

TAIWAN'S ECONOMIC SITUATION AND OUTLOOK

National Development Council
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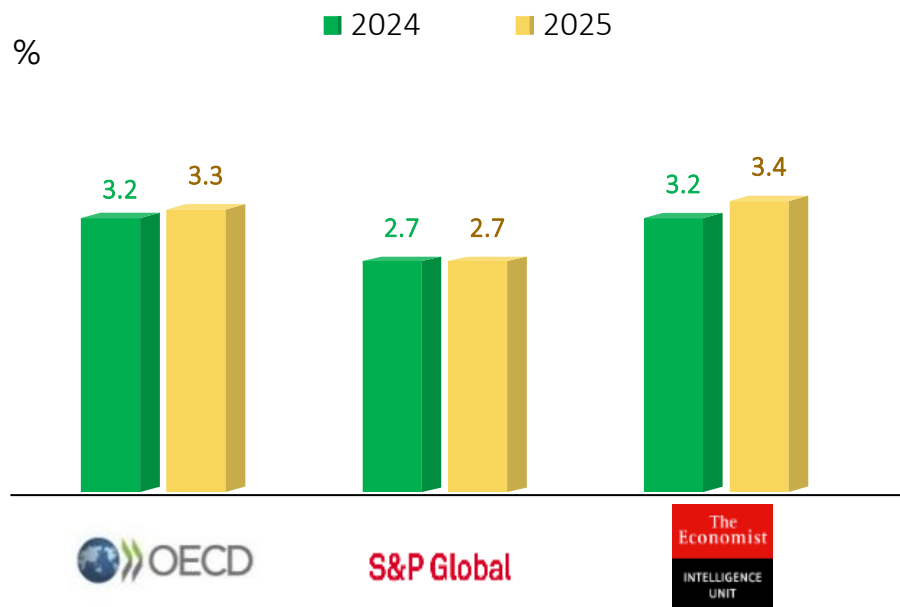
I. Global Economic Situation and Outlook



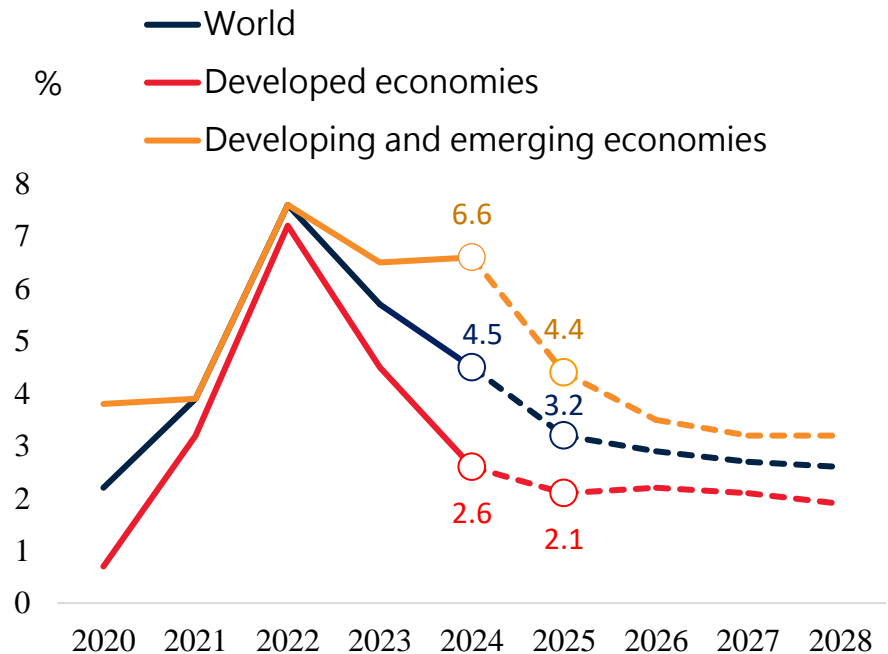
Steady Recovery of the Global Economy

- With inflationary pressures easing, central banks such as the U.S. Federal Reserve and the European Central Bank have started cutting interest rates. The volume of world merchandise trade is recovering moderately, and global economic growth is likely to proceed steadily. However, escalation of geopolitical tensions and future U.S. economic policies could affect international trade trends.

