

3. Balance of Payments

In 2023, Taiwan's current account registered a surplus of US\$105,329 million, which accounted for 13.9% of nominal GDP. The financial account posted a net asset increase of US\$84,946 million. Reserve assets increased by US\$14,342 million.

Balance of Payments

Unit: US\$million

	(1) 2023	(2) 2022	(1)-(2)
A. Current account	105,329	100,926	4,403
Goods: credit (exports)	383,644	427,894	-44,250
Goods: debit (imports)	287,785	359,656	-71,871
Balance on goods	95,859	68,238	27,621
Services: credit (exports)	54,552	57,204	-2,652
Services: debit (imports)	64,521	44,607	19,914
Balance on services	-9,969	12,597	-22,566
Primary income: credit	60,733	51,756	8,977
Primary income: debit	36,390	28,448	7,942
Balance on primary income	24,343	23,308	1,035
Secondary income: credit	8,683	9,376	-693
Secondary income: debit	13,587	12,593	994
Balance on secondary income	-4,904	-3,217	-1,687
B. Capital account	-38	-46	8
C. Financial account	84,946	94,711	-9,765
Direct investment: assets	24,714	15,589	9,125
Equity and investment fund shares	24,956	13,828	11,128
Debt instruments	-242	1,761	-2,003
Direct investment: liabilities	5,700	10,158	-4,458
Equity and investment fund shares	4,785	6,215	-1,430
Debt instruments	915	3,943	-3,028
Portfolio investment: assets	69,725	59,674	10,051
Equity and investment fund shares	14,593	7,756	6,837
Debt securities	55,132	51,918	3,214
Portfolio investment: liabilities	7,342	-45,714	53,056
Equity and investment fund shares	7,182	-44,608	51,790
Debt securities	160	-1,106	1,266
Financial derivatives: assets	-20,225	-21,700	1,475
Financial derivatives: liabilities	-21,266	-26,356	5,090
Other investment: assets	-5,681	-23,226	17,545
Other investment: liabilities	-8,189	-2,462	-5,727
D. Net errors and omissions	-6,003	4,714	-10,717
E. Reserves and related items*	14,342	10,883	3,459

Note: * Excluding valuation changes in exchange rates.

Source: *Balance of Payments Quarterly, Republic of China (Taiwan)*, CBC, February 2024.

Wider Current Account Surplus

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

(1) Goods

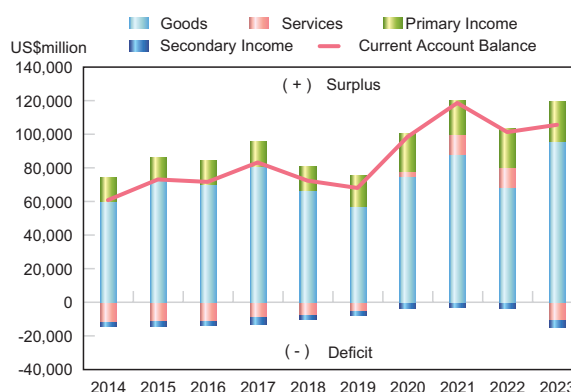
Because of slower global economic growth and lower international raw material prices, Taiwan's external merchandise trade experienced a slowdown in 2023, with the value of exports, on a BOP basis, decreasing by 10.3% from 2022 to US\$383,644 million. Among its components, net exports of goods under merchanting decreased by 3.5% to US\$14,777 million. The value of imports decreased by 20.0% to US\$287,785 million. Overall, as the decrease in imports exceeded that in exports, the trade surplus widened from US\$68,238 million in 2022 to US\$95,859 million. The top five trading partners of Taiwan in 2023 were Mainland China including Hong Kong (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\$152,249 million in 2023, 18.1% lower than the previous year. Among major export products, parts of electronic products contributed the most to this negative growth in Taiwan's exports to Mainland China, causing Mainland China's share of total exports to drop to 35.2%, the lowest in nearly 21 years. As a manufacturing center of the world, Mainland China remained Taiwan's largest trading partner. Imports from Mainland China fell by 16.1% to US\$71,699 million in 2023, mainly because import of parts of electronic products declined more markedly as a result of weaker export-derived demand. Nevertheless, Mainland China's share of total imports slightly increased to 20.4%. As the decrease in exports exceeded that in imports, the trade surplus with Mainland China shrank to US\$80,550 million in 2023, still the largest source of Taiwan's trade surplus.

