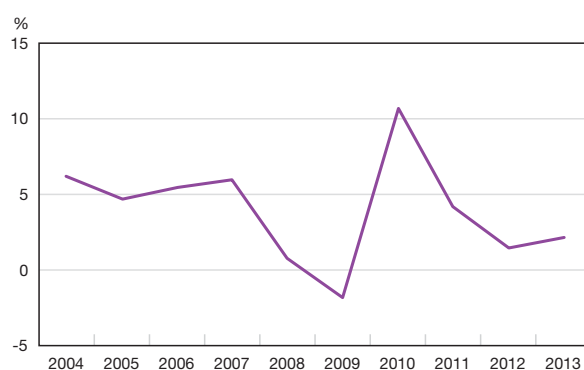


2. National Output and Income

Following an upturn in late 2012, the Taiwanese economy continued its mild recovery and expanded modestly in 2013. This was driven by moderate growth in the global economy and further supported by increased consumer spending and business investment. External trade witnessed stable growth during the first half of the year mainly owing to a lower base effect. Over the next six months, bolstered by an improvement in advanced economies along with solid consumer electronics demand abroad in the fourth quarter, exports gradually gained momentum. In addition, private consumption grew at a mild pace in the first three quarters on account of low wage growth and concerns about food safety, while the growth rose markedly in the fourth quarter on the back of a buoyant stock market and strong car sales. Moreover, private investment resumed healthy growth after two consecutive years of declines as semiconductor enterprises continued to increase capacity in advanced manufacturing. For the entire year, real GDP expanded at an annual growth rate of 2.11 percent, up from 1.48 percent in 2012.

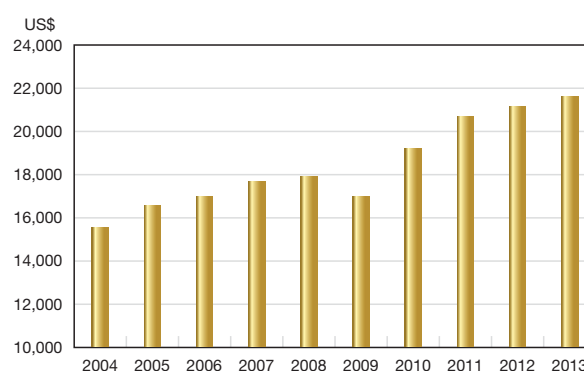
The pace of economic expansion decelerated during the first quarter with real GDP growth down to 1.44 percent as private consumption lost steam and a decrease in net exports partially offset private investment growth. On account of steady expansion in external trade, improved private consumption and a continued increase in private investment, real GDP growth picked up to 2.69 percent in the second quarter. Nevertheless, hampered by slowing consumption, falling capital expenditure and declining exports resulting from softening demand from China, the third quarter's real GDP growth moderated to 1.31 percent. The domestic economy expanded the most during the fourth quarter as a pickup in the global economy boosted external trade and enhanced consumer confidence and business investment. Consequently, GDP growth firmed to 2.95 percent

Real Growth Rate of GDP



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2014.

Per Capita GNP



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2014.

in the fourth quarter. Meanwhile, owing to a mild increase in economic activity, per capita GNP in nominal terms increased by a modest 2.25 percent from US\$21,082 to US\$21,557.

Expenditure Components of GDP

Against the backdrop of a modest gain in demand both at home and abroad, all expenditure components of GDP except government consumption posted growth rates higher than the previous year. Among them, private consumption recorded a positive contribution of 0.95 percentage points for the year, remaining the primary source of economic growth. Gross fixed capital formation also saw its contribution to GDP growth increased to 0.85 percentage points owing to a pickup in capital expenditures. Although exports posted a lower growth rate than imports, net exports continued to record a contribution of 0.63 percentage points to economic growth. On the contrary, affected by a limited fiscal budget, government consumption declined mildly, dragging GDP growth down by 0.04 percentage points. In terms of shares of GDP, all expenditure components decreased further in 2013. Exports of goods and services accounted for the largest share of GDP at 72.98 percent, followed by private consumption at 59.51 percent and gross fixed capital formation at 19.42 percent.

1. Modest Growth in Private Consumption

During 2013, consumer spending progressed at a cautious pace mainly owing to subdued income growth and concerns over food safety. For the entire year, private consumption rose by 1.77 percent in real terms, slightly higher than the previous year's 1.62 percent, accounting for 0.95 percentage points of GDP growth.