Global Economic Growth Forecasts



Global CPI Inflation Rate Forecasts

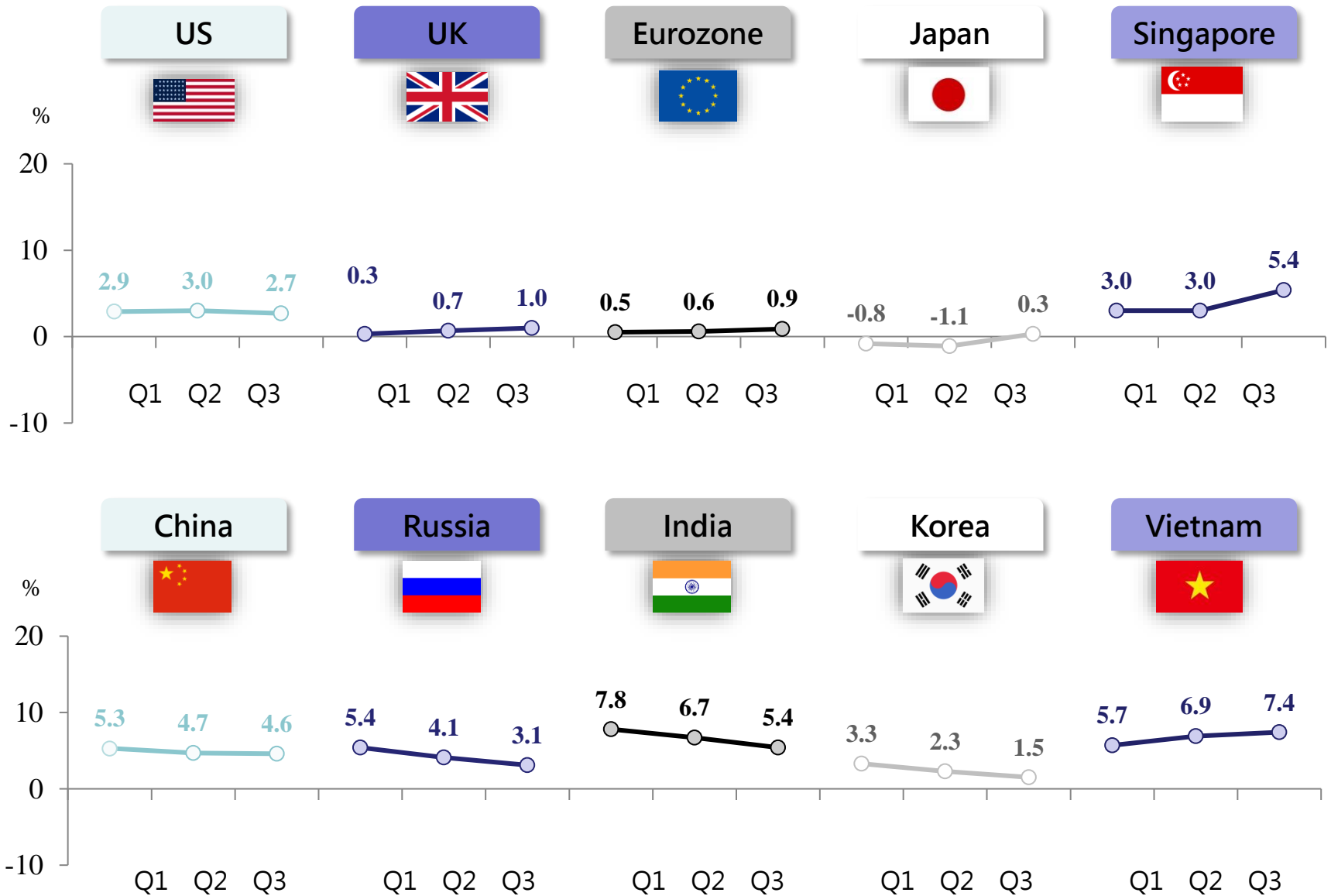


Source: 1. OECD, *OECD Economic Outlook*, Dec. 4, 2024.
2. S&P Global, *World Overviews*, Nov. 15, 2024.
3. EIU, *Global outlook summary*, Nov. 14, 2024.

Source: S&P Global, *World Overviews*, Nov. 15, 2024.



Growth Divergence of Major Economies in 2024

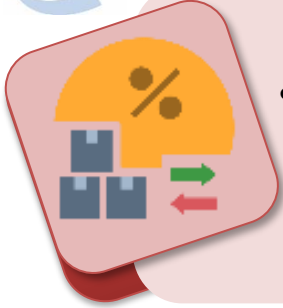


Source: Official Websites of Countries/Economic Entity Above



Snapshot of Worldwide Risk

U.S. Trade Policy Changes



- Donald Trump's return to the White House, with his "America First" policies, will likely lead to renegotiated trade agreements and higher import tariffs, accelerating the reshaping of global supply chains.

China Economic Outlook



- The downturn in China's real estate sector, pressure from local government debt, lackluster consumer and investment momentum, and trade challenges arising from Trump's policies could hinder China's economic growth.

Geopolitical Risk Escalation



- Recent Israel airstrikes on Lebanon, the situation in Syria and Ukraine's deployment of U.S. long-range missile systems against Russia have heightened geopolitical tensions. Additionally, escalating trade disputes between major economies could drive up logistics costs, threatening supply chain stability.

Climate Change and Extreme Weather Events



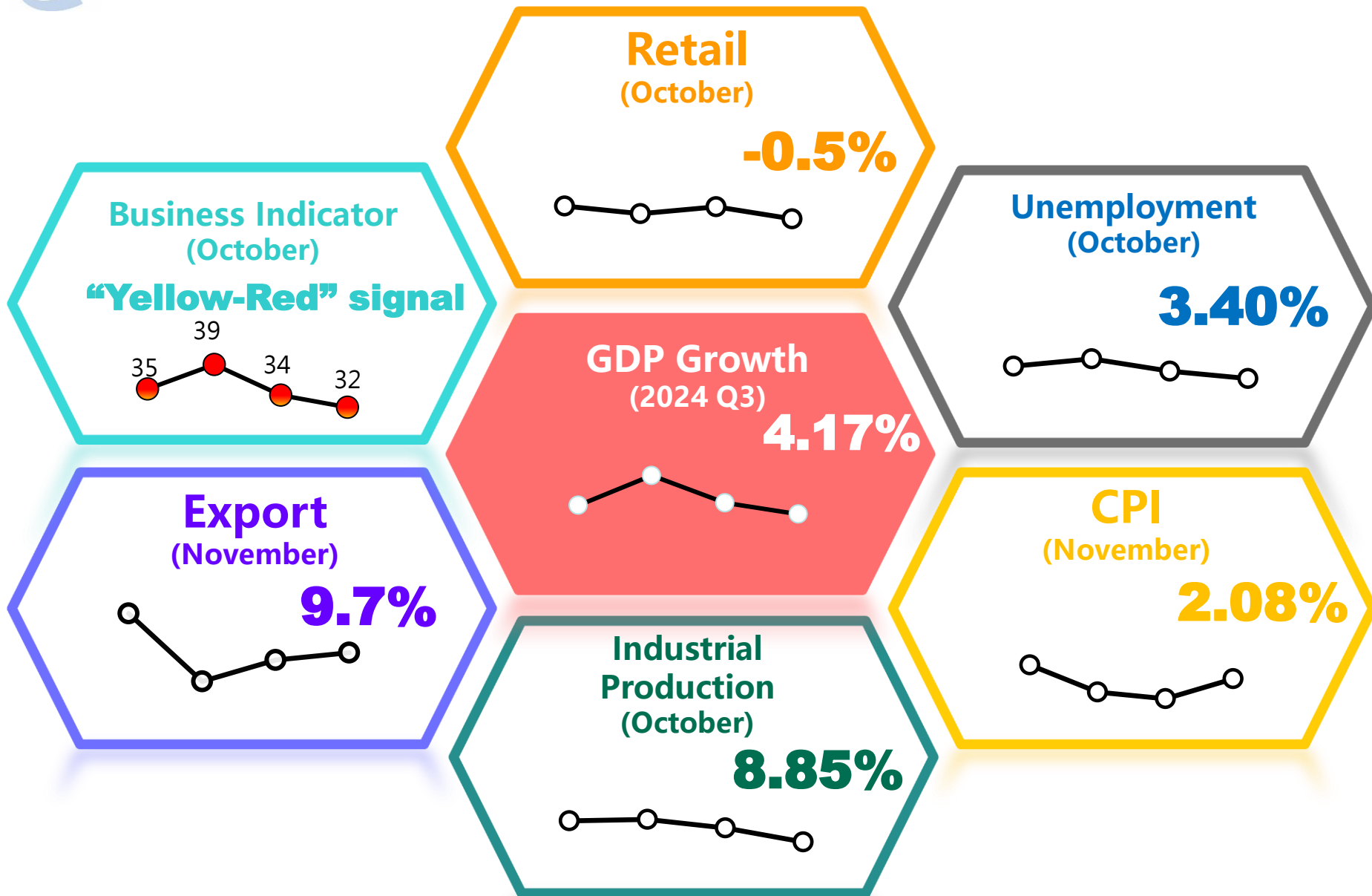
- Extreme weather disrupts agricultural production and challenges infrastructure, energy supply, and international trade, increasing economic instability. Countries dependent on agricultural exports are most affected, heightening concerns over global supply chain issues and inflation.



