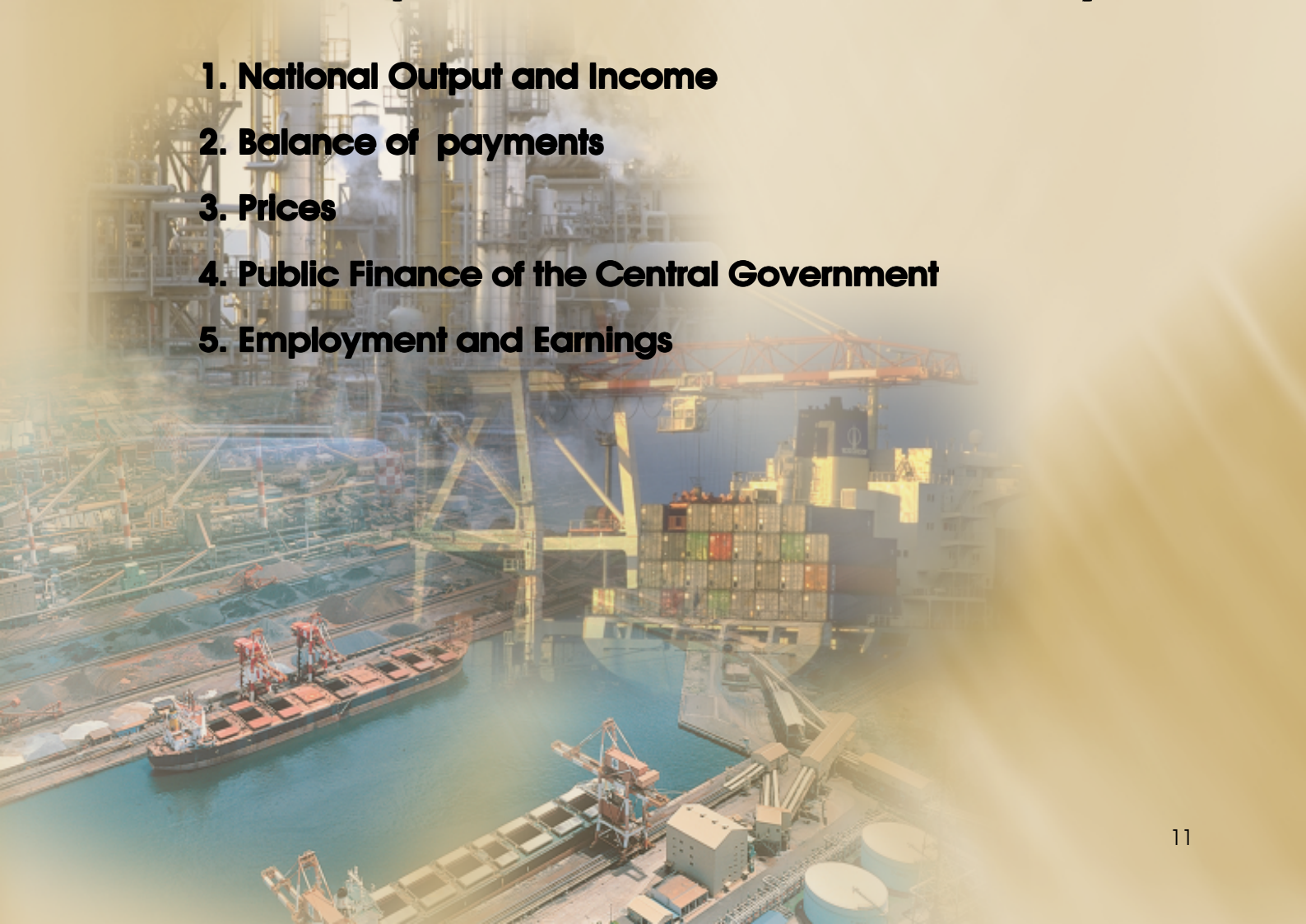




1. Developments in the Real Economy

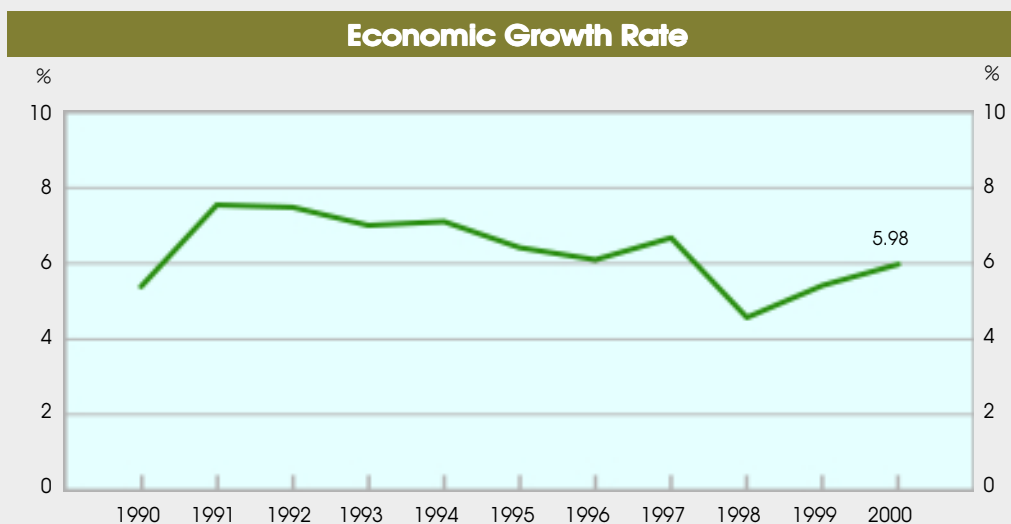
- 1. National Output and Income**
- 2. Balance of payments**
- 3. Prices**
- 4. Public Finance of the Central Government**
- 5. Employment and Earnings**



