

### 3. Balance of Payments

In 2021, Taiwan's current account registered a record surplus of US\$116,123 million, which accounted for 15.0% of nominal GDP, up from 14.2% in the previous year. The financial account posted a net asset increase of US\$104,604 million. The reserves and related items recorded a surplus of US\$20,993 million, which was reflected in the increase in foreign reserve assets held by the Bank.

#### Balance of Payments

Unit: US\$million

	(1) 2021	(2) 2020	(1)-(2)
A. Current account	116,123	94,956	21,167
Goods: credit (exports)	459,068	342,489	116,579
Goods: debit (imports)	368,948	267,461	101,487
Balance on goods	90,120	75,028	15,092
Services: credit (exports)	52,012	41,211	10,801
Services: debit (imports)	39,698	37,457	2,241
Balance on services	12,314	3,754	8,560
Primary income: credit	38,364	38,446	-82
Primary income: debit	21,974	19,118	2,856
Balance on primary income	16,390	19,328	-2,938
Secondary income: credit	8,707	7,945	762
Secondary income: debit	11,408	11,099	309
Balance on secondary income	-2,701	-3,154	453
B. Capital account	3	-9	12
C. Financial account	104,604	46,251	58,353
Direct investment: assets	10,108	11,500	-1,392
Equity and investment fund shares	10,007	10,942	-935
Debt instruments	101	558	-457
Direct investment: liabilities	5,405	6,053	-648
Equity and investment fund shares	2,614	5,528	-2,914
Debt instruments	2,791	525	2,266
Portfolio investment: assets	81,194	36,153	45,041
Equity and investment fund shares	19,721	2,003	17,718
Debt securities	61,473	34,150	27,323
Portfolio investment: liabilities	-20,087	-22,881	2,794
Equity and investment fund shares	-21,189	-23,212	2,023
Debt securities	1,102	331	771
Financial derivatives: assets	-21,822	-20,563	-1,259
Financial derivatives: liabilities	-21,536	-20,997	-539
Other investment: assets	18,780	-808	19,588
Other investment: liabilities	19,874	17,856	2,018
D. Net errors and omissions	9,471	-354	9,825
E. Reserves and related items*	20,993	48,342	-27,349

Note: \* Excluding valuation changes in exchange rates.

Source: *Balance of Payments*, CBC, February 2022.

## Wider Current Account Surplus

The current account consists of four major items, namely goods, services, primary income, and secondary income.

### (1) Goods

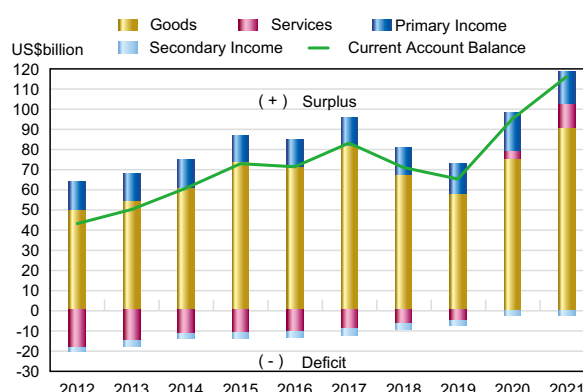
Bolstered by strong demand for emerging technology applications like high performance computing, Taiwan's external merchandise trade continued with substantial growth in 2021, with the value of exports, on a BOP basis, increasing by 34.0% to US\$459,068 million from 2020. Among its components, net exports of goods under merchanting increased by 61.8% to US\$20,867 million. The value of imports increased by 37.9% to US\$368,948 million. Overall, as the increase in exports exceeded that in imports, the trade surplus widened from US\$75,028 million to US\$90,120 million for the year. The top five trading partners of Taiwan in 2021 were Mainland China including Hong Kong (hereafter in this chapter referred to as Mainland China), ASEAN,<sup>1</sup> the US, Europe, and Japan.

In terms of Taiwan's trade with Mainland China, the value of exports amounted to US\$188,905 million in 2021, 24.8% higher than the previous year. As a manufacturing center of the world, Mainland China remained Taiwan's largest trading partner, though its share of total exports dropped to 42.3%. Among major export products, electronic parts and components maintained the leading role, which benefited from increasing use of emerging technologies. Imports from Mainland China grew by 29.9% to US\$84,171 million in 2021, though its share of total imports shrank to 22.1%. The increase mainly came from electronic parts and components and information, communication and audio-video products as a result of stronger export-derived demand. As the increase in exports exceeded that in imports, the trade surplus with Mainland China increased to US\$104,734 million in 2021, still the largest source of Taiwan's trade surplus.