II. Current Domestic Economic Situation



Latest Overview of the Domestic Economy

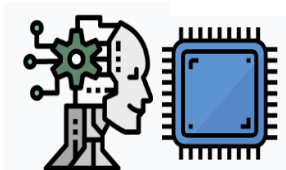


Note: GDP growth was preliminarily estimated by DGBAS on Nov. 29, 2024.
All are stated as year-on-year rates except business indicator.



Foreign Trade Continues to Grow

- In November 2024, Taiwan's total exports expanded 9.7% year-on-year, due to strong exports of information and communication products, coupled with the traditional peak export season.



Parts of electronic products

+14.6%



Information, communication
and audio-video products

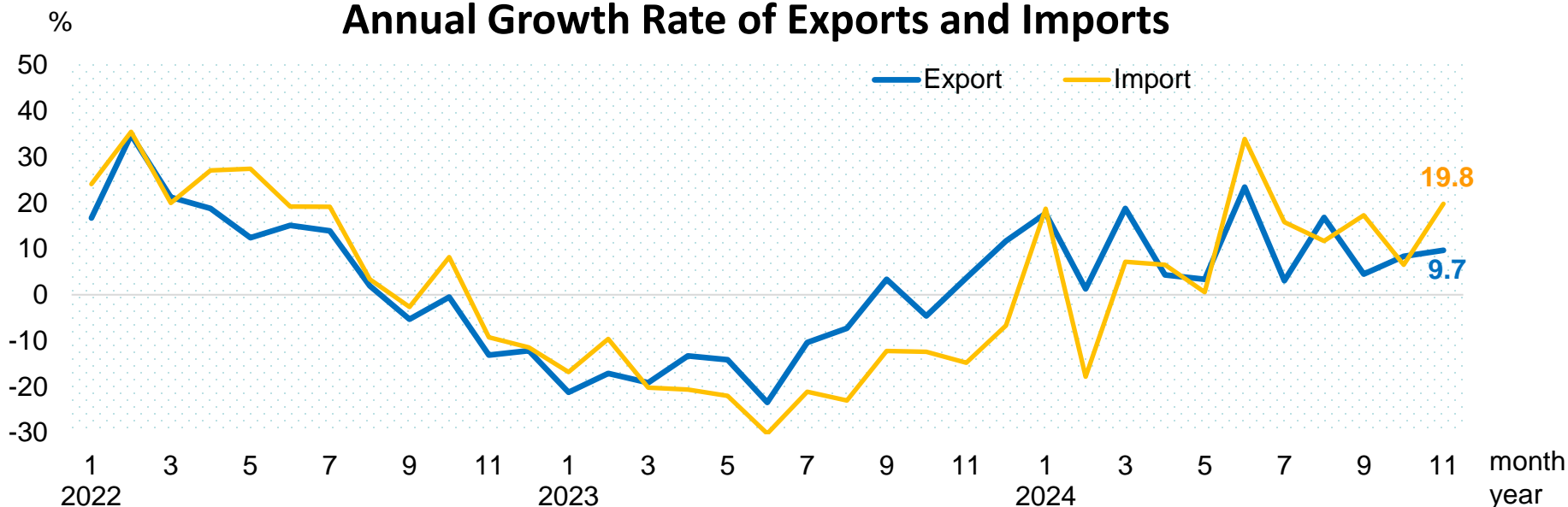
+11.7%



plastics & rubber and
articles thereof

+9.1%

Annual Growth Rate of Exports and Imports





Industrial Production Grows Steadily

- The Industrial Production Index (IPI) increased by 8.85% year-on-year in October 2024, marking the 8th consecutive month of positive growth, mainly driven by strong demand for AI applications, as well as continued investment momentum in the semiconductor industry.