In the beginning of the year, consumer sentiment was dampened by a contraction in real wage

Expenditure on Gross Domestic Product

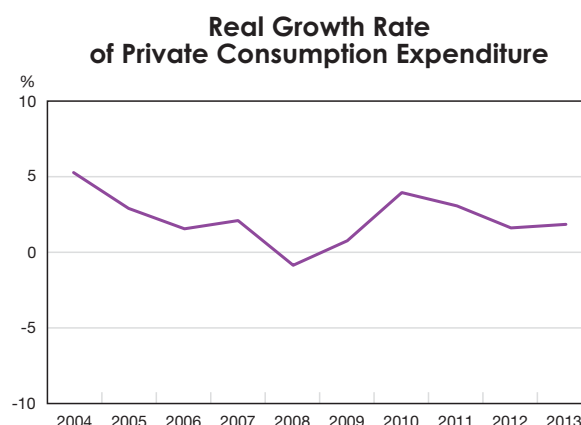
Unit: %

	2013			2012		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Private Consumption	59.51	1.77	0.95	60.13	1.62	0.87
Government Consumption	11.86	-0.33	-0.04	12.41	0.96	0.11
Gross Fixed Capital Formation	19.42	5.26	0.85	19.69	-4.01	-0.68
Change in Inventory	-0.16	-	-0.29	0.15	-	-0.10
Exports of Goods and Services	72.98	3.81	2.80	73.35	0.11	0.08
(Less : Imports of Goods and Services)	63.61	(4.01)	(2.17)	65.74	(-2.16)	(-1.21)
Expenditure on GDP	100.00	2.11	2.11	100.00	1.48	1.48

Note: * Percentage point.

Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2014.

growth, shrinking financial wealth resulting from low trading activities in the stock market, and expectation of further depreciation of the Japanese yen, which delayed household purchases of vehicles. As a result, private consumption growth markedly weakened to 0.39 percent in the first quarter, in contrast to the 1.69 percent growth in the fourth quarter of the previous year. In the second quarter, with a buoyant stock market, a rebound in car sales and stronger retail sales, consumption expanded at an annual rate of 1.98 percent, even though food safety concerns, which suppressed spending in restaurants, partially offset it. During the third quarter, despite further gains in the stock market and an increase in the number of visitors travelling to Japan owing to the weakening of the Japanese yen, private consumption growth edged down to 1.45 percent on account of waning consumer sentiment in the face of lackluster wage growth. Later, supported by a surge in stock prices, a stronger demand for motor vehicles boosted by promotional sales and the release of new car models, and continued expansion in tourism, consumer spending in the retail sector and restaurant business rose significantly, leading private consumption to increase by a remarkable 3.28 percent in the final quarter, the highest annual growth since the fourth quarter of 2011.



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2014.

In terms of the private consumption categories, food consumption rose by 2.28 percent, slightly lower than the growth rate of 2.47 percent registered in 2012, while non-food consumption grew by 1.71 percent compared with an increase of 1.51 percent in the previous year. Among the components of non-food consumption, outlays for transportation posted the largest growth of 3.96 percent for the year, primarily as a consequence of heated demand for car purchases. Moreover, owing to higher demand for leisure activities, consumer spending on recreation and culture increased further, registering the second largest growth of 3.17 percent for the year.

2. Slight Decline in Government Consumption

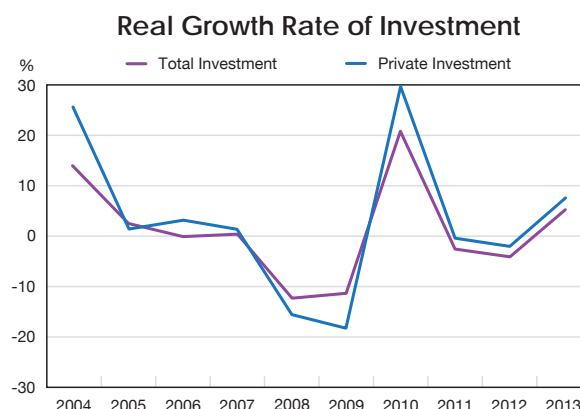
After trending upward for six years, the growth rate of government consumption expenditure slid into negative territory in 2013. This expenditure slightly declined by 0.33 percent in real terms for the year, subtracting 0.04 percentage points from GDP growth. This was mainly associated with continuous curtailment of government expenditure that aimed to improve public finance situations.