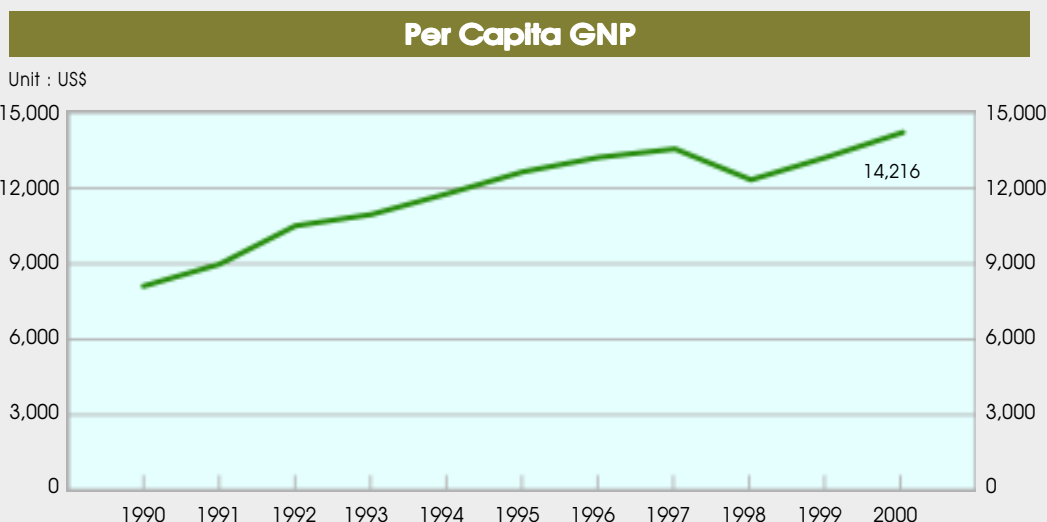
1. Developments in the Real Economy

1. National Output and Income

Gross Domestic Product (GDP) expanded strongly in the first three quarters of 2000, registering an average growth rate of 6.66 percent, but then it slowed in the fourth quarter with an average growth rate of 4.08 percent. For the year as a whole, GDP registered a mild growth rate of 5.98 percent, which was higher than last year's 5.42 percent but slightly lower than the target of 6.10 percent set by the Council for Economic Planning and Development. The main driving force behind GDP growth in the first three quarters was the booming external trade sector supported by a significant expansion in the world trade market. However, the momentum of GDP growth decelerated along with shrinking manufacturing production in the fourth quarter, primarily due to the fast decline in the international economic environment and the lackluster performance of the domestic stock market.