Electronic parts
and components **+16.5%**



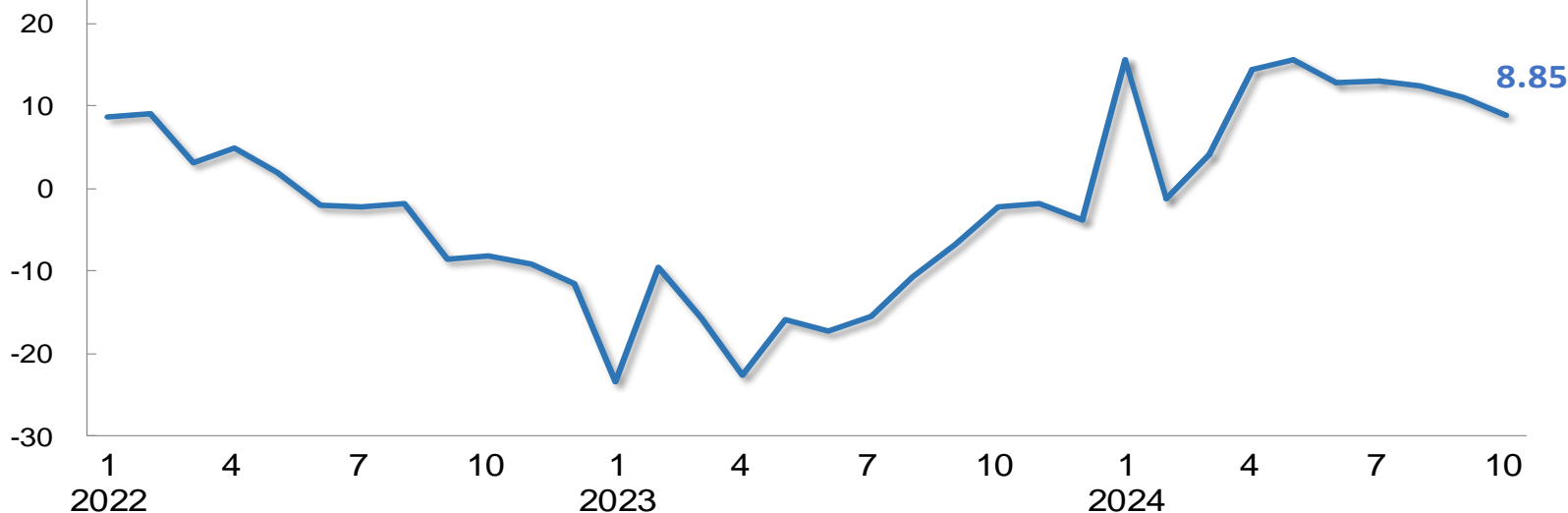
Machinery and
Equipment **+11.1%**



Computers, electronic and
optical products **+4.4%**

y/y, % 30

The Growth Rate of the Industrial Production Index





Retail Sales Turn Negative

- Retail sales fell 0.5% year-on-year in October 2024, ending 37 consecutive months of growth, but were still the second-highest on record for the same month, due to the impact of typhoons and a higher comparison base from the same month last year.

