

3. Balance of Payments

In 2022, Taiwan's current account registered a surplus of US\$101,731 million, which accounted for 13.3% of nominal GDP, down from 15.1% in the previous year. The financial account posted a net asset increase of US\$98,103 million. Reserve assets increased by US\$10,883 million.

Balance of Payments

Unit: US\$million

	(1) 2022	(2) 2021	(1)-(2)
A. Current account	101,731	117,150	-15,419
Goods: credit (exports)	465,987	453,603	12,384
Goods: debit (imports)	396,998	365,640	31,358
Balance on goods	68,989	87,963	-18,974
Services: credit (exports)	58,350	51,995	6,355
Services: debit (imports)	45,239	39,567	5,672
Balance on services	13,111	12,428	683
Primary income: credit	51,180	40,378	10,802
Primary income: debit	28,445	20,925	7,520
Balance on primary income	22,735	19,453	3,282
Secondary income: credit	9,503	8,710	793
Secondary income: debit	12,607	11,404	1,203
Balance on secondary income	-3,104	-2,694	-410
B. Capital account	-46	3	-49
C. Financial account	98,103	105,652	-7,549
Direct investment: assets	16,280	11,341	4,939
Equity and investment fund shares	14,519	10,467	4,052
Debt instruments	1,761	874	887
Direct investment: liabilities	10,189	5,416	4,773
Equity and investment fund shares	6,215	2,625	3,590
Debt instruments	3,974	2,791	1,183
Portfolio investment: assets	59,674	81,503	-21,829
Equity and investment fund shares	7,756	19,864	-12,108
Debt securities	51,918	61,639	-9,721
Portfolio investment: liabilities	-45,714	-21,155	-24,559
Equity and investment fund shares	-44,608	-22,257	-22,351
Debt securities	-1,106	1,102	-2,208
Financial derivatives: assets	-21,700	-21,822	122
Financial derivatives: liabilities	-26,356	-21,536	-4,820
Other investment: assets	-21,474	17,828	-39,302
Other investment: liabilities	-3,442	20,473	-23,915
D. Net errors and omissions	7,301	9,492	-2,191
E. Reserves and related items*	10,883	20,993	-10,110

Note: * Excluding valuation changes in exchange rates.

Source: *Balance of Payments Quarterly, Republic of China (Taiwan)*, CBC, February 2023.

Narrower Current Account Surplus

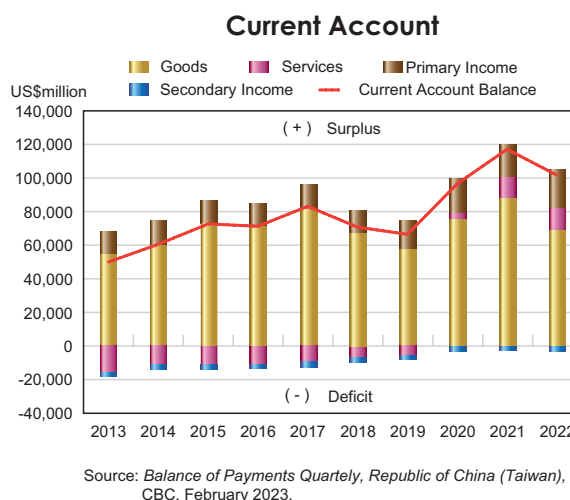
The current account consists of four major items, namely goods, services, primary income, and secondary income.

(1) Goods

Despite the global economic slowdown in the second half of the year, significant trade growth in the first half of the year strongly bolstered exports and imports of goods, both of which reached record high amounts. The value of exports, on a BOP basis, increased by 2.7% to US\$465,987 million. Among its components, net exports of goods under merchandising decreased by 27.8% to US\$14,295 million. The value of imports increased by 8.6% to US\$396,998 million. Overall, as the increase in imports exceeded that in exports, the trade surplus narrowed from US\$87,963 million to US\$68,989 million for the year. The top five trading partners of Taiwan in 2022 were Mainland China (hereafter in this chapter referred to as Mainland China), ASEAN,¹ the US, Europe, and Japan.

In terms of Taiwan's trade with Mainland China, the value of exports amounted to US\$185,914 million in 2022, 1.6% lower than the previous year. Among major export products, electronic parts and components maintained the leading role, which benefited from increasing use of emerging technologies; in contrast, exports of optical instruments, information and communication products, plastic and rubber products, basic metals and their products, and machinery from Taiwan to Mainland China decreased significantly, causing Mainland China's share of total exports to drop to 38.8%, the lowest point in nearly 18 years. As a manufacturing center of the world, Mainland China remained Taiwan's largest trading partner. Imports from Mainland China grew by 1.5% to US\$85,481 million in 2022. This was mainly due to international industrial specialization and cooperation, which resulted in a larger increase in imports of electronic parts and components from Mainland China, but its share of total imports continued to decline to 20.0%. In 2022, exports to Mainland China decreased while imports increased, amounting to a narrower trade surplus of US\$100,434 million, still the largest source of Taiwan's trade surplus.