Per capita GNP (measured at current prices) reached US\$14,216 in 2000, representing an increase of US\$ 981 when compared with that of the previous year. However, a part of this increase can be attributed to the appreciation of the NT dollar against the US dollar during the year.



Gross Domestic Product by Expenditure Component

Item	2000			1999		
	Share (%)	Real Growth Rate (%)	Contribution to Growth Rate of Real GDP*	Share (%)	Real Growth Rate (%)	Contribution to Growth Rate of Real GDP*
Private Consumption	62.17	5.55	3.36	60.73	5.37	3.25
Government Consumption	13.03	1.87	0.24	13.15	-6.49	-0.92
Gross Fixed Capital Formation	23.30	7.75	1.80	22.87	1.78	0.43
Increase in Inventory	-0.52	—	-1.12	1.41	—	-0.89
Exports	54.20	17.33	8.73	48.29	11.90	5.65
(Less : Imports)	52.18	14.86	(7.03)	45.54	4.41	(2.10)
Expenditure on GDP	100.00	5.98	5.98	100.00	5.42	5.42

Note: * Percentage point.

Source: Statistical Abstract of National Income, Taiwan Area, the Republic of China, Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

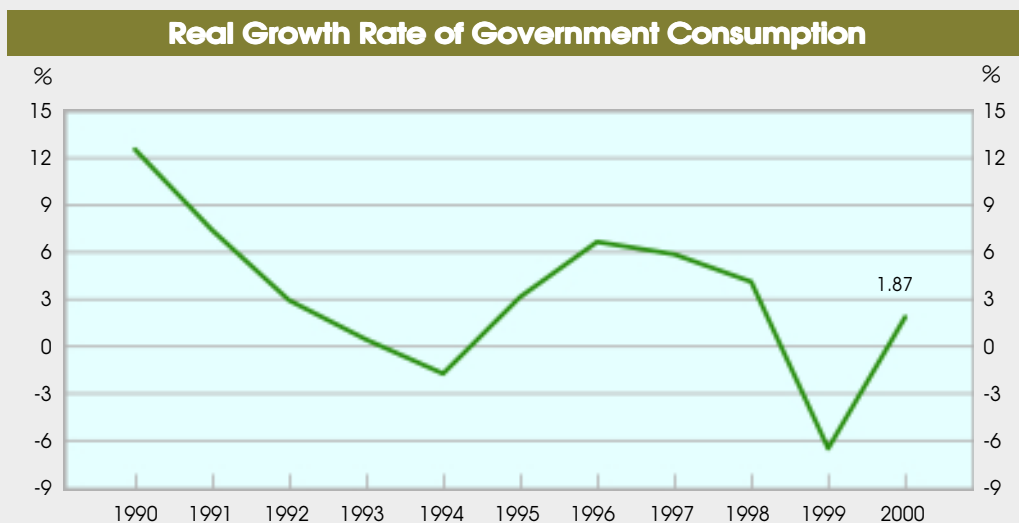
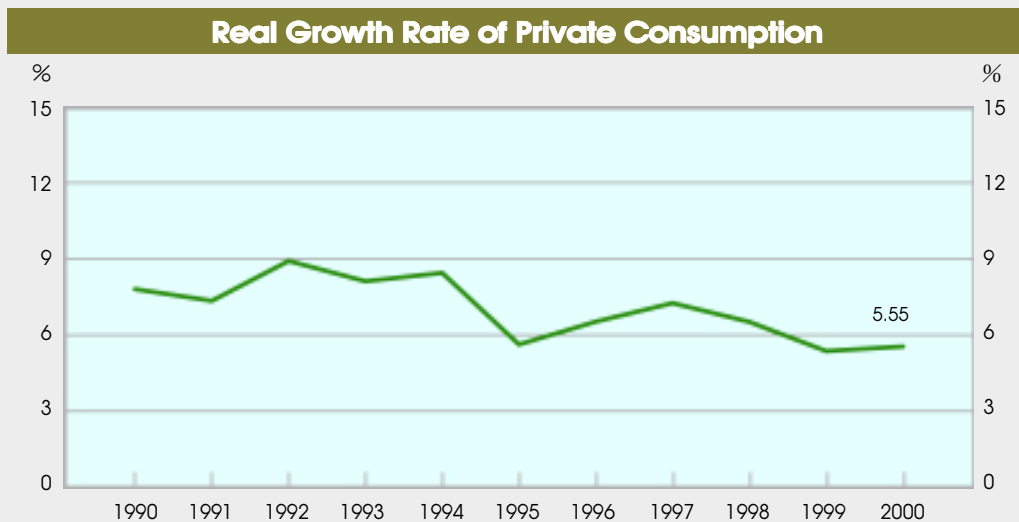
Expenditure Components of GDP