Exports to the ASEAN economies increased to US\$76,275 million in 2023, down by 5.4% with a weak export performance of mineral products and chemicals. Imports from the ASEAN economies decreased by 24.0% to US\$41,017 million, accounting for a declining share of 11.7% of total imports as imports of parts of electronic products and mineral products decreased. Overall, the trade surplus with the ASEAN economies rose to US\$35,257 million. Singapore, Vietnam, and the Philippines were the third, fourth, and fifth largest sources of Taiwan's trade surplus, respectively.

¹ 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 Quarterly, Republic of China (Taiwan), CBC, February 2024.

In 2023, Taiwan's exports to the US grew 1.6% to US\$76,241 million, and its share of total exports rose to a record high in nearly 21 years, reaching 17.6%. The increase mainly came from information, communication and audio-video products. As for imports from the US, the amount decreased by 10.9% to US\$40,696 million, with its share in total imports increasing to 11.6%. The main contributor to the contraction was parts of electronic products. The trade surplus with the US expanded to US\$35,545 million for the year, ranking second among Taiwan's surplus sources.

Exports to Europe increased by 2.9% to US\$42,288 million, with its share of total exports rising to 9.8%. The major products contributing to this expansion were information, communication and audio-video products. Imports from Europe decreased by 8.6% to US\$46,672 million and the share of total imports increased to 13.3%, with machinery being the main source of this decrease. In all, Taiwan's trade deficit with Europe shrank to US\$4,384 million in 2023.

Exports to Japan decreased by 6.5% to US\$31,441 million and its share in Taiwan's total exports slightly increased to 7.3%. Of all major products exported to Japan, chemicals and base metals and articles of base metal contributed the most to the decline. Imports from Japan decreased by 18.9% to US\$44,319 million and its share of total imports decreased to 12.6%, with machinery and parts of electronic products being the main sources of this decrease. The trade deficit with Japan narrowed to US\$12,879 million. Japan remained the largest source of trade deficit in 2023.

Trade in Goods by Country

Unit: %

	2023			2022		
	Amount (US\$million)	Share	Annual Change	Amount (US\$million)	Share	Annual Change
Exports						
Mainland China (including Hong Kong)	152,249	35.2	-18.1	185,875	38.8	-1.6
ASEAN	76,275	17.6	-5.4	80,609	16.8	14.8
US	76,241	17.6	1.6	75,052	15.7	14.3
Europe	42,288	9.8	2.9	41,099	8.6	6.8
Japan	31,441	7.3	-6.5	33,609	7.0	15.1
Rest of the World	53,976	12.5	-14.6	63,171	13.2	17.2
Total	432,469	100.0	-9.8	479,415	100.0	7.4
Imports						
Mainland China (including Hong Kong)	71,699	20.4	-16.1	85,508	20.0	1.6
Europe	46,672	13.3	-8.6	51,072	11.9	7.9
Japan	44,319	12.6	-18.9	54,626	12.8	-2.7
ASEAN	41,017	11.7	-24.0	53,937	12.6	14.2
US	40,696	11.6	-10.9	45,691	10.7	16.4
Rest of the World	107,479	30.5	-21.7	137,248	32.1	27.3
Total	351,883	100.0	-17.8	428,083	100.0	12.1

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

(2) Services

In 2023, services turned from a surplus to a deficit of US\$9,969 million, mainly because of an increase in travel payments and a decrease in transport receipts.

Of the various components of the services account, receipts of manufacturing services on physical inputs owned by others² decreased by US\$333 million to US\$3,993 million in 2023. On the debit side, payments for manufacturing services declined by US\$321 million to US\$1,610 million. In total, the surplus of manufacturing services on physical inputs owned by others recorded a narrower surplus of US\$2,383 million, down from US\$2,395 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 rose by US\$340 million to US\$1,505 million owing to increased receipts from aircraft repair. On the other hand, the payments rose by US\$217 million to US\$1,467 million, also owing to increased payments from aircraft repair. In all, the repair services account turned from a deficit to a surplus of US\$38 million.

Transport receipts decreased by US\$10,475 million to US\$11,111 million, reflecting a decrease in international freight proceeds. Transport payments rose by US\$2,998 million to US\$13,080 million as a result of increased passenger fares paid to foreign airlines. Overall, the transport services turned from a surplus to a deficit of US\$1,969 million.

Travel receipts increased by US\$6,966 million to US\$8,748 million mainly because the number of cross-border tourists rose as many countries lifted border controls. Meanwhile, travel payments increased by US\$12,991 million to US\$15,519 million. In all, the deficit on the travel account widened to US\$6,771 million.