Exports to the ASEAN economies increased to US\$80,616 million in 2022, up by 14.8% with a strong export performance of electronic parts and components and mineral products. Imports from the ASEAN economies increased by 14.1% to US\$53,900 million, accounting for a rising share of 12.6% of total imports as imports of mineral products and machinery increased. Overall, the trade surplus with



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

the ASEAN economies rose to US\$26,716 million. Singapore, Vietnam, and the Philippines were the third, fourth, and fifth largest sources of Taiwan's trade surplus, respectively.

In 2022, Taiwan's exports to the US grew 14.3% to US\$75,056 million, and its share of total imports rose to its highest in nearly 18 years, reaching 15.7%. The increase mainly came from information, communication and audio-video products. As for imports from the US, the amount increased by 15.8% to US\$45,456 million, with its share in total imports increasing to 10.6%. The major products contributing to the expansion were mineral products and machinery. The trade surplus with the US expanded to US\$29,600 million for the year, ranking second among Taiwan's surplus sources.

Exports to Europe increased by 6.8% to US\$41,110 million, with its share of total exports remaining at 8.6% for the second year in a row. The major products contributing to this expansion were electronic parts and components and transport equipment. Imports from Europe increased by 7.6% to US\$50,918 million and the share of total imports decreased to 11.9%, with chemical products and transport equipment being the main sources of this increase. In all, Taiwan's trade deficit with Europe expanded to US\$9,808 million in 2022.

Exports to Japan increased by 15.1% to US\$33,618 million and its share in Taiwan's total exports slightly increased to 7.0%. Imports from Japan decreased by 2.7% to US\$54,597 million and its share of total imports decreased to 12.8%. The category that saw both the greatest increase in exports and the greatest decrease in imports to Japan was electronic parts and components. The trade

Trade in Goods by Country

Unit: %

	2022			2021		
	Amount (US\$million)	Share	Annual Change	Amount (US\$million)	Share	Annual Change
Exports						
Mainland China (including Hong Kong)	185,914	38.8	-1.6	188,875	42.3	24.8
ASEAN	80,616	16.8	14.8	70,242	15.7	32.0
US	75,056	15.7	14.3	65,686	14.7	29.9
Europe	41,110	8.6	6.8	38,484	8.6	36.7
Japan	33,618	7.0	15.1	29,206	6.5	24.8
Rest of the World	63,192	13.2	17.3	53,878	12.1	40.2
Total	479,506	100.0	7.4	446,371	100.0	29.3
Imports						
Mainland China (including Hong Kong)	85,481	20.0	1.5	84,194	22.0	29.9
Japan	54,597	12.8	-2.7	56,117	14.7	22.3
ASEAN	53,900	12.6	14.1	47,233	12.4	31.6
Europe	50,918	11.9	7.6	47,331	12.4	28.6
US	45,456	10.6	15.8	39,259	10.3	20.7
Rest of the World	137,043	32.1	27.1	107,825	28.2	53.5
Total	427,394	100.0	11.9	381,958	100.0	33.5

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

deficit with Japan narrowed to US\$20,979 million. Japan remained Taiwan's second largest source of imports and the largest source of trade deficit in 2022.

(2) Services

In 2022, services registered a record surplus of US\$13,111 million, up from US\$12,428 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 others² decreased by US\$63 million to US\$4,326 million in 2022. On the debit side, payments for manufacturing services decreased by US\$68 million to US\$1,938 million. In total, net manufacturing receipts increased from US\$2,383 million to US\$2,388 million.

In terms of maintenance and repair services n.i.e. (not included elsewhere), which covers maintenance and repair work by residents on goods that are owned by nonresidents (and vice versa), the receipts increased by US\$187 million to US\$1,165 million owing to increased receipts from aircraft repair. On the other hand, the payments increased by US\$338 million to US\$1,231 million. In all, the repair services account turned from a surplus to a deficit of US\$66 million.

Transport receipts increased by US\$1,847 million to US\$21,601 million, a record high reflecting increases in international freight proceeds. Transport payments increased by US\$382 million to US\$9,957 million as a result of increased freight payments of imports. Overall, the surplus of transport services hit a record high in 2022, increasing from US\$10,179 million to US\$11,644 million.

As many countries were gradually easing border controls, the number of cross-border tourists rose. Travel receipts increased by US\$2,003 million to US\$2,747 million. Meanwhile, travel payments increased by US\$1,861 million to US\$3,108 million. In all, the deficit on the travel account narrowed to US\$361 million.

