

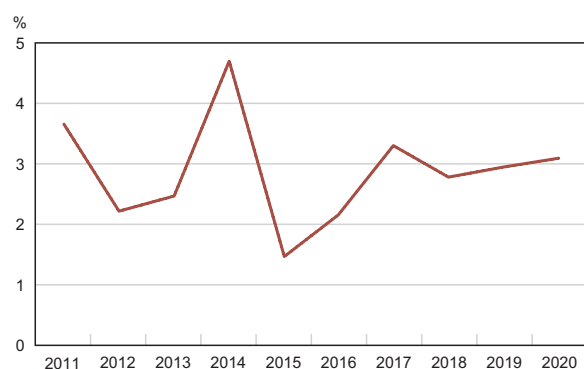
2. National Output and Income

In 2020, Taiwan's economy grew at an annual rate of 3.11%, slightly higher than the 2.96% of the previous year. Strong external demand served as the main engine of growth and exports benefited mostly from booming business opportunities in 5G applications, the stay-at-home economy, and higher demand for advanced semiconductor chips. Net exports contributed 2.73 percentage points to real GDP growth. In terms of domestic demand, fixed capital formation, supported by investment in public infrastructure and advanced semiconductor process technologies, experienced robust growth, while private consumption remained subdued in the light of the COVID-19 pandemic. Overall, domestic demand contributed 0.38 percentage points to real GDP growth. In the meantime, nominal GNI (gross national income, in US dollars) rose by 9.84% and per capita GNI increased from US\$26,594 to US\$29,230 over the year 2020.

In the first quarter, real GDP increased by 2.51% from the same quarter of the previous year. Government consumption grew moderately, and private investment expanded at a solid pace owing to higher demand for machinery and equipment investment. Private consumption and exports, on the contrary, were adversely affected by the outbreak of COVID-19. In the second quarter, real GDP exhibited the lowest level of growth over the year at 0.35%. Private consumption and exports deteriorated further as epidemic prevention measures, such as border controls and travel restrictions, began to weigh on domestic economic activity. Meanwhile, private investment displayed slower growth because of a decline in transportation investment, and growth in government consumption slipped into negative territory.

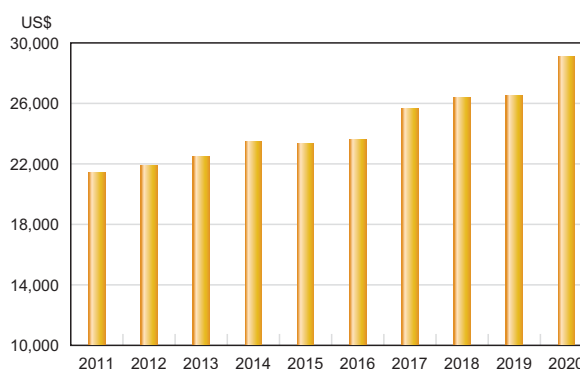
In the third quarter, real GDP expanded at an annual rate of 4.26%. Of note, the declining trend in private consumption eased, supported in part by fiscal stimulus and effective epidemic control

Real Growth Rate of GDP



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2021.

Per Capita GNI



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2021.

measures. Exports were driven by business opportunities arising from 5G applications and the stay-at-home economy, which created strong market demand for ICs and consumer electronics. Government consumption resumed positive growth and private investment enjoyed solid growth as demand for construction and transportation investments picked up. In the fourth quarter, real GDP growth strengthened further and reached the highest level over the year at 5.09%. Against the backdrop of strong economic growth, private consumption fell slightly, whereas private investment showed a modest uptrend because of a higher base effect. In the meantime, exports remained resilient and government consumption and investment were supported by higher spending on epidemic prevention and public infrastructure investment.

