

**TAIWAN'S ECONOMY IN 2014:
ON AN EXPANSIONARY PATH?**

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Executive Summary

1. Taiwan's economy in 2014 had to overcome mounting challenges in its industrial structure, research and development (R&D), financial markets, labour market, income distribution, etc.
2. The Taiwanese government has promoted further economic integration with the global economy and liberalisation of the domestic business environment to pull its economy out of the quagmire.
3. As the growth momentum has continued to remain strong, the 2014 GDP growth forecast has been revised to 3.43% from 2.98%.
4. China's economic slowdown is likely to impose a substantial impact on the Taiwan economy due to the strong linkage between trade and finance.
5. The consumer price index (CPI) rose by 1.26% from January to November 2014. Low CPI growth has however kept inflationary pressures at bay.
6. The central government's outstanding debt is forecast to stand at NT\$5,376 billion by the end of 2014, which is 38.09% of average GDP over the past three years, or only 2.51% below the 40.60% statutory limit.
7. From January to October 2014, unemployment rate stood at five per cent for university and graduate school graduates, which was higher than the average unemployment rate of 3.98%.
8. Taiwan's international trade patterns are highly dependent on overseas production, characterised by growing economic dependence on China in particular.
9. Meanwhile, Chinese suppliers are gaining a strong foothold in their rapidly growing domestic market and drastically altering the industry supply chains. They

are also increasingly replacing their Taiwanese counterparts in the global supply chain.

10. Politically, the two dominant parties, namely, Kuomintang and Democratic Progressive Party, are engaged more in finger-pointing than conundrum-solving; they are seemingly unable to set aside their differences and work together to strengthen the overall economy. Political reforms may be needed.