In terms of other services, the receipts grew by US\$2,381 million to US\$28,511 million, mainly attributable to increases in receipts from professional and management consulting services (which is under other business services), telecom., computer and information services, and financial services. The payments grew by US\$3,159 million to US\$29,005 million, owing to increases in payments for professional and management consulting services, financial services, and construction. Overall, the other services account turned from a surplus to a deficit of US\$494 million.

(3) Primary Income

Primary income consists of compensation of employees, investment income, and other primary

² 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.

income. In 2022, primary income receipts increased by US\$10,802 million to US\$51,180 million, mainly because of increases in residents' direct investment income and banks' interest receipts. Meanwhile, primary income payments increased to US\$28,445 million, US\$7,520 million more than the previous year. This was mainly attributable to increases in banks' interest payments and portfolio investment income paid to nonresidents. Consequently, the surplus on the primary income account increased to US\$22,735 million.

(4) Secondary Income

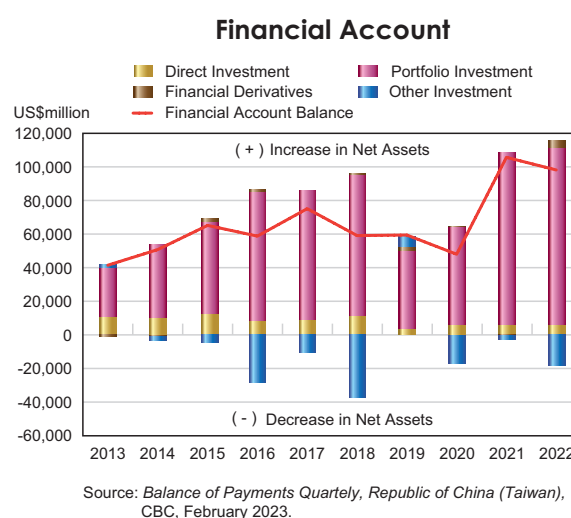
For the year of 2022, secondary income receipts amounted to US\$9,503 million, reflecting increases in gifts and samples. Secondary income payments amounted to US\$12,607 million, mainly owing to increases in outward family support allowances. As a whole, the deficit on the secondary income account widened to US\$3,104 million in 2022.

Capital Account Deficit

The capital account includes capital transfers and the acquisition and disposal of non-produced, non-financial assets. In 2022, the balance of the capital account turned from a surplus to a deficit of US\$46 million.

Net Asset Increase in Financial Account

In 2022, the financial account showed an increase of US\$98,103 million in net assets. In terms of sub-categories, direct investment, portfolio investment and financial derivatives exhibited increases of US\$6,091 million, US\$105,388 million and US\$4,656 million in net assets, respectively. The account of other investment exhibited a decrease of US\$18,032 million in net assets.



(1) Direct Investment

Direct investment abroad by residents exhibited an increase of US\$16,280 million. Direct investment in Taiwan by nonresidents showed an increase of US\$10,189 million.

(2) Portfolio Investment

In 2022, portfolio investment abroad by residents increased by US\$59,674 million mainly because banks increased holdings of foreign securities. Equity and investment fund shares

increased by US\$7,756 million, and debt securities rose by US\$51,918 million.

On the other hand, local portfolio investment by nonresidents decreased by US\$45,714 million as foreign investors reduced holdings of Taiwanese stocks. Equity and investment fund shares decreased by US\$44,608 million, and debt securities declined by US\$1,106 million.

(3) Financial Derivatives

Assets in financial derivatives decreased by US\$21,700 million, principally because of gains on transactions of financial derivatives received by other financial corporations.

Liabilities in financial derivatives decreased by US\$26,356 million, mainly because of losses on transactions of financial derivatives paid by other financial corporations.

(4) Other Investment

In 2022, other investment abroad by residents decreased by US\$21,474 million. Of the components, currency and deposits decreased by US\$20,575 million as the private sector withdrew overseas deposits; loans decreased by US\$2,215 million because of declines in overseas interbank loans; trade credit decreased by US\$2,678 million, owing to a downturn in trade credit extended by corporations; other accounts receivable increased by US\$3,829 million.

Other inward investment by nonresidents decreased by US\$3,442 million. Of the components, currency and deposits decreased by US\$8,295 million because of declining deposits from overseas branches; loans dropped by US\$1,997 million because of repayments on overseas interbank loans; trade credit grew by US\$2,980 million, owing to an increase in trade credit received by corporations; other accounts payable rose by US\$3,870 million.

Increase in Foreign Exchange Reserves

The foreign exchange reserve assets held by the Bank increased by US\$10,883 million in 2022, mainly owing to returns from foreign exchange reserves management.