3. Moderate Rebound in Fixed Capital Formation

Fixed capital formation exhibited modest growth with an annual rate of 5.26 percent in real terms for the year of 2013, reversing its negative growth of 4.01 percent in the previous year, and contributing 0.85 percentage points to economic growth. During the first two quarters, as semiconductor companies accelerated capacity expansion in advanced manufacturing and the Japanese yen depreciation prompted manufacturers to import more capital equipment, fixed capital formation expanded by 5.88 percent. Although fixed capital formation posted slower growth in the third quarter as a result of weaker economic activity and a higher base effect, fixed capital investment grew by 4.69 percent in the second half of the year. This was mainly attributable to a pickup in capital spending led by the semiconductor industry on the back of mounting export orders for electronics products in the fourth quarter.

Regarding expenditure by type of purchaser, investment by private businesses increased by 7.38 percent after two consecutive years of decline, adding 0.94 percentage points to real GDP growth. In the first half of the year, as semiconductor manufacturers increased capital spending, private investment exhibited stable growth. In the third quarter, although capital spending on semiconductors continued to expand, it was restrained by a higher base. Concurrently, with weaker business sentiment amid uncertainties over the Fed's QE tapering and the slowdown of China's economy, most industries lacked investment momentum. During the fourth quarter, benefiting from vigorous worldwide demand for consumer electronics products, private investment resumed growth and posted a double-digit increase of the year. Furthermore, as the execution of several investment projects by public enterprises was ahead of schedule, investment by public enterprises increased by 3.84 percent, contributing 0.04 percentage points to economic growth for the year. Government investment, however, continued to shrink throughout all quarters because of a limited budget and went down by 5.93 percent over the year, subtracting 0.13 percentage points from economic growth.

In terms of the type of capital formation, the largest increase was observed in outlays on machinery and other equipment, registering a growth of 12.31 percent, in sharp contrast to the contractions of the last two years. This significant growth was largely generated by new investment in semiconductor production bolstered by successive releases of new ICT products, as well as with the effect of the Japanese yen depreciation. Meanwhile, the growth rate of investment by the



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2014.

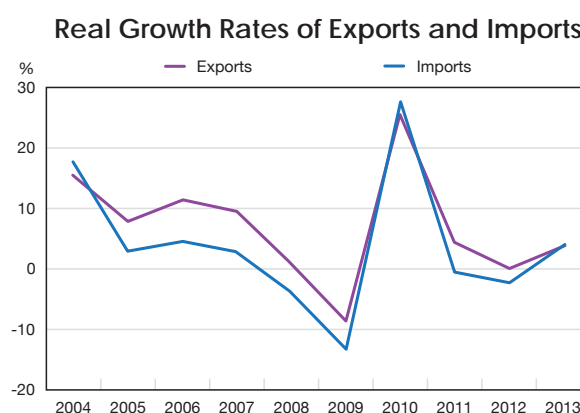
construction sector returned to positive territory and was up to 1.73 percent. This moderate growth, particularly in the first half of the year, reflected increasing construction of residential buildings driven by the solid demand in the housing market. Likewise, transportation spending accelerated in the first half of the year as a result of increased procurement of airliners and passenger trains, while it slightly contracted in the second half mostly owing to a higher base effect, registering a modest growth of 2.83 percent for the year as a whole. Additionally, investment in intangible fixed assets slowed and posted a decline of 5.33 percent over the previous year.

4. Modest Lift in Exports and Imports

Despite competitive pressure from China's supply chain localization policy and intense competition from abroad in information and communications products, the growth of exports still outpaced that in 2012, registering a mild growth of 3.81 percent and contributing 2.80 percentage points to economic growth for the year as a whole. The increase in exports was mainly due to an improvement in the US and European economies in the second half of the year as well as a lower base effect.

For the first quarter, with a weaker-than-expected global recovery, China's continuing capacity expansion in the petrochemical industry and the weakening of the Japanese yen, exports of information and communications products, petrochemicals and machinery shrank, whereas those of electronics, mineral products and optical instruments grew, leading to a 4.53 percent growth in exports of goods and services. In the second quarter, owing to the lessening of global economic uncertainty, growth in exports of goods and services accelerated to 5.05 percent. The advance was mainly supported by the continual growth in exports of electronics and mineral products, together with the expansion of tourism service exports. Nevertheless, real exports of goods and services slowed to a 1.74 percent annual rate in the third quarter as commodity exports registered negative growth as a result of China's structural reform and its gradual localization of the supply chain. A significant contraction was witnessed in exports of optical instruments and mineral products. During the fourth quarter, underpinned by brisk demand from advanced economies for consumer electronics and higher demand for goods before the Chinese New Year holidays, the exports of goods and services expanded at an annual rate of 4.03 percent.