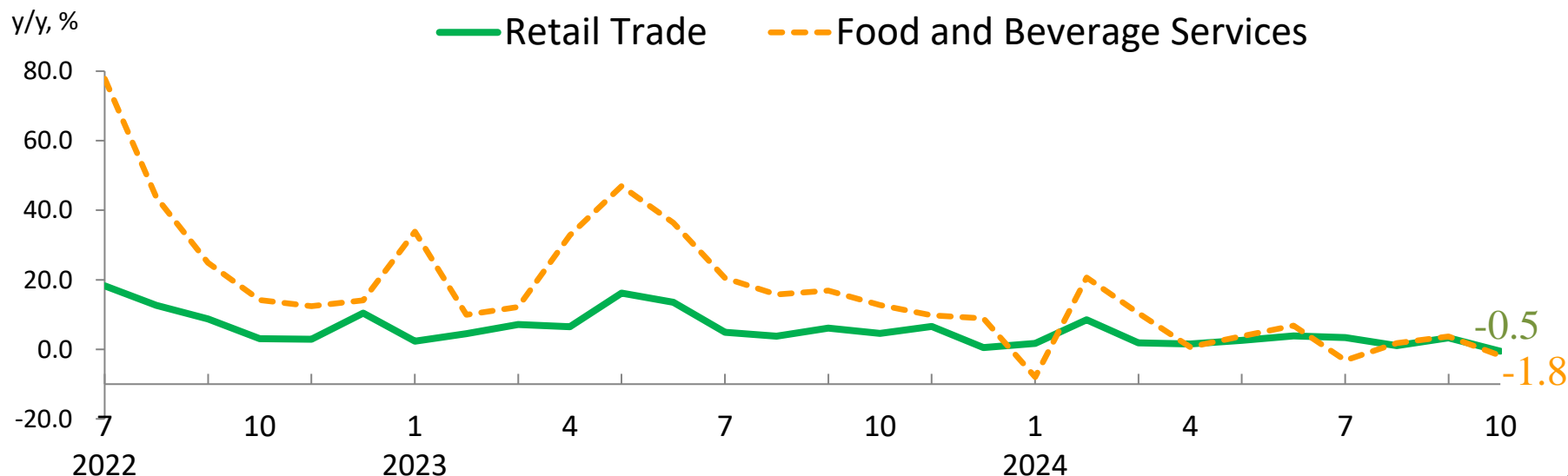


Motor vehicles and motorcycles **-7.9%**



department stores **-3.9%**

Growth Rate of Retail Trade and Food Services





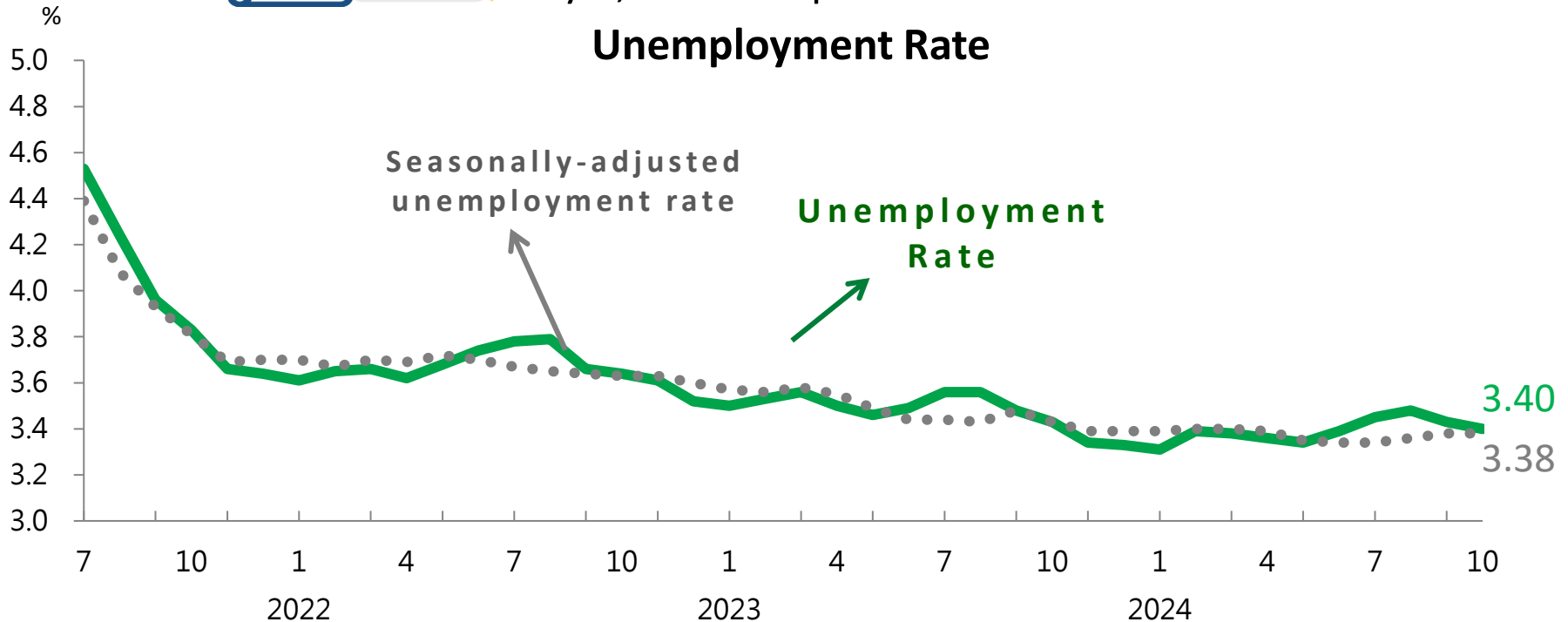
Labor Market Remains Stable

- The unemployment rate decreased by 0.03 percentage points from the previous month, reaching 3.40% in October 2024, due to reduction of unemployed first-time job seekers and those unemployed due to business contraction or closure or job dissatisfaction.



Number of unemployed people decreased by 4,000 from previous month.

Unemployment Rate



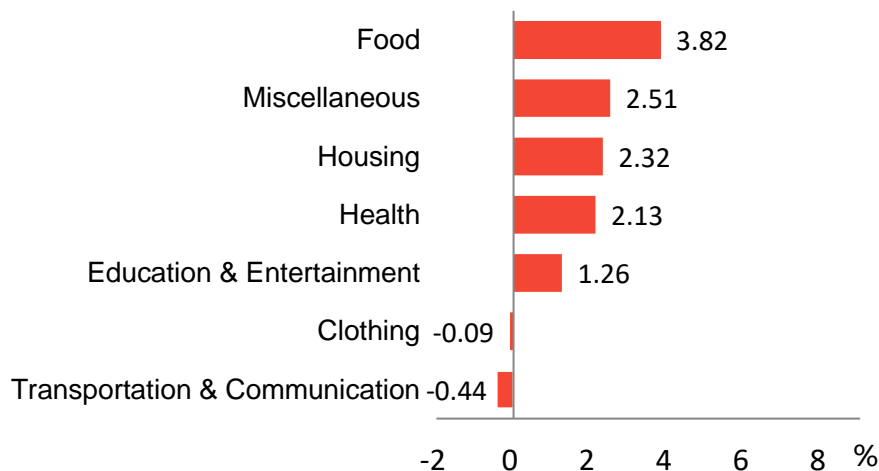
Source: DGBAS, Nov. 2024.



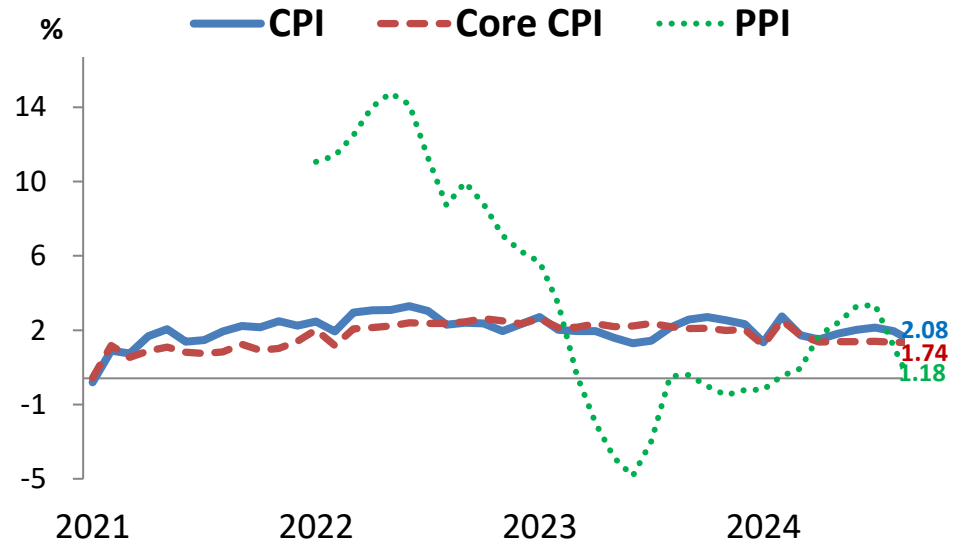
Inflation Rises due to Typhoon Disasters

- The CPI rose 2.08% year-on-year in November 2024, mainly due to the damage caused by successive typhoons to agricultural products, which led to vegetable and fruit prices rising by 19.43% and 8.50%, respectively. However, the indices for eggs and fuels fell by 17.82% and 2.7%, respectively, partially offsetting the overall increase. The core CPI increased by 1.74%.
- The PPI increased by 1.18% year-on-year in November 2024, mainly because the indices for agricultural products, electronic components and electrical equipment rose 16.27%, 1.00% and 7.33%, respectively.

Annual Changes of Consumer Price Indices



Source: DGBAS, Dec. 2024.

