</td>
<td>230,568</td>
<td>259,266</td>
<td>286,333</td>
</tr>
<tr>
<td>Exports of Goods (million USD)</td>
<td>320,092</td>
<td>285,421</td>
<td>280,321</td>
<td>317,249</td>
<td>335,909</td>
</tr>
<tr>
<td>Imports of Services (million USD)</td>
<td>45,065</td>
<td>46,756</td>
<td>52,407</td>
<td>52,771</td>
<td>56,143</td>
</tr>
<tr>
<td>Exports of Services (million USD)</td>
<td>56,520</td>
<td>56,473</td>
<td>41,443</td>
<td>44,721</td>
<td>49,913</td>
</tr>
</tbody>
</table>

Source: World Trade Organisation (WTO); Latest available data

POLITICAL OUTLINE

**Current Political Leaders**
President: Tsai Ing-Wen (since 20 May 2016) - PDP
Prime Minister: SU Tseng-chang (since 14 January 2019) - PDP

**Next Election Dates**
Presidential: 11 January 2020
Legislative Yuan (parliamentary): 11 January 2020

**Current Political Context**
Tsai Ing-wen became the first woman president of Taiwan when she was elected in January 2016. The president highlights in her statements the Taiwanese identity. Politically, tensions with mainland China escalated after Xi Jinping’s declaration on 2 January 2019 that China would not discount the use of military force to complete reunification with the island. Unsurprisingly, this drew a swift rebuke from President Tsai.

**Main Political Parties**
Most parties maintain alliances with the two largest ruling parties: the KMT and DPP. The most prominent political parties include:
- Kuomintang (KMT): centre-right, favours Chinese nationalism
Democratic Progressive Party (DPP): centre, backs an independent Taiwan, has gained a significant number of parliamentary seats since 2012
- New Power Party: Centre-Left
- People First Party (PFP): liberal
- Taiwan Solidarity Union (TSU): centre-left
- Non-partisan Solidarity Union (CHANG Po-ya): conservative liberalism, anti-communist
- The Republican Party: centre, centre-right
- Green Party Taiwan: Centre-Left
- Minkuotang: Centre-right
- Labor Party: Far-Left
- New Party: Right-Wing
- For Public Good Party: Left-wing
- Social Democratic Party: Centre-Left
- Taiwan First Nations Party: Centre-Left
- Trees Party: Centre-Left, Environmentalist

**Executive Power**

First country of Asia to have elected its president by the universal direct suffrage. President and Vice President are elected on the same ticket by popular vote for four-year terms (eligible for a second term). Premier is appointed by the President; Vice premiers are appointed by the President on the recommendation of the Premier.

**Legislative Power**

Unicameral Legislative Yuan: 113 seats, 73 district members elected by popular vote, 34 at-large members elected on basis of proportion of island wide votes received by participating political parties, 6 elected by popular vote among aboriginal populations; to serve four-year terms. Parties must receive 5% of vote to qualify for at-large seats.

**COVID-19 COUNTRY RESPONSE**

**COVID-19 epidemic evolution**

To find out about the latest status of the COVID19 pandemic evolution and the most up-to-date statistics on the COVID19 disease in Taiwan please visit the Taiwan Center for Disease Control website.

For the international outlook you can consult the latest situation reports published by the World Health Organisation as well as the global daily statistics on the coronavirus pandemic evolution including data on confirmed cases and deaths by country.

**Sanitary measures**
To find out about the latest public health situation in Taiwan and the current sanitary measures in vigour, please visit the Taiwan Center for Disease Control website.

**Travel restrictions**
For information on the travel restrictions undertaken the Taiwanese government, please consult the Bureau of Consular Affairs website Entry restrictions for foreigners to Taiwan in response to COVID-19 outbreak. The American Institute in Taiwan (equivalent to US embassy) Covid-19 Information webpage has extensive information about travel restrictions in Taiwan.

For the international outlook you can consult the latest travel updates available on the IATA website.

**Import & export restrictions**
Taiwan has temporary bans to exporting medical supplies, such as surgical masks, until it is able to satisfy domestic demand. Details can be found at Focus Taiwan.

For a general overview of trade restrictions due to COVID-19 pandemic, please consult the section dedicated to Taiwan on the International Trade Centre's COVID-19 Temporary Trade Measures webpage.

**Economic recovery plan**
For information on the economic recovery scheme put in place by the Taiwanese government to address the impact of the COVID19 pandemic on the economy, reference the Wikipedia page on the Special Act on COVID-19 Prevention, Relief and Restoration and the KPMG Taiwan page on Government and institution measures in response to COVID-19. Also reference the website of the Department of Economic Affairs.

For a general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) taken by the Taiwanese government to limit the socio-economic impact of the COVID-19 pandemic, please consult the section dedicated to Taiwan in the IMF's Policy Tracker platform.

**Support plan for businesses**
For the information on the local business support scheme established by the Taiwanese government to help small and medium-sized companies to deal with the economic impacts of the COVID19 epidemic on their activity refer to the Wikipedia page on the Special Act on COVID-19 Prevention, Relief and Restoration and the KPMG Taiwan page on Government and institution measures in response to COVID-19.


You can also consult the World Bank's Map of SME-Support Measures in Response to COVID-19.
Support plan for exporters
There are no specific support plans for exporters in Taiwan so far. For future possible up-to-date information please visit the website of the Department of Trade and Industry Bureau of Foreign Trade.