Exports to the ASEAN economies increased to US\$70,246 million in 2021, up by 32.0% with a strong export performance of electronic parts and components and mineral products. Imports from the ASEAN economies increased by 31.4% to US\$47,169 million, accounting for 12.4% of total imports, as imports of iron and steel and articles thereof and mineral products rose. Overall, the trade surplus with the ASEAN economies rose to US\$23,076 million. Singapore, Vietnam, and the Philippines were the third, fourth, and fifth largest sources of Taiwan's trade surplus, respectively.

<sup>1</sup> Association of Southeast Asian Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Myanmar, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

## Current Account



Source: Balance of Payments, CBC, February 2022.

In 2021, Taiwan's exports to the US grew 30.0% to US\$65,696 million, comprising a slightly higher share of 14.7% in total exports compared to the year before. The increase mainly came from information, communication and audio-video products. As for imports from the US, the amount increased by 20.2% to US\$39,075 million, with its share in total imports decreasing to 10.3%. The major products contributing to the expansion were mineral products and machinery. The trade surplus with the US expanded to US\$26,621 million for the year, ranking second among Taiwan's surplus sources.

Exports to Europe increased by 36.8% to US\$38,491 million, with its share of total exports increasing to 8.6%. The major products contributing to this expansion were iron and steel and articles thereof, and information, communication and audio-video products. Imports from Europe increased by 28.4% to US\$47,230 million and the share of total imports decreased to 12.4%, with machinery and mineral products being the main sources of this increase. In all, Taiwan's trade deficit with Europe expanded to US\$8,739 million in 2021.

Exports to Japan increased by 6.5% to US\$29,212 million and its share in Taiwan's total exports slightly decreased to 6.5%. Imports from Japan increased by 22.3% to US\$56,146 million as its share of total imports decreased to 14.7%. Both exports to and imports from Japan owed their year-on-year increases to electronic parts and components. The trade deficit with Japan widened to US\$26,934 million. Japan remained Taiwan's second largest source of imports and the largest source of trade deficit in 2021.

### Trade in Goods by Country

Unit: %

	2021			2020		
	Amount (US\$million)	Share	Annual Change	Amount (US\$million)	Share	Annual Change
Exports						
Mainland China (including Hong Kong)	188,905	42.3	24.8	151,381	43.9	14.6
ASEAN	70,246	15.7	32.0	53,215	15.4	-1.3
US	65,696	14.7	30.0	50,550	14.6	9.3
Europe	38,491	8.6	36.8	28,143	8.2	-5.5
Japan	29,212	6.5	24.8	23,398	6.8	0.5
Rest of the World	53,893	12.1	40.2	38,438	11.1	-12.3
Total	446,443	100.0	29.4	345,126	100.0	4.9
Imports						
Mainland China (including Hong Kong)	84,171	22.1	29.9	64,808	22.6	10.9
Japan	56,146	14.7	22.3	45,901	16.0	4.2
US	39,075	10.3	20.2	32,514	11.4	-6.7
Europe	47,230	12.4	28.4	36,797	12.9	0.7
ASEAN	47,169	12.4	31.4	35,901	12.5	2.7
Rest of the World	107,230	28.1	52.7	70,227	24.5	-8.6
Total	381,022	100.0	33.2	286,148	100.0	0.2

Source: *Monthly Statistics of Exports and Imports*, Ministry of Finance, R.O.C. (Taiwan).

## (2) Services

In 2021, services registered a record surplus of US\$12,314 million, up from US\$3,754 million in the previous year, mainly because of an increase in freight transport receipts.

Of the various components of the services account, receipts of manufacturing services on physical inputs owned by others<sup>2</sup> increased by US\$509 million to US\$4,313 million in 2021. On the debit side, payments for manufacturing services increased by US\$512 million to US\$2,044 million. In total, net manufacturing receipts decreased from US\$2,272 million to US\$2,269 million.

In terms of maintenance and repair services n.i.e. (not included elsewhere), which covers maintenance and repair work for or by nonresidents on ships, aircraft, and other transport equipment, the receipts declined by US\$379 million to US\$901 million owing to decreased receipts from aircraft repairs. On the other hand, the payments increased by US\$145 million to US\$894 million. In all, the surplus on this account narrowed from US\$531 million to US\$7 million.

Transport receipts hit a record high, which increased by US\$8,716 million to US\$19,739 million, reflecting increases in international freight proceeds as active global trade and supply chain bottlenecks led to an increase in freight rates. Transport payments decreased by US\$99 million to US\$9,582 million as a result of declines in passenger fares paid to foreign airlines. Overall, the surplus of transport services in 2021 increased substantially from US\$1,342 million to US\$10,157 million.

Travel receipts decreased by US\$1,015 million to US\$785 million. Meanwhile, travel payments decreased by US\$1,799 million to US\$1,247 million. As many countries kept border controls in place during the pandemic, numbers of inbound visitors and outbound travelers remained low. In all, the deficit on the travel account narrowed to US\$462 million.