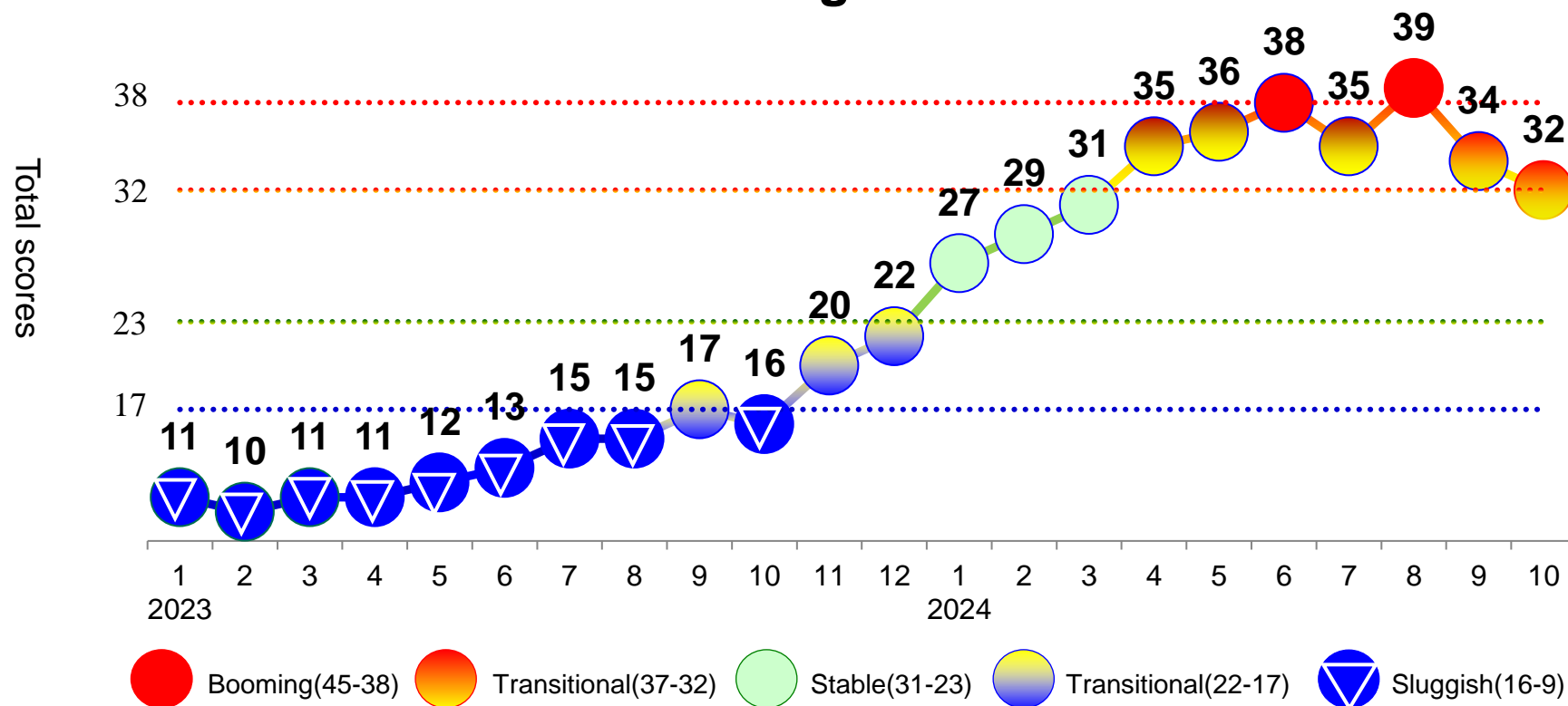


Note: Producer Price Index (PPI) compiled monthly from January 2021, so annual growth rate data only be available from 2022.

Monitoring Indicator Flashes the “Yellow-red” Signal

- In October 2024, the overall monitoring indicator continued to flash the “yellow-red” signal, and the total score decreased 2 points to 32.

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_37925

Source: NDC, Nov. 2024.

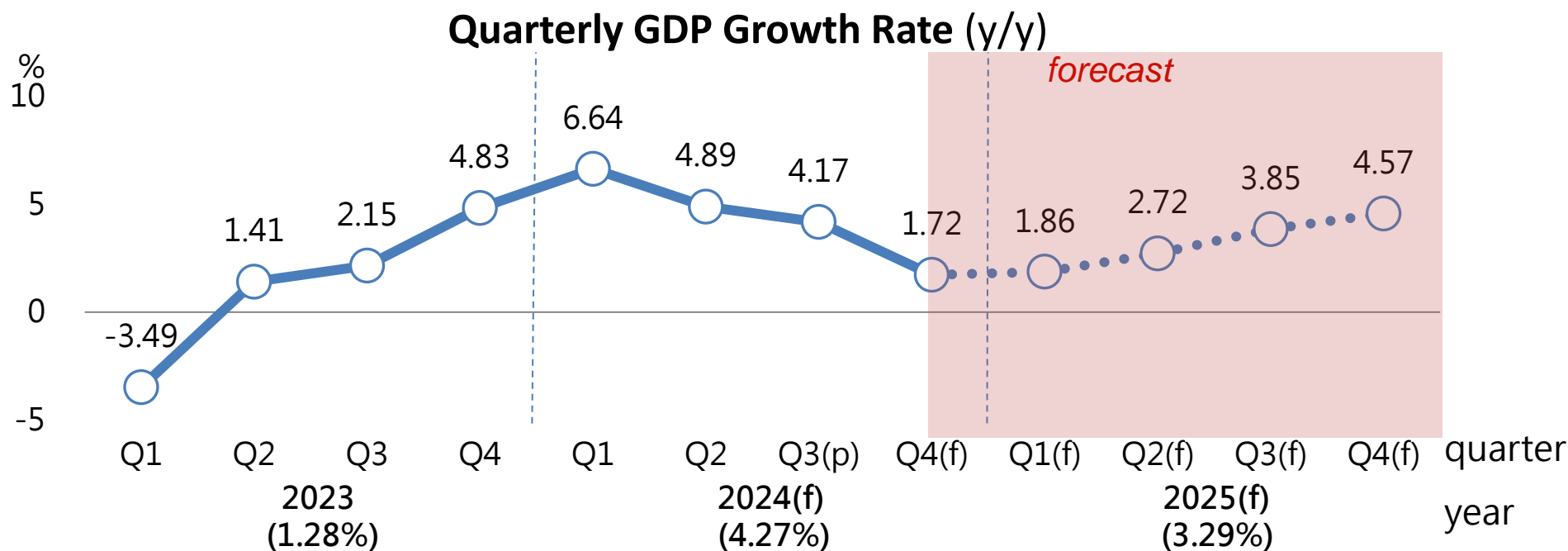


III. PROSPECTS FOR 2024 AND 2025



2024 GDP Forecast Revised Upward

- Taiwan's real GDP is projected to grow by 4.27% in 2024, revised up by 0.37 percentage points from the previous forecast. The global economy is expected to grow at a steady pace, supported by moderate inflation and recovering demand. Growth in world trade is projected to accelerate.
- The flourishing computility demand spurred by AI applications, coupled with our comprehensive and highly competitive domestic manufacturing supply chains, will support the solid growth of Taiwan's exports and investment. According to the latest DGBAS forecast, Taiwan's real GDP will grow by 3.29% in 2025.



Note: (r) represents revised version; (p) represents preliminary version; (f) represents forecast.

Source: DGBAS, Nov. 2024.



