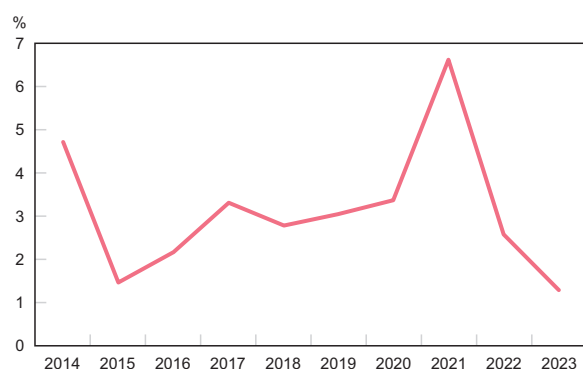


2. National Output and Income

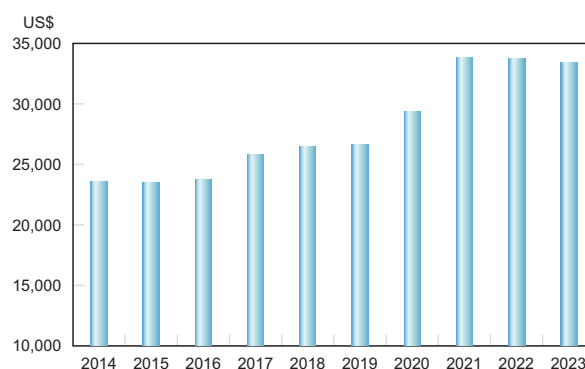
In 2023, Taiwan's economy grew at an annual rate of 1.31%. Domestic demand, driven mainly by private consumption, contributed 1.03 percentage points to real GDP growth. In terms of external demand, lackluster performance in both exports and investment reduced derived demand for imports, and thus, net exports contributed 0.28 percentage points to real GDP growth. In the meantime, nominal GNI (gross national income, in US dollars) fell by 0.78%, and GNI per capita declined from US\$33,624 to US\$33,299 over the year 2023.

In the first quarter, real GDP contracted by 3.49%. Private consumption expanded robustly because of higher spending on domestic travel and outbound tourism as the government continued to lift COVID-19 pandemic restrictions. Nevertheless, weak global final demand in response to the cumulative effects of monetary policy tightening by major central banks since 2022, coupled with the ongoing inventory adjustments in the manufacturing sector, resulted in lower private investment. In the second quarter, real GDP grew by 1.41%. Private consumption gained growth momentum owing to strong demand for catering, tourism, and entertainment services and the government's one-off universal cash payment of NT\$6,000 as part of the post-pandemic special budget. On the contrary, anemic global final demand and the lingering effects of inventory destocking continued dampening growth in private investment and exports.

In the third quarter, real GDP growth rose to 2.15%. Consumer spending and demand for outbound travel stayed elevated, further supported by the peak season for summer travel, sustaining the growth momentum of private consumption. Private investment, on the other hand, remained subdued as firms revised down their capital expenditures under a dismal economic outlook. In the meantime, slower-than-expected global final demand recovery and inventory adjustments further restrained export growth momentum. In the fourth quarter, real GDP expanded by 4.93%. Growth in private consumption was driven by surging demand for outbound travel, a persistent post-pandemic consumption trend, and continued growth of sales in the services industry, such as the accommodation, dining, and retail industries. As for private investment, firms' willingness to invest stayed downbeat because global economic recovery fell short of expectations, and the manufacturing sector kept reducing the levels of production and inventory. However, exports exhibited positive growth owing to a lower base effect, a surge in inbound visitors for tourism and business, and the shipment of emerging technology products, such as artificial intelligence (AI) and high-performance computing (HPC) applications.

Real Growth Rate of GDP

Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2024.

Per Capita GNI

Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2024.

Expenditure Components of GDP

Of all expenditure components of GDP, private consumption was the primary source of economic growth and contributed 3.80 percentage points to real GDP growth for 2023. Government consumption, on the other hand, contributed 0.12 percentage points to real GDP growth. Gross fixed capital formation and exports of goods and services contributed -2.44 percentage points and -3.02 percentage points to real GDP growth, respectively. With respect to shares of GDP, exports of goods and services continued to account for the largest share of GDP at 63.35%, followed by private consumption at 48.65%, and gross fixed capital formation at 25.28%.

GDP by Expenditure

Unit: %

	2023			2022		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Private Consumption	48.65	8.32	3.80	45.69	3.75	1.68
Government Consumption	13.68	0.88	0.12	13.92	4.83	0.66
Gross Fixed Capital Formation	25.28	-8.69	-2.44	28.11	7.78	2.04
Change in Inventory	-0.46	--	-0.45	0.04	--	-0.74
Exports of Goods and Services	63.35	-4.32	-3.02	69.94	1.75	1.14
(Less: Imports of Goods and Services)	50.49	-5.73	-3.30	57.69	4.32	2.18
Expenditure on GDP	100.00	1.31	1.31	100.00	2.59	2.59

Note: * Percentage point.

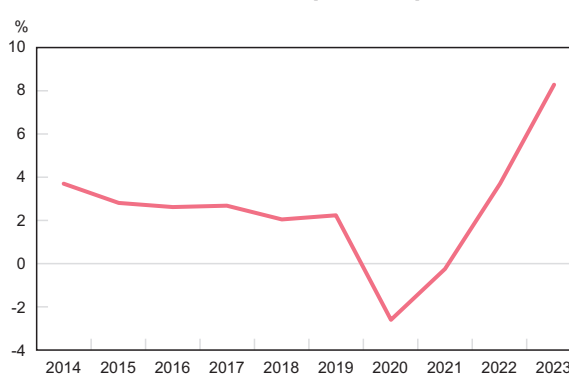
Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2024.