In terms of other services, the receipts grew by US\$2,970 million to US\$26,274 million, while the payments grew by US\$3,482 million to US\$25,931 million, both mainly attributable to the increase in professional and management consulting services (which is under other business services). Overall, the surplus of other services narrowed to US\$343 million in 2021.

## (3) Primary Income

Primary income consists of compensation of employees, investment income, and other primary income. In 2021, primary income receipts decreased by US\$82 million to US\$38,364 million, mainly because of a reduction in banks' interest receipts. Meanwhile, primary income payments increased to US\$21,974 million, US\$2,856 million more than the previous year. This was mostly attributable to an increase in portfolio investment income paid to nonresidents. Consequently, the surplus on the

<sup>2</sup> Manufacturing services on physical inputs owned by others includes the processing, assembly, labeling, and packing undertaken by a service provider that does not own the goods; namely a resident's payments to a nonresident for providing these services for the resident who is also the owner of the goods concerned.

primary income account declined to US\$16,390 million for the year of 2021.

#### (4) Secondary Income

For the year of 2021, secondary income receipts amounted to US\$8,707 million, reflecting increases in gifts and samples. Secondary income payments amounted to US\$11,408 million, mainly owing to increases in outward family support allowances. As a whole, the deficit on the secondary income account narrowed to US\$2,701 million in 2021.

### Capital Account Deficit

The capital account includes capital transfers and the acquisition and disposal of non-produced, non-financial assets. In 2021, the balance of the capital account grew from a deficit to a surplus of US\$3 million.

### Net Asset Increase in Financial Account

In 2021, the financial account showed an increase of US\$104,604 million in net assets. In terms of sub-categories, direct investment and portfolio investment exhibited increases of US\$4,703 million and US\$101,281 million in net assets, respectively. Financial derivatives and other investment exhibited a decrease of US\$286 million and US\$1,094 million in net assets, respectively.

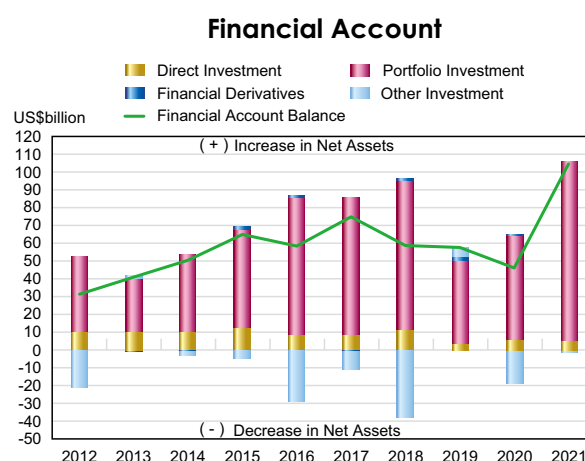
#### (1) Direct Investment

Direct investment abroad by residents exhibited an increase of US\$10,108 million in assets. Direct investment in Taiwan by nonresidents showed an increase of US\$5,405 million.

#### (2) Portfolio Investment

In 2021, portfolio investment abroad by residents increased by US\$81,194 million mainly because insurance companies and banks expanded their investment abroad. Equity and investment fund shares increased by US\$19,721 million while debt securities rose by US\$61,473 million.

On the other hand, local portfolio investment by nonresidents decreased by US\$20,087 million as foreign investors reduced holdings of Taiwanese stocks. Equity and investment fund shares decreased by US\$21,189 million. Debt securities increased by US\$1,102 million.



Source: Balance of Payments, CBC, February 2022.

### (3) Financial Derivatives

Assets in financial derivatives decreased by US\$21,822 million, principally because of gains on transactions of financial derivatives received by other financial corporations.

Liabilities in financial derivatives decreased by US\$21,536 million, mainly because of losses on transactions of financial derivatives paid by other financial corporations.

### (4) Other Investment

In 2021, other investment abroad by residents increased by US\$18,780 million. Of the components, currency and deposits rose by US\$8,953 million mainly because of an increase in foreign deposits of corporations; loans grew by US\$4,685 million because of an increase in interbank loans; other accounts receivable increased by US\$2,625 million as a result of an increase in corporations' accounts receivable from nonresidents; trade credit increased by US\$2,502 million, owing to an upturn in trade credit extended by corporations.

Other inward investment by nonresidents increased by US\$19,874 million. Of the components, currency and deposits rose by US\$21,996 million because of growing deposits from nonresidents and overseas branches; loans increased by US\$7,871 million because of expanded external borrowing by corporations; trade credit dropped by US\$1,239 million, owing to a decrease in trade credit received by corporations; other accounts payable declined by US\$8,754 million, as a result of a decrease in banks' accounts payable to nonresidents.

## **Increase in Foreign Exchange Reserves**

The foreign exchange reserve assets held by the Bank increased by US\$20,993 million in 2021, mainly owing to returns from foreign exchange reserves management.