Following a modest growth in business investment spending, the growth of imports reversed its decline of the previous year and outpaced that of exports in 2013. The increase

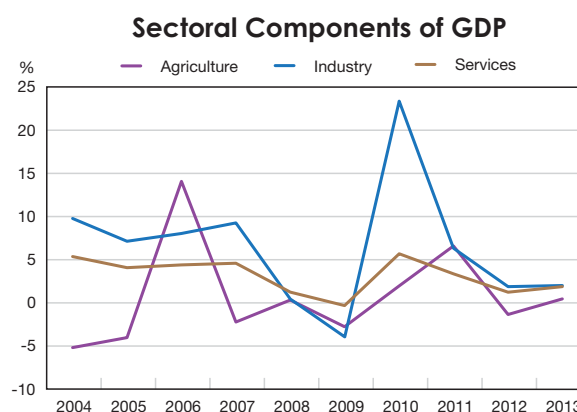


Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2014.

in imports was more notable in the first half of the year as capital outlays on machinery and electrical equipment rose with mounting external demand. Similar to exports, import growth trended down in the third quarter, and then picked up in the fourth quarter on the back of significantly improved domestic demand and exports. For the year as a whole, imports of goods and services increased by 4.01 percent, thus subtracting 2.17 percentage points from economic growth.

Sectoral Components of GDP

On the output side, in 2013, both industrial output and services exhibited continuous expansion, albeit at a relatively mild pace amid modest recovery at home and abroad, while agricultural output remained subdued as a consequence of unstable weather conditions. Industry and services, accounting for major shares of national output, were key forces behind economic growth, contributing 0.63 and 1.06 percentage points, respectively, to economic growth for the year. Agricultural output, on the



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2014.

Gross Domestic Product by Type of Activity

Unit: %

	2013			2012		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Agriculture	1.69	0.23	0.00	1.78	-1.57	-0.02
Industry	30.02	1.78	0.63	29.08	1.67	0.59
Mining & Quarrying	0.42	-5.71	-0.02	0.32	10.13	0.03
Manufacturing	24.88	2.02	0.63	24.37	1.81	0.56
Construction	2.87	0.82	0.02	2.85	-2.31	-0.05
Electricity, Gas, Water and Remediation Services	1.84	0.24	0.00	1.54	2.59	0.04
Services	68.29	1.68	1.06	69.14	1.01	0.64
Wholesale and Retail Trade	18.47	1.03	0.18	18.90	-0.19	-0.03
Transport & Storage	2.97	2.72	0.08	3.07	0.86	0.03
Information and Communications	3.40	1.58	0.06	3.53	3.75	0.14
Finance and Insurance	6.52	2.52	0.16	6.54	0.83	0.05
Real Estate	8.75	2.84	0.23	8.69	2.19	0.17
Administration and Defense	7.05	-0.67	-0.04	7.38	0.83	0.05
Education	4.54	0.69	0.03	4.66	0.96	0.04
Other Services	16.59	2.57	0.37	16.37	1.33	0.19
Gross Domestic Product	100.00	2.11	2.11	100.00	1.48	1.48

Note: * Percentage point.

Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2014.

other hand, posted negligible contribution to overall economic growth.

Regarding the sectoral shares of GDP in nominal terms, Taiwan's economy was dominated by the services sector with a 68.29 percent share in 2013. The industrial sector accounted for 30.02 percent of GDP, slightly higher than the share in the previous year as a consequence of stronger export momentum. Meanwhile, the ratio of agricultural output to GDP slightly decreased to 1.69 percent.

1. Scant Growth in Agricultural Output

During 2013, agricultural production, including agriculture, forestry, fishing and animal husbandry industries, was dragged down by unfavorable weather conditions such as severe coldness and torrential rain. Nevertheless, owing to a lower base effect, agricultural output grew by 0.23 percent.

