

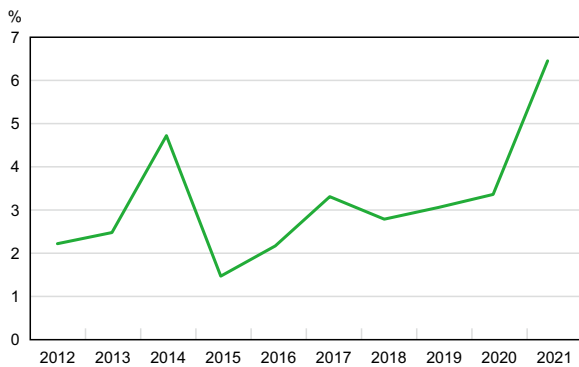
2. National Output and Income

In 2021, Taiwan's economy grew at an annual rate of 6.45%, higher than the 3.36% of the previous year. Domestic demand served as the leading force for economic expansion and contributed 4.55 percentage points to real GDP growth. This was in part due to a robust increase in fixed capital formation as well as an expansion in government consumption. In terms of external demand, both exports and imports achieved double-digit growth, and thus net exports grew moderately and contributed 1.90 percentage points to real GDP growth. In the meantime, nominal GNI (gross national income, in US dollars) rose by 14.67% and per capita GNI increased from US\$29,202 to US\$33,638 over the year 2021.

In the first quarter, real GDP recorded the highest level of growth over the year at 9.20%. Private consumption regained its growth momentum, and government consumption grew at a steady pace. A tremendous increase in private investment was driven by expansions in machinery and equipment investment and construction investment. Meanwhile, exports grew robustly owing to emerging technology applications (e.g., 5G telecommunication, high performance computing, and automotive electronics) and business opportunities arising from the stay-at-home economy. In the second quarter, real GDP growth declined slightly to 7.76%. Growth momentum in private consumption retreated as the government raised the COVID-19 alert level to curb the pandemic. Yet, growth in government consumption, private investment, and exports remained strong amid a spike in infections in mid-May.

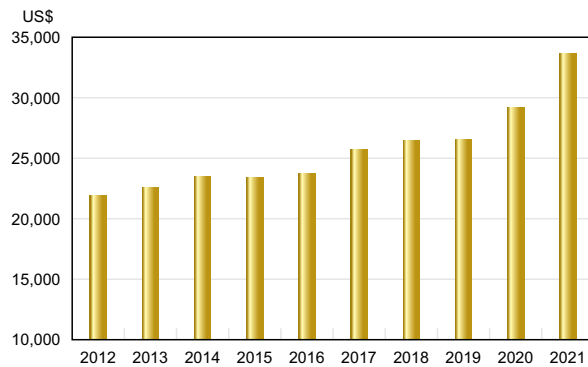
In the third quarter, growth in real GDP declined further to 4.37% while the impact of COVID-19 on private consumption worsened. In response to the pandemic, the government revised up the budget for epidemic prevention, relief, etc. and thereby boosted government consumption.

Real Growth Rate of GDP



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2022.

Per Capita GNI



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2022.

Benefiting from higher semiconductor capital expenditures and the construction of 5G networks and offshore wind power plants, growth in private investment strengthened further. In the meantime, the global economic recovery and business opportunities arising from emerging technology applications and digital transformation-related products provided favorable conditions for export growth. In the fourth quarter, real GDP growth improved slightly and reached 4.86%. Of note, private consumption resumed positive growth as the pandemic eased off; the growth was partly fueled by the fiscal stimulus program. The combination of production capacity enhancement, green energy investment, and transportation procurement resulted in another quarter of strong growth for private investment. Meanwhile, the holiday shopping season effect in Western countries, together with emerging technology applications and demand for digital transformation, bolstered export growth in the fourth quarter.

Expenditure Components of GDP

All expenditure components of GDP, except private consumption, recorded positive growth in 2021. Among all the components, exports of goods and services was the primary source of economic growth and contributed 9.89 percentage points to real GDP growth for the year. Gross fixed capital formation and government consumption contributed to real GDP growth by 3.55 and 0.53 percentage points, respectively. Private consumption, on the other hand, was a drag of 0.18 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 66.32%, followed by private consumption at 44.69% and gross fixed capital formation at 26.03%.