Expenditure Components of GDP

All expenditure components of GDP, except private consumption, recorded positive growth in 2020. Among all the components, gross fixed capital formation was the primary source of economic growth and contributed 1.18 percentage points to real GDP growth for the year. Meanwhile, exports of goods and services and government consumption contributed to real GDP growth by 0.67 and 0.37 percentage points, respectively. Private consumption, on the other hand, was a drag of 1.24 percentage points on real GDP growth. With respect to shares of GDP, exports of goods and services remained to account for the largest share of GDP at 58.55%, followed by private consumption at 48.61% and gross fixed capital formation at 23.77%.

GDP by Expenditure

Unit: %

	2020			2019		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Private Consumption	48.61	-2.37	-1.24	52.21	2.26	1.18
Government Consumption	14.03	2.61	0.37	14.03	0.67	0.10
Gross Fixed Capital Formation	23.77	4.96	1.18	23.72	10.17	2.22
Change in Inventory	-0.09	-	0.07	-0.14	-	-0.80
Exports of Goods and Services	58.55	1.06	0.67	63.50	1.31	0.87
(Less : Imports of Goods and Services)	44.87	-3.86	-2.06	53.32	1.09	0.60
Expenditure-based GDP	100.00	3.11	3.11	100.00	2.96	2.96

Note: * Percentage point.

Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2021.

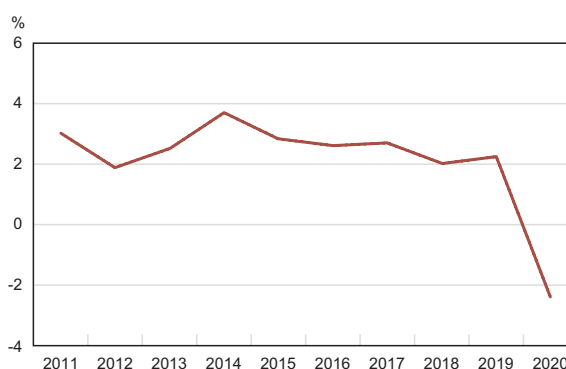
(1) Dismal Growth in Private Consumption

As a result of the economic dislocations caused by the pandemic, private consumption took a downturn in the beginning of the year and then recovered modestly in the second half of 2020.

For the year as a whole, private consumption grew at an annual rate of -2.37%, significantly lower than the 2.26% of 2019, and contributed -1.24 percentage points to real GDP growth.

In the first half of the year, total expenditure on outbound tourism plummeted substantially. Similarly, spending on home appliances and food away from home both fell precipitously as consumers became wary of discretionary spending. Private consumption therefore plunged by 1.74% and 5.21% in the first two quarters, respectively. In the second half of the year, the pandemic became under control and Taiwan's stock price index reached a historical high, alleviating strains in private consumption. The Triple Stimulus Voucher program launched by the government in July, in conjunction with an improvement in the automotive market, propped up sales of retail and food services. In the third and fourth quarters, private consumption declined by smaller magnitudes of 1.55% and 1.07%, respectively.

**Real Growth Rate
of Private Consumption Expenditure**



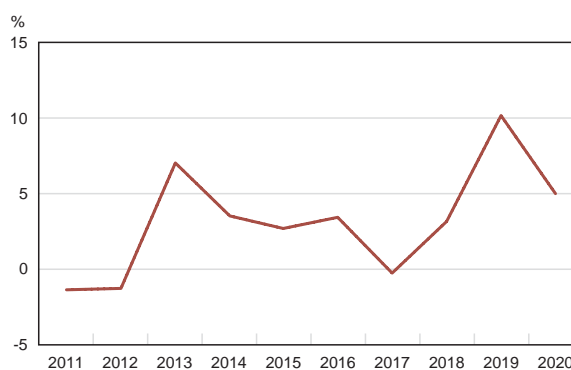
Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2021.

(2) Robust Expansion in Fixed Capital Formation

Fixed capital formation grew robustly at an annual rate of 4.96% and contributed 1.18 percentage points to real GDP growth. The expansion was attributed to higher demand for 5G infrastructure investment, continuing investment in semiconductor manufacturing, an improvement in the execution of public infrastructure projects, and the repatriation of offshore funds by overseas Taiwanese companies.