2. Steady Growth in Industrial Output

The industrial sector, comprised of the industries of mining and quarrying, manufacturing, construction, and electricity, gas and water, displayed a similar level of growth to the previous year with an increase of 1.78 percent in 2013. The steady growth in industrial output reflected increasing competitive pressure on the manufacturing sector from abroad.

Manufacturing production in 2013 grew by 2.02 percent, mainly led by the information and electronics industries, which showed a moderate growth of 1.21 percent in the production index during the year. The gain in the information and electronics industries was mostly attributed to a boom in semiconductor-related exports, driven by increased demand for mobile devices as well as the launch of new products. Nevertheless, the production of display panels saw a drop on account of intensifying competition with China and languid demand for panels for TVs as well as PCs. By contrast, output growth in other manufacturing industries was relatively weak. The production index of the chemical industry inched up a mere 0.73 percent under the impact of domestic production capacity adjustment in response to China's increasing capacity expansion in petrochemical products in the first half of the year and the decrease in related product prices. However, the production indices of the metal and machinery industry, and food, textile and other industries decreased by 0.34 percent and 0.08 percent, respectively.

In contrast to the previous year's 2.31 percent decrease, output in the construction industry increased by 0.82 percent for the year, mainly attributable to a buoyant housing market in the first half of the year, along with the affordable housing scheme promoted by the government to tackle the issue of housing price surges in metropolitan areas. Meanwhile, output of mining and quarrying decreased by 5.71 percent in 2013, which was a sharp drop compared with the previous year's growth of 10.13 percent, owing to the decline in the production volume of sand and gravel, as well as a higher base effect.

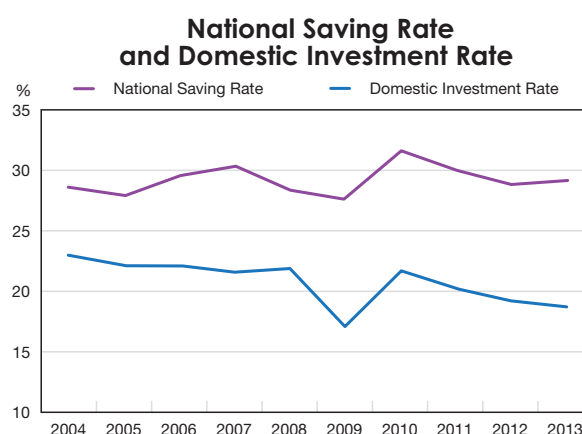
3. Moderate Performance in the Services Sector

In 2013, services output increased mildly and recorded a modest growth rate of 1.68 percent, higher than the growth rate of 1.01 percent of the previous year. The decent upturn in private consumption, particularly a marked improvement in the fourth quarter, helped drive the growth in the services sector, of which transport and storage, finance and insurance, and wholesale and retail trade services exhibited larger increases.

Among the services subsectors, real estate topped the growth among all subsectors, registering an increase of 2.84 percent for the year, reflecting vigorous housing transactions along with optimism for the real estate market during the first half of the year. Driven by increases in domestic and outbound visitor numbers, combined with stronger export demand in line with the revival of global trade in the fourth quarter, transport and storage services grew by 2.72 percent, compared with a mere 0.86 percent posted in 2012. Likewise, finance and insurance services continued their upward trend over the previous year, registering an increase of 2.52 percent for the year resulting from increased interest revenue and fee income. The growth in finance and insurance services was also due to a rebound in stock trading activity from the second quarter onwards, spurred by easing rules on a capital gains tax and measures aimed at stimulating trading volume. In addition, wholesale and retail trade services posted a growth rate of 1.03 percent, reversing from the previous year's 0.19 percent decline, primarily owing to significantly improved consumer confidence at the end of the year. On the other hand, administration and defense services shrank slightly by 0.67 percent for the year, reflecting the government's continued efforts to curtail expenditure.

Rise in National Saving Rate

The national saving rate (the ratio of national saving to GNP measured at current prices) increased from 28.83 percent in the previous year to 29.12 percent in 2013 as nominal national consumption (including both private consumption and government consumption expenditures) grew by a relatively moderate rate of 1.80 percent compared to the GNP growth rate of 3.09 percent. The mild growth in nominal national consumption mainly resulted from the contraction in government spending and moderate growth in private consumption. The excess saving ratio, defined as the excess of national saving over gross domestic investment to GNP, climbed up from 9.60 percent in 2012 to 10.40 percent in 2013, reflecting a greater increase in national saving than that in domestic investment.



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2014.