GDP by Expenditure

Unit: %

	2021			2020		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Private Consumption	44.69	-0.38	-0.18	48.49	-2.53	-1.32
Government Consumption	13.52	3.81	0.53	14.00	2.60	0.37
Gross Fixed Capital Formation	26.03	14.68	3.55	24.16	5.91	1.41
Change in Inventory	0.82	-	0.65	0.03	-	0.23
Exports of Goods and Services	66.32	17.04	9.89	58.04	1.22	0.77
(Less: Imports of Goods and Services)	51.38	17.86	7.99	44.72	-3.59	-1.91
Expenditure on GDP	100.00	6.45	6.45	100.00	3.36	3.36

Note: * Percentage point.

Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2022.

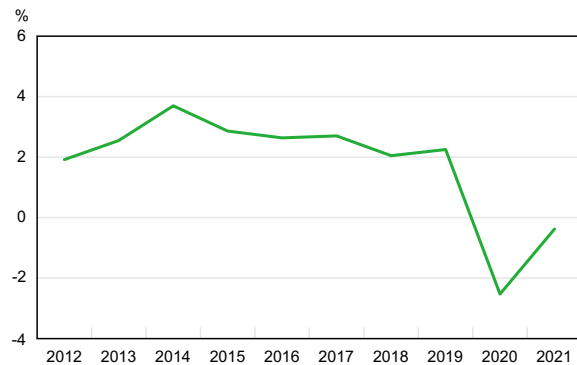
(1) Sluggish Growth in Private Consumption

Caused by a surge in COVID-19 cases, private consumption fell sharply in the second and

the third quarters and then recovered in the last quarter of 2021. For the year as a whole, private consumption grew at an annual rate of -0.38%, considerably better than the -2.53% of 2020, and contributed -0.18 percentage points to real GDP growth.

Because of travel restrictions, consumers were induced to reallocate spending away from outbound tourism to domestic consumption, and therefore private consumption grew by 2.66% in the first quarter. However, the domestic pandemic situation took a sharp turn for the worse in May and forced the government to tighten COVID-19 restrictions. As a consequence, consumers cut back spending on domestically-oriented service activity; private consumption then dropped by 0.46% in the second quarter. The pandemic-induced disruptions continued into the second half of the year, and catering, retail, and transportation industries were particularly hard hit. Private consumption declined further by 5.25% in the third quarter. As the pandemic eased off over time, the government gradually loosened epidemic control restrictions and attempted to revitalize the economy with various fiscal stimulus measures. Private consumption therefore increased by 1.57% in the fourth quarter.

Real Growth Rate of Private Consumption Expenditure



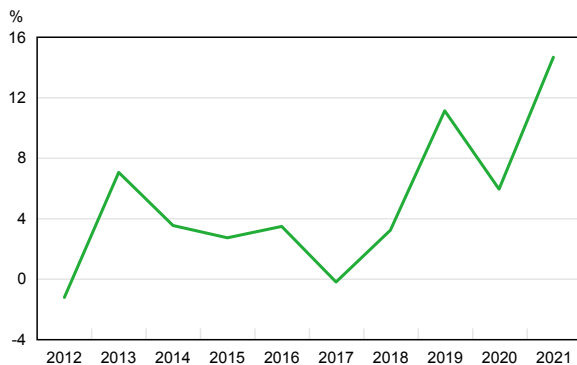
Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2022.

(2) Healthy Expansion in Fixed Capital Formation

Fixed capital formation grew robustly at an annual rate of 14.68% and contributed 3.55 percentage points to real GDP growth. The growth was attributed to higher demand for 5G infrastructure investment, continuing investment in green energy-related projects, and the expansion of production capacity in Taiwan by leading technology firms.

Driven by higher capital expenditures in the technology industry and continuing investments in 5G-infrastructure and green energy-related projects, both machinery and equipment investment and construction investment expanded at a healthy pace in the first half of the year. Gross fixed capital formation increased by 12.13% and 13.33% in the first

Real Growth Rate of Fixed Capital Formation



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2022.

two quarters, respectively. Stable growth in transportation investment, machinery and equipment investment and construction investment continued to push fixed capital formation to a higher level in the second half of the year. The growth rates of fixed capital formation were 21.40% and 11.72% in the last two quarters of the year, respectively.