Fixed Capital Formation Expected to Grow

- The growth rate of fixed capital formation is projected to increase by 5.42% in 2024 due to capacity expansion by semiconductor companies.
- As demand for emerging technology applications remains strong, the growth rate of fixed capital formation is expected to rise by 5.88% in 2025.

Growth Rate of Each Component of Fixed Capital Formation

Unit: %

| | Fixed Capital Formation | Private Enterprises | Public Enterprises | Government |
|---------|-------------------------|---------------------|--------------------|------------|
| 2022 | 7.93 | 7.71 | 12.74 | 6.01 |
| 2023 | -7.76 | -11.21 | 10.49 | 6.46 |
| 2024(f) | 5.42 | 3.89 | 8.47 | 7.30 |
| Q1 | -3.73 | -7.52 | 12.49 | 12.30 |
| Q2 [1] | 6.90 | 6.46 | 7.46 | 7.04 |
| Q3 (p) | 8.62 | 7.14 | 9.17 | 10.46 |
| Q4 (f) | 10.08 | 11.04 | 6.81 | 2.84 |
| 2025(f) | 5.88 | 5.13 | 7.02 | 3.95 |

Note: [1] represents comprehensive revisions are carried out and result in revisions that extend back from 2024Q2. ; (p) represents preliminary version; (f) represents forecast.

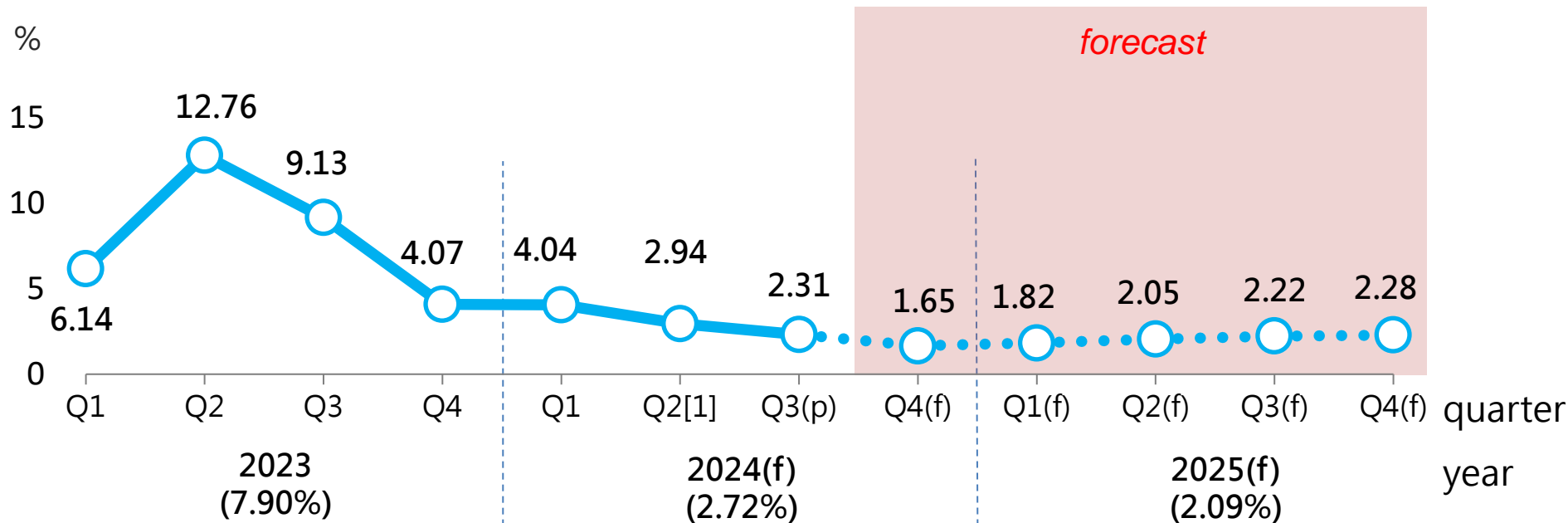
Source: DGBAS, Nov. 2024.



Private Consumption Growth Will Remain Steady

- Real private consumption will grow by 2.72%, supported by the steady real wage hikes and booming outbound travel. The growth rate of real private consumption is expected to reach 2.09% in 2025, due to the implementation of emerging technologies and increase in the minimum wage.

The Growth Rate of Private Consumption (y/y)



Note: [1] represents comprehensive revisions are carried out and result in revisions that extend back from 2024Q2. ; (p) represents preliminary version; (f) represents forecast.

Source: DGBAS, Nov. 2024.



Exports Will Continue to Grow

- According to the IMF, world trade volume is projected to grow by 3.4% in 2025, an increase from 3.1% in 2024. Taiwan's strong and complete semiconductor supply chain positions it well to meet the growing AI-driven demand for computing power. Combined with services exports, real exports of goods and services will grow by 6.48% in 2025.