Exports of goods and services and private consumption, which respectively accounted for 8.73 percent and 3.36 percent of real GDP growth, contributed the most to the 5.98 percent gain in real GDP in 2000. In real terms, exports of goods and services grew at a robust pace of 17.33 percent and private consumption by 5.55 percent for the year 2000.

(1) Moderate Growth of Private Consumption

Private consumption expenditure, which declined gradually in every quarter following the weakening domestic stock index, grew at a rate of 5.55 percent in 2000, slightly higher than the rate of 5.37 percent recorded in the previous year. Its contribution to economic growth in 2000

increased to 3.36 percentage points, compared with 3.25 percentage points in the previous year. Among all the expenditure components of GDP, private consumption expenditure in 2000 still accounted for the largest share of 62.17 percent of GDP. As far as the private consumption categories are concerned, food consumption expenditure decreased to 4.91 percent from the 5.72 percent recorded in the previous year, while non-food consumption expenditure recorded a growth rate of 5.75 percent, higher than the rate of 5.26 percent posted in the previous year. Among the components of non-food consumption expenditure, the category listed as "entertainments and education" accounted for most of the increase and grew at a rate of 7.69 percent, which was largely due to the increased expenditure on overseas travel by Taiwanese citizens.



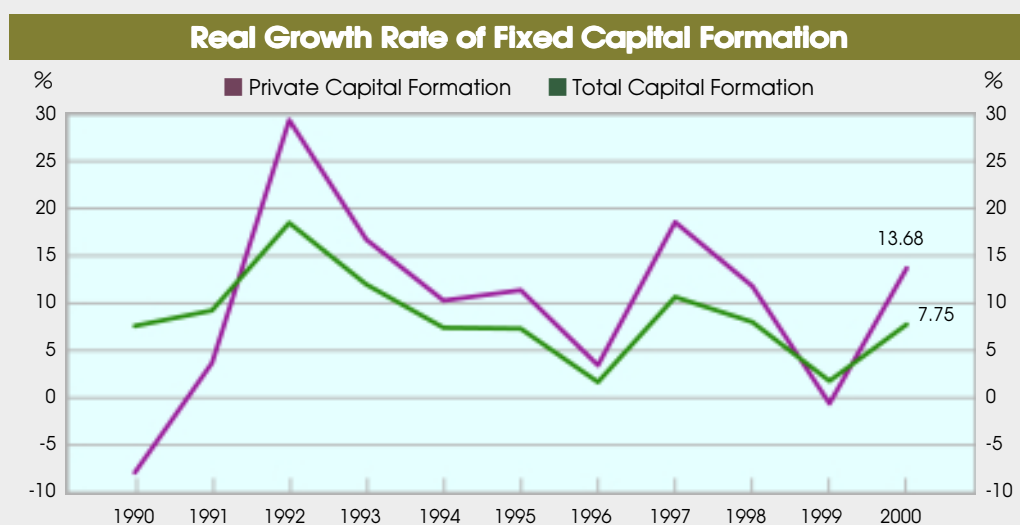
(2) Positive Growth of Government Consumption

