TAIWAN'S ECONOMY IN 2017: BOOSTED BY APPLE'S GREAT APPETITE

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Executive Summary

1. In 2017, Taiwan’s economy has benefited from the growing global demand for new information and communication technology (ICT) devices. With clear economic rebound in the third quarter, annual economic growth rate for the whole year is expected to progress to 2.58%, from 1.41% in 2016 according to official forecast.

2. Unemployment rate remained relatively low (3.8%) by international standard in October 2017. Total employment increased by 92,000 from October 2016 to October 2017, of which 22,000 was in industry and 70,000 in services.

3. Consumer Price Index remained relatively tame, hovering between 0.56% and 0.78% (year-over-year) for the first three quarters of 2017. The strong Taiwanese dollar could be a factor in the cheaper imports. From January 2016 to November 2017, the New Taiwan dollar had appreciated by 10.5% against the US dollar.

4. Total merchandise exports grew 13% in 2017 (Jan-Oct), with electronic products accounting for 33% of Taiwan’s exports and registering its highest annual growth rate (14.9%) since 2011. China and Hong Kong remained the largest export market for Taiwan’s electronic products.

5. Orders for ICT products from Western countries are the main drivers behind Taiwan’s export of electronic products to China for final assembly. In 2017 (Jan-Oct), the United States and Europe comprised nearly 70% of Taiwan’s export orders of ICT products. For overseas orders of ICT goods, 94% were made in countries outside Taiwan.

6. China remains the most important investment destination for Taiwan’s ICT manufacturers. Meanwhile, Dutch company—ASML, the largest supplier in the world of photolithography systems for the semiconductor industry—is the largest contributor to Taiwan’s inward foreign direct investment (FDI).

7. Taiwan’s workers in the ICT industry benefitted relatively less from the ICT’s business expansion. In 2016, employees’ remuneration accounted for 29.9% of total

ICT industry’s production value, down from 47.8% in 1996. On the other hand, the shares of companies’ business profit and capital consumption and import tariffs in ICT’s production value had increased.

8. The growing exports did little to boost private consumption due to limited wage growth. The government has set minimum wage at NT$140 (US 4.7) an hour and NT$22,000 (US$732.8) a month with effect from 1 January 2018. Public sector employees’ wage will also be increased by 3% from 2018.

9. Government consumption is expected to increase by NT$420 billion (US$14 billion) through the infrastructure spending programme in the next four years (2018-2021). To diversify Taiwan’s overdependence on ICT sectors, an estimated NT$634 million (US$21 million) will be distributed to develop other high value-added industries, known as “5+2” industrial development policy.

10. The improving global economy, growth in minimum wage and rising government expenditure are encouraging factors for Taiwan’s economic prospect in the near term. Its future economic outlook hinges on its technological capability vis-à-vis other regional peers, close production relations with global multinational firms and adaptation to other new consumption products such as artificial intelligence.