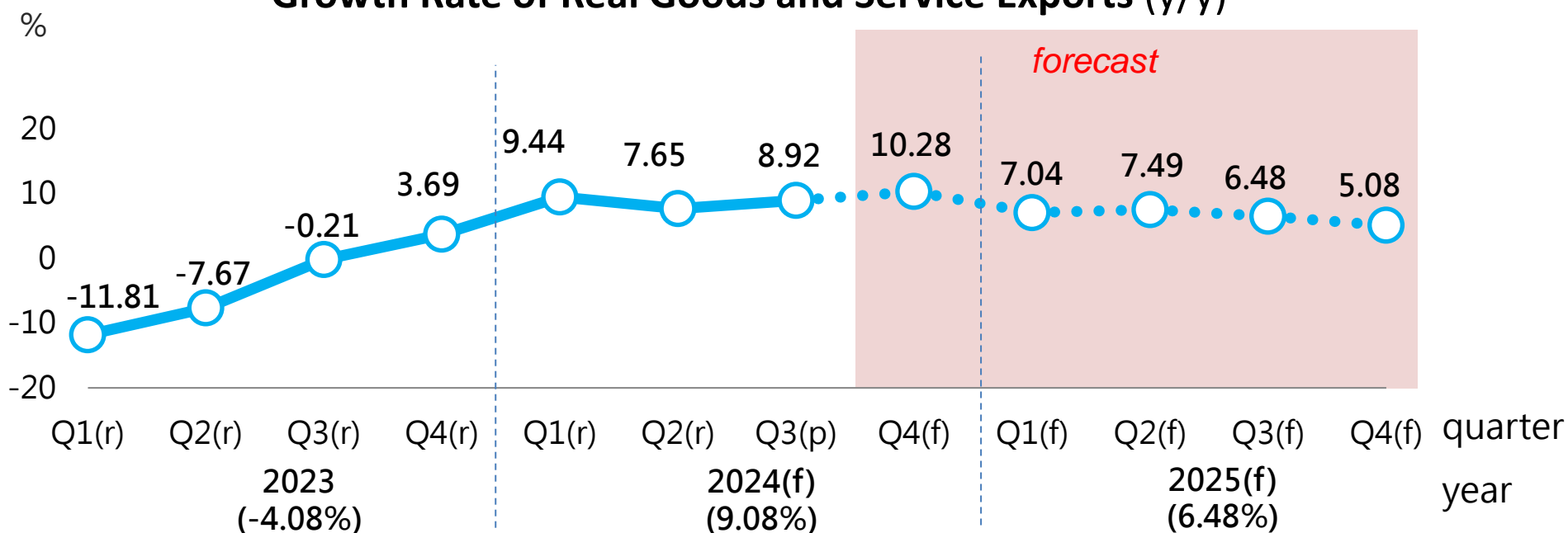


Accelerating global trade



Complete semiconductor supply chain

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



Note: (r) represents revised version; (p) represents preliminary version; (f) represents forecast.

Source: DGBAS, Nov. 2024.



Inflation Forecast Revised Upward Slightly

- The CPI is forecast to increase 2.18% in 2024, revised upward by 0.01 percentage point from the previous forecast, mainly reflecting the increasing price of fruit and vegetables, and the price hikes in the services sector, such as for eating out, residential rents, and medical care services.



fruit and vegetable prices



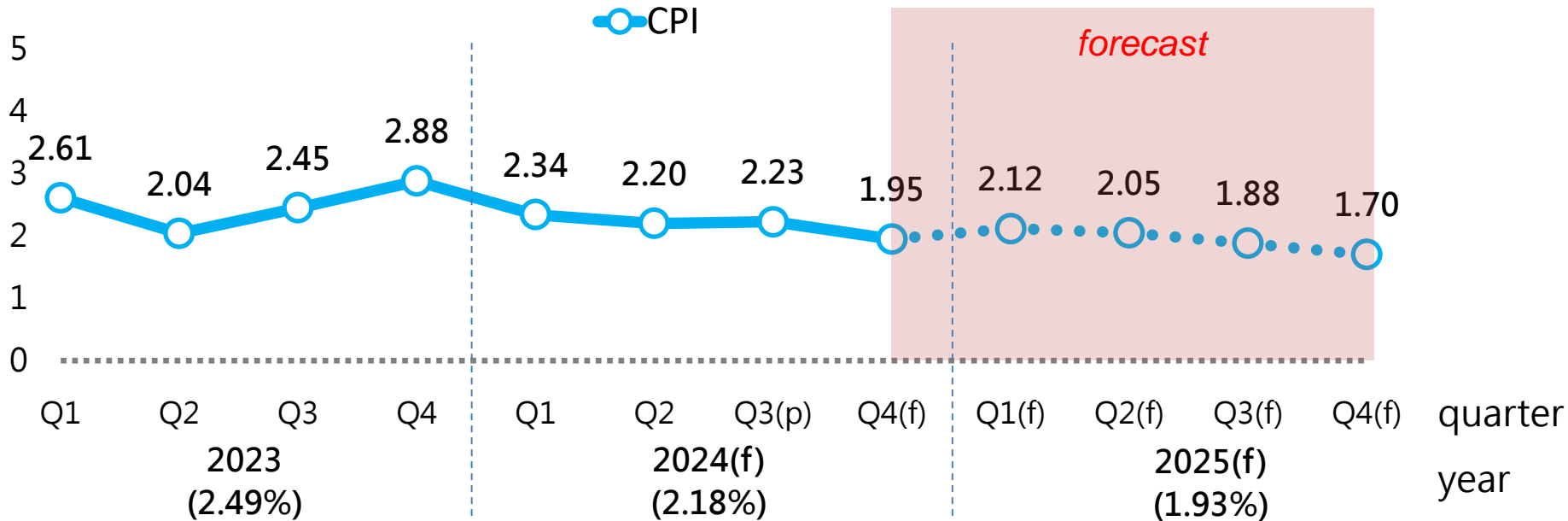
eating out



residential rents



medical care services



Note: (r) represents revised version; (p) represents preliminary version; (f) represents forecast.

Source: DGBAS, Aug. 2024.



Forecasts for Taiwan's Economy

| | Real GDP (yoy, %) | | Consumer Price Index (yoy, %) | |
|------------------------------------|----------------------|----------|----------------------------------|----------|
| | 2024 (f) | 2025 (f) | 2024 (f) | 2025 (f) |
| DGBAS (2024.11.29) | 4.27 | 3.29 | 2.18 | 1.93 |
| CBC (2024.9.19) | 3.82 | 3.08 | 2.16 | 1.89 |
| TIER (2024.11.7) | 4.03 | 3.15 | 2.23 | 1.87 |
| CIER (2024.10.25) | 3.96 | 3.03 | 2.17 | 1.96 |
| S&P Global (2024.11.15) | 4.2 | 2.6 | 2.14 | 1.79 |
| ADB (2024.9.25) | 3.5 | 2.7 | 2.3 | 2.0 |

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; ADB = Asian Development Bank.
2. (f) indicates forecast.



IV.CONCLUSION

- Global economic growth is expected to remain stable, supported by easing inflation, interest rate cuts by several central banks and a moderate recovery in commodity trade. However, geopolitical tensions, changes in U.S. trade policy, and frequent extreme weather events could affect global economic and trade trends.
- On the domestic side, according to the latest DGBAS forecast, real GDP is projected to grow by 4.27% in 2024, an increase from the previous forecast of 3.90%, mainly driven by the continuous expansion of exports, as well as the stable momentum in private investment.
- The Executive Yuan has approved a plan to promote micro-, small, and medium-sized enterprises (MSMEs). Starting in 2025, the government will invest NT\$11.6 billion (US\$360.5 million) to support MSMEs in their digital and net-zero transitions, as well as in developing domestic and international markets. The plan includes loan and tax incentives, additional support measures such as credit guarantee programs, and the establishment of a one-stop service portal for MSMEs.



Thank you