The growth rate of government consumption reversed from the negative 6.49 percent recorded in the previous year to the positive 1.87 percent in 2000. Government consumption made a negative contribution to economic growth in the first half of 2000, but it soon moved back to positive territory in the second half of the year. For the year as a whole, its contribution to economic growth increased to 0.24 of a percentage point from last year's negative 0.92 of a percentage point.

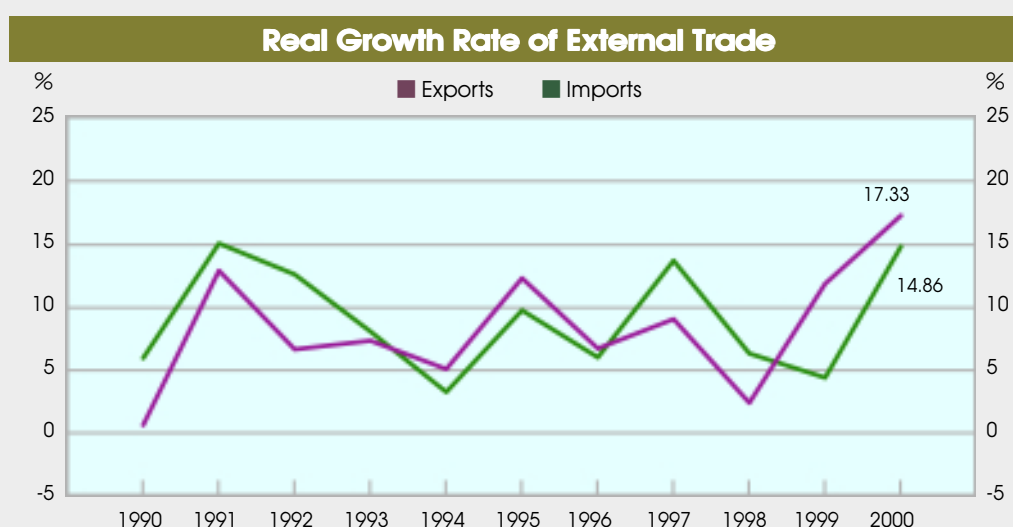
(3) Rapid Growth of Fixed Capital Formation

Real fixed capital formation dramatically rose from 1.78 percent in the previous year to 7.75 percent in the year 2000, resulting in a contribution of 1.80 percentage points to overall economic growth.

With respect to type of purchasers, private investment, although being conservative in the fourth quarter amid a slowdown in the international economy, still increased by 13.68 percent for the year as a whole, making a contribution of 2.05 percentage points to this year's economic growth, which was higher than the readings posted in previous two years. Major private investment activities included: the increased equipment installations in wafer foundry plants and thin film transistor — liquid crystal display (TFT-LCD) facilities, the new procurement of aircraft, as well as the establishment of fixed telecommunication network infrastructure. On the other hand, government investment and investment carried out by public enterprises declined by 3.49 percent and 1.19 percent, respectively, causing their combined contribution to economic growth to become negative 0.25 of a percentage point.



In terms of the different types of capital goods in fixed capital formation, the real growth rate of investment in the construction sector declined by 5.25 percent, due to the gloomy over-supply in the real estate market. Investment in transportation equipment grew by 1.89 percent, owing to increased aircraft procurement and the lower base in the previous year. In addition, the surging demand for semiconductor, optical, and electronic products, and the continued expansion in capacity by manufacturing firms, brought about a strong growth rate of 19.02 percent in investment in machinery, which was a high figure relative to those registered in recent years.