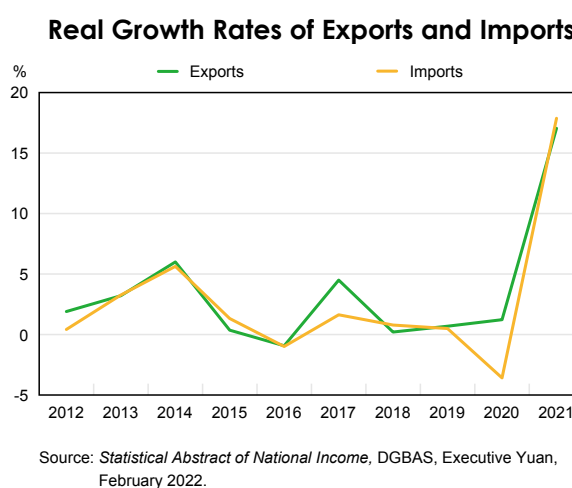
In terms of the type of fixed capital formation, a boom in the technology industry resulted in a high growth rate of 29.26% for machinery and equipment investment, while construction investment grew steadily at an annual rate of 8.33% in 2021. Transportation investment, on the other hand, also achieved a double-digit growth rate of 14.64% owing to the procurement of rail vehicles, vessels, and aircrafts by local carriers. Lastly, investment in intellectual property remained relatively stable and increased by 3.07% for the entire year.

(3) Significant Growth in Real Exports

In light of the global economic recovery and business opportunities arising from emerging technology applications, exports of goods and services grew notably by 17.04% for the entire year, supported by exports of traditional manufacturing goods and electronic goods. On balance, exports of goods and services contributed 9.89 percentage points to real GDP growth in 2021.

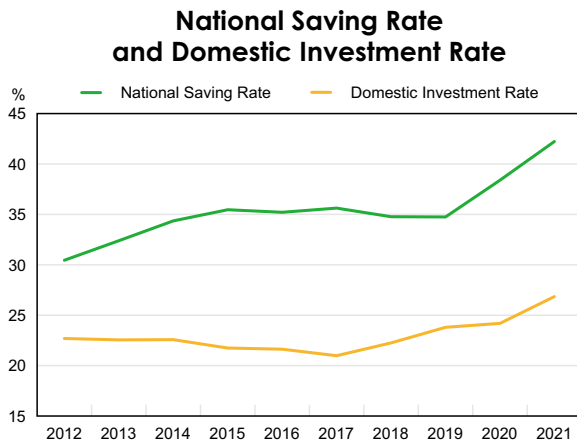
In the first half of the year, emerging technology applications began to prevail, and COVID-19 accelerated the development of digital transformation; at the same time, demand for traditional manufacturing goods gradually recovered. Driven by those positive factors, exports grew by 21.74% and 22.51% in the first two quarters, respectively. In the second half of the year, widespread vaccinations around the world slowly brought global trade activity back to normal, thereby stimulating demand for traditional manufacturing goods. As a result, exports increased by 13.95% in the third quarter. Although the growth momentum remained strong because of technology megatrends and the holiday shopping season effect in Western countries, a higher base effect resulted in a slightly lower growth rate of 11.68% in the fourth quarter.

Turning to the imports of goods and services, the combination of stronger demand for capital equipment and an increase in export-derived demand caused imports to rise remarkably by 17.86% for the entire year.



Rises in National Saving Rate and Domestic Investment Rate

The national saving rate (the ratio of national saving to GNI measured at current prices) increased moderately from 38.39% in 2020 to 42.22% in 2021, reflecting the adverse impact of the pandemic on consumption. Meanwhile, benefiting from spectacular growth in private investment, the domestic investment rate (the ratio of domestic investment to GDP measured at current prices) reached 26.85% in 2021, slightly higher than the 24.19% of the previous year. Overall, the difference between gross national saving and gross domestic investment as a share of GDP rose from 15.31% in 2020 to 16.19% in 2021.



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2022.