In terms of other services, the receipts grew by US\$850 million to US\$29,195 million, mainly attributable to an increase in receipts from financial services. The payments grew by US\$4,029 million to US\$32,845 million, owing to increases in payments for financial services and professional and management consulting services. Overall, the deficit on the other services account increased to US\$3,650 million.

(3) Primary Income

Primary income consists of compensation of employees, investment income, and other primary income. In 2023, primary income receipts increased by US\$8,977 million to US\$60,733 million, mainly

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.

because of an increase in banks' interest receipts. Meanwhile, primary income payments increased to US\$36,390 million, US\$7,942 million more than the previous year. This was mainly attributable to an increase in banks' interest payments. Consequently, the surplus on the primary income account widened to US\$24,343 million.

(4) Secondary Income

For the year of 2023, secondary income receipts amounted to US\$8,683 million, reflecting a decrease in gifts and samples. Secondary income payments amounted to US\$13,587 million, mainly owing to an increase in outward workers' remittances. As a whole, the deficit on the secondary income account widened to US\$4,904 million in 2023.

Capital Account Deficit

The capital account includes capital transfers and the acquisition and disposal of non-produced, non-financial assets. In 2023, the capital account deficit decreased to US\$38 million.

Net Asset Increase in Financial Account

In 2023, the financial account showed an increase of US\$84,946 million in net assets. In terms of sub-categories, direct investment, portfolio investment, financial derivatives and other investment exhibited increases of US\$19,014 million, US\$62,383 million, US\$1,041 million and US\$2,508 million in net assets, respectively.

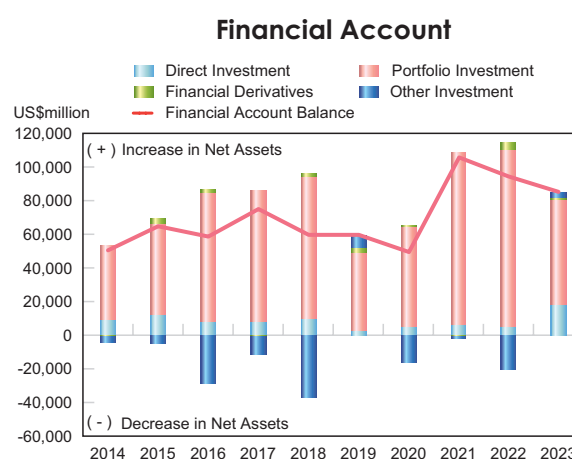
(1) Direct Investment

Direct investment abroad by residents exhibited an increase of US\$24,714 million. Direct investment in Taiwan by nonresidents showed an increase of US\$5,700 million.

(2) Portfolio Investment

In 2023, portfolio investment abroad by residents increased by US\$69,725 million. Equity and investment fund shares grew by US\$14,593 million mainly because pension funds increased holdings of foreign equity securities, and debt securities rose by US\$55,132 million mainly because banks and onshore funds increased holdings of foreign debt securities.

On the other hand, local portfolio investment by nonresidents increased by US\$7,342 million.



Source: *Balance of Payments Quarterly, Republic of China (Taiwan)*, CBC, February 2024.

Equity and investment fund shares grew by US\$7,182 million as foreign investors increased holdings of Taiwanese stocks. Debt securities rose by US\$160 million.

(3) Financial Derivatives

Assets in financial derivatives decreased by US\$20,225 million, principally because of gains on transactions of financial derivatives received by other financial corporations.

Liabilities in financial derivatives decreased by US\$21,266 million, mainly because of losses on transactions of financial derivatives paid by other financial corporations.

(4) Other Investment

In 2023, other investment abroad by residents decreased by US\$5,681 million. Of the components, currency and deposits decreased by US\$13,573 million as the private sector withdrew overseas deposits; loans decreased by US\$6,226 million because of a decline in overseas interbank loans; trade credit grew by US\$9,168 million, owing to an increase in trade credit extended by corporations; other accounts receivable increased by US\$4,941 million.

Other inward investment by nonresidents decreased by US\$8,189 million. Of the components, currency and deposits declined by US\$8,307 million because of declining deposits from overseas branches; loans rose by US\$11,377 million due to banks increasing borrowings from overseas banks; trade credit declined by US\$10,139 million, owing to a decrease in trade credit received by corporations; other accounts payable decreased by US\$1,120 million.

Increase in Foreign Exchange Reserves

The foreign exchange reserve assets held by the Bank increased by US\$14,342 million in 2023, mainly owing to returns from foreign exchange reserves management.