(4) Rapid Growth of Exports

Exports of goods and services experienced rapid growth during 2000, owing to a thriving world economy through the first three quarters of the year and strong demand for information and electronic products. The total value of exports exceeded US\$140 billion in 2000, the largest increase since 1989. However, the expansion of export growth was disturbed in the fourth quarter as the global economy experienced a rapid reversal. Exports of goods and services in real terms grew by 17.33 percent, up from the 11.90 percent registered in the previous year, and contributed 8.73 percentage points to overall economic growth.

(5) Strong Expansion of Imports

The strong derived demand arising from the rapid growth of exports and industrial production, as well as vigorous private investment activities in the high-tech manufacturing industry, led to the persistent growth of imports of goods and services in 2000. The real growth rate of imports of

goods and services reached 14.86 percent, representing a significant increase from the 4.41 percent recorded in the previous year.

GDP by Sector of Production

The services sector remained the predominant driving force for economic growth, making a contribution of 3.95 percentage points to economic growth in 2000, while its output to GDP ratio increased to 65.57 percent. Industrial output contributed 2.06 percentage points to overall GDP growth, due to the improved business climate and increased manufacturing production. The ratio of industrial output to GDP moved slightly downward to post a figure of 32.37 percent. As far as agricultural production was concerned, it shifted to negative growth territory in 2000, causing its contribution to overall economic growth to drop to negative 0.03 of a percentage point from last year's positive 0.07 of a percentage point. As a result, its share in GDP declined to 2.06 percent.

(1) Shrinkage in Agricultural Output

As a result of damage caused by heavy rain and typhoons, rice, vegetables and gardening plants suffered great losses in 2000. Affected by the declines in production and the higher base in the previous year, the real growth rate of agricultural production in 2000 decreased to negative 1.25 percent from the positive 2.73 percent achieved in the previous year.

(2) Obvious Rebound in the Industrial Output

Industrial output in 2000 was stimulated by an obvious rebound in the domestic economy and surging manufacturing production. The real growth rate of industrial output in 2000 reached 5.96 percent, 1.30 percentage points higher than the rate of 4.66 percent posted in the previous year. In response to the rising industrial production, the sector of electricity, gas and water experienced strong expansion and exhibited a record high growth rate since 1994. For the other industrial sectors, such as mining & quarrying and construction, their production gradually rebounded to stable levels when compared with the previous year.

In terms of the production indices of the 22 items within the manufacturing sector, the precision instruments, electrical and electronic machinery, and machinery and equipment industries all exhibited strong real growth rates of 19.53 percent, 19.33 percent and 10.68 percent, respectively. Among the industries in recession, some labor-intensive and domestic-sales oriented industries encountered significant declines. Among them, the wood & bamboo products manufacturing industry, the wearing apparel, accessories and other textile industry, and the tobacco industry declined by 16.49 percent, 8.52 percent and 5.57 percent, respectively.