(1) Robust Growth in Private Consumption

Private consumption picked up as life gradually returned to normal when the government eased domestic pandemic-related restrictions and border controls. In addition, an upward adjustment of the basic living expense per person and the nationwide government distribution of a one-time cash payment propped up disposable income, providing further impetus to private consumption growth. Against this backdrop, private consumption grew at an annual rate of 8.32% and contributed 3.80 percentage points to real GDP growth in 2023.

After the government loosened epidemic control measures, consumer confidence stabilized, and private consumption regained growth momentum, growing by 6.41% in the first quarter. In the second quarter, with a complete phase-out of epidemic control measures and a significant increase in people's willingness to consume and engage in outdoor events, coupled with the nationwide government distribution of a one-time cash payment, private consumption rose by 12.94%. The third quarter coincided with the summer vacation period, witnessing continuous demand for consumption spending and outbound travel. At the same time, the government introduced public transportation subsidies in July to promote the use of public transit, leading to an annual growth rate of 9.28% in private consumption. In the fourth quarter, surging demand for outbound travel, a persistent post-pandemic consumption trend, and a rally in the stock market bolstered private consumption by 5.07%. Overall, private consumption remained strong throughout the entire year.

**Real Growth Rate
of Private Consumption Expenditure**



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2024.

(2) Significant Contraction in Fixed Capital Formation

Fixed capital formation contracted significantly by an annual rate of 8.69% and contributed -2.44 percentage points to real GDP growth in 2023. The decline was caused mainly by major technology firms deferring and lowering capital expenditures.

Sluggish export growth and slower-than-expected inventory adjustments prompted businesses to hold back investment, reducing machinery and equipment investment and construction investment in the first half of the year. Gross fixed capital formation decreased by 2.64% and 7.55% in the first two quarters, respectively. The dismal economic outlook further exacerbated the decline in machinery

and equipment investment, while construction investment remained subdued in the second half of the year. The fixed capital formation growth rates for the last two quarters of the year were -11.85% and -12.24%, respectively.

In terms of the type of fixed capital formation, machinery and equipment investment experienced a double-digit decline of 21.88% in 2023, while construction investment contracted moderately by 3.93%. On the other hand, transportation investment increased by 10.67%. Lastly, investment in intellectual property remained relatively stable and expanded by 2.80% for the entire year.

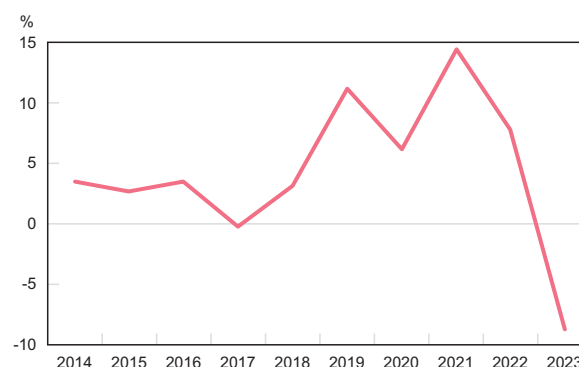
(3) Mild Decline in Real Exports

The cumulative effects of monetary policy tightening by major central banks and the shift in consumer spending towards services led to a slowdown in global demand. As a result, exports of goods and services fell by 4.32% and contributed -3.02 percentage points to real GDP growth in 2023.

From the first to the third quarter of the year, the global economic and trade growth momentum faltered owing to the spillover effects of monetary policy tightening by major central banks and the cumulative effects of interest rate hikes. Taiwan's exports of goods and services, therefore, decreased by 11.86%, 7.75%, and 1.41% in the first three quarters, respectively. However, exports resumed positive growth at 3.72% in the fourth quarter, benefiting from a lower base effect, a wider expansion of applications in emerging technologies (e.g., AI and HPC), favorable driving forces from new consumer electronic products, as well as a continued increase in inbound visitors to Taiwan.

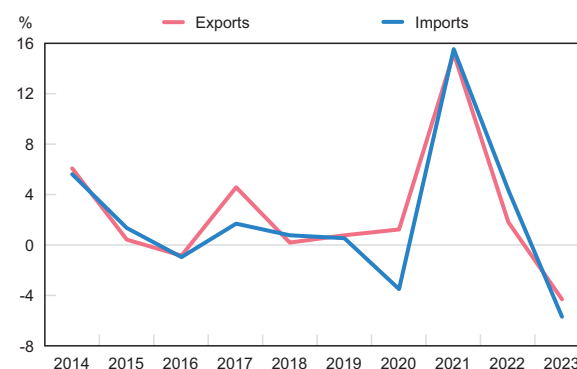
Turning to imports of goods and services, the combination of weak demand for capital equipment and a reduction in export-derived demand caused imports to contract by 5.73% for the entire year.

Real Growth Rate of Fixed Capital Formation



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2024.

Real Growth Rates of Exports and Imports



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2024.

Minor Reductions in National Saving Rate and Domestic Investment Rate

The national saving rate (the ratio of national savings to GNI measured at current prices) declined slightly from 41.53% in 2022 to 37.75% in 2023, reflecting a significant increase in consumption expenditures as life returned to pre-pandemic normalcy. Meanwhile, weak private investment growth caused the domestic investment rate (the ratio of domestic investment to GDP measured at current prices) to fall to 24.82% in 2023, lower than 28.15% of the previous year.