Underpinned by a rise in machinery and equipment investment, fixed capital formation increased by 6.95% in the first quarter of 2020. However, uncertainties arising from the pandemic caused the aviation industry to delay its spending on aircraft procurement in the second quarter, thereby hampering transportation investment. Growth in fixed capital formation therefore dropped to 4.11%. Nevertheless, growth rebounded to 6.12% in the third quarter owing to higher growth in construction and transportation investments. Despite continuing

**Real Growth Rate
of Fixed Capital Formation**



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2021.

growth in construction and transportation investments, a higher base effect resulted in a lower fixed capital formation growth rate of 2.96% in the fourth quarter, the lowest level over the year.

In terms of the type of capital formation, construction investment grew steadily at an annual rate of 5.90% in 2020. Although transportation investment experienced a sharp decline in the second quarter, its growth momentum recovered quickly in the second half of the year, leading to an annual growth rate of 5.65% for the entire year. In the meantime, investment in machinery and equipment grew by 4.58% owing to semiconductor equipment expenditure, the government's green energy development, and Taiwanese companies returning from overseas. Lastly, investment in intellectual property remained relatively stable and increased by 3.85% for the entire year.

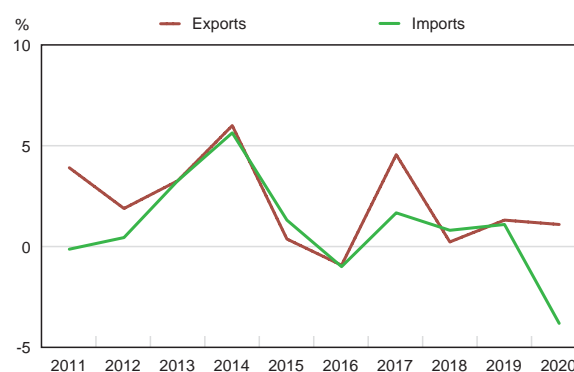
(3) Strong Upturn in Real Exports and Imports

Business opportunities arising from 5G applications and the stay-at-home economy mitigated the impacts of travel restrictions and sluggish global demand on Taiwan's exports. On balance, exports of goods and services increased moderately by 1.06% and contributed 0.67 percentage points to real GDP growth in 2020.

In the first quarter, the emergence of COVID-19 led to disruptions in global supply chains and a reduction in the number of inbound visitors, causing exports to decline by 2.09%. Epidemic containment measures, such as national lockdowns and border controls, exacerbated the slumps in global demand and the number of inbound visitors to Taiwan. Prices of raw materials, on the other hand, fluctuated at a low level. Consequently, exports dropped by 3.44% in the second quarter. In the third quarter, the reopening of economies, continuing growth in intermediary trade, and a surge in demand for ICs and consumer electronics raised exports by 3.33%. As traditional sector exports began to recover in the fourth quarter, export growth reached 5.67%, the highest growth over the year.

Turning to the imports of goods and services, significant reductions in outbound tourism expenditure and agricultural and industrial raw materials imports caused imports of goods and services to contract by 3.86% in 2020.

Real Growth Rates of Exports and Imports



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2021.

Rise in Excess Saving Ratio

Domestic investment benefited from a number of positive factors, including the active development of green energy, continuing investment in advanced semiconductor manufacturing, accelerating progress in public infrastructure investment, and higher investment incentivized by the Three Major Programs for Investing in Taiwan. As a result, domestic investment as a share of GNI remained unchanged from the previous year at 23%. Meanwhile, the national saving rate (the ratio of national saving to GNI measured at current prices) increased moderately from 34.70% in 2019 to 37.86% in 2020, reflecting the adverse impact of the pandemic on consumption. Overall, the excess saving ratio, defined as the excess of gross national saving over gross domestic investment to GNI, rose from 11.70% in 2019 to 14.87% in 2020.