Gross Domestic Product by Sector of Production

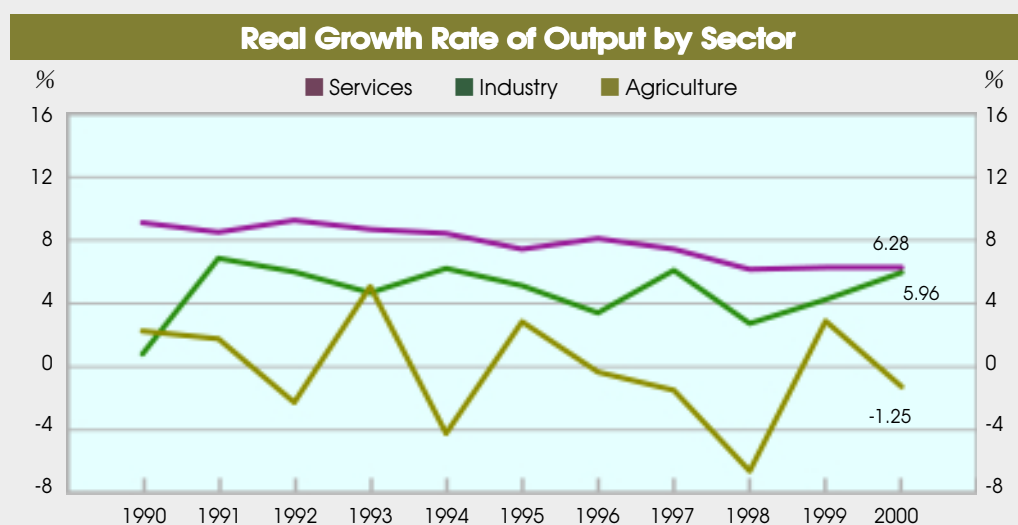
Item	2000			1999		
	Share (%)	Real Growth Rate (%)	Contribution to Growth Rate of Real GDP*	Share (%)	Real Growth Rate (%)	Contribution to Growth Rate of Real GDP*
Agriculture	2.06	-1.25	-0.03	2.56	2.73	0.07
Industry	32.37	5.96	2.06	33.19	4.66	1.63
Mining & Quarrying	0.42	-5.21	-0.02	0.50	-5.23	-0.02
Manufacturing	26.33	7.45	2.08	26.59	6.66	1.84
Construction	3.48	-4.25	-0.17	3.86	-5.80	-0.26
Electricity, Gas & Water	2.14	7.00	0.17	2.24	2.63	0.07
Services	65.57	6.28	3.95	64.25	5.97	3.72
Commerce	19.16	6.56	1.14	18.49	5.94	1.03
Transportation, Storage & Communications	6.74	10.98	0.81	6.73	16.38	1.09
Finance, Insurance & Real Estate	20.50	4.43	0.89	20.35	3.12	0.64
Business Services	2.71	8.92	0.21	2.55	8.30	0.19
Government Services	10.20	2.92	0.28	10.19	3.23	0.32
Social Services & Personal Services	9.42	6.96	0.59	8.99	6.74	0.56
Gross Domestic Product	100.00	5.98	5.98	100.00	5.42	5.42

Note: * Percentage point.

Source: Statistical Abstract of National Income, Taiwan Area, the Republic of China, Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

(3) Moderate Increase in the Growth of the Services Sector

Services output grew by 6.28 percent in real terms, slightly higher than the 5.97 percent posted in 1999. The growth was mainly attributable to the surge of output in the transportation, storage and communications sector, which gained significantly from the popularity of mobile phones,



and was further stimulated by the various value-added services promotion programs during the year. However, due to the higher base in the previous year, the growth of output in the transportation, storage and communications sector slowed down to 10.98 percent in 2000 from the 16.38 percent recorded in the previous year. The finance, insurance, and real estate services sector experienced an upturn as a result of the economic expansion and the bullish stock market in the first half of 2000; its growth rate increased to 4.43 percent from 3.12 percent registered in the previous year. For the other industries within the services sector, business services, social services, and personal services all posted higher growth rates than those of the previous year, with the exception that government services experienced a slight decline.

Declining National Saving Rate

The national saving rate (national saving to GNP measured at current prices) declined from 26.05 percent in the previous year to 25.17 percent in 2000, mainly because national consumption expenditure (including both private consumption and government consumption expenditures) grew by a faster rate of 6.13 percent compared to the GNP growth rate of 4.74 percent. The rise in national consumption was mainly attributed to the strong growth in private consumption in the first three quarters of the year in response to robust economic performance.

The excess saving (national saving less gross domestic investment) to GNP ratio lowered down from 2.89 percent in the previous year to 2.70 percent in 2000.

