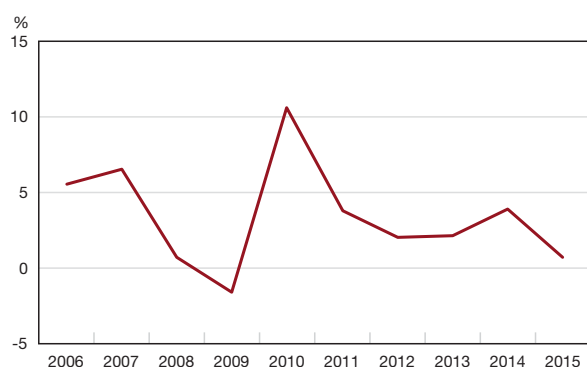


## 2. National Output and Income

Taiwan experienced a slowdown in economic activity in 2015 amid weak global demand, continuously plunging commodity prices, and Mainland China's active development of supply chain localization. Private consumption grew moderately owing to a modest wage increase, an improving employment situation, and an increase in disposable income resulting from declining oil prices. Fixed capital formation displayed modest growth, mainly because the semiconductor and aviation industries continued to expand capital outlays. External trade suffered a marked setback reflecting a pronounced decrease in foreign demand and the impact of Mainland China's expanded supply chain. For the year as a whole, real GDP growth edged up a tiny 0.75%, the slowest annual growth in six years.

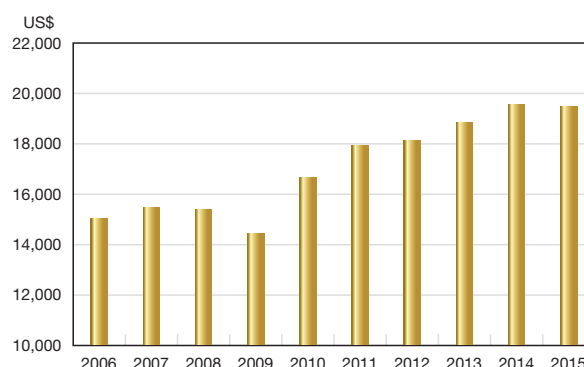
On account of an expansion in exports and a pickup in private consumption, real GDP advanced 4.04% year on year in the first quarter. In the second quarter, external trade growth significantly decelerated owing to the weaker-than-expected global economic growth momentum, together with slackening demand for electronics products. Influenced by falling construction investment and declining exports, real GDP growth declined to 0.57%. With Mainland China's efforts to expand its supply chain, continued drag on the global economy and falling commodity prices, external trade dropped sharply. Weak external trade weighed on business and consumer sentiment, which affected domestic demand. Consequently, real GDP contracted 0.8% in the third quarter. In the fourth quarter, external trade continued to fall as foreign demand remained lackluster, export orders from high-tech industry clients diminished, and prices of energy and raw materials kept hovering at low levels. As modest growth in domestic demand was unable to offset sluggish external trade, the real GDP growth rate shrank 0.52% in the last quarter. Meanwhile, owing to a slowdown in economic activity, per capita GNI in nominal terms decreased slightly from US\$19,558 to US\$19,451.

**Real Growth Rate of GDP**



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.

**Per Capita GNI**



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.

## Expenditure Components of GDP

All expenditure components of GDP posted growth rates lower than the previous year. Among them, private consumption recorded a positive contribution of 1.22 percentage points for the year, replacing exports as the primary source of economic growth. Gross fixed capital formation contributed 0.33 percentage points to GDP growth owing to a pickup in capital expenditures by the private sector. On the contrary, affected by a limited fiscal budget, government consumption declined mildly, dragging GDP growth down by 0.06 percentage points. With weak global demand, net exports posted a negative contribution of 0.67 percentage points to economic growth for the year. With respect to shares of GDP, exports of goods and services remained to account for the largest share of GDP at 64.51%, followed by private consumption at 52.22% and gross fixed capital formation at 20.77% for the year.

### (1) Moderate Growth in Private Consumption

During 2015, private consumption grew by 2.28% in real terms and contributed 1.22 percentage points to GDP growth. Overall consumer spending grew at a steady pace owing to a boost in disposable income resulting from falling oil prices, improvement in labor market conditions, and brisk tourism activity.

In the first quarter, driven by stronger new car sales, an improving employment situation, and an increase in the numbers of citizens traveling abroad, private consumption expanded at an annual rate of 3.73%. Then, a decline in new car sales caused private consumption growth to drop to 3.55% in the second quarter. In the third quarter, affected by a sharp decrease in new car sales, poor performance in the stock market, and negative growth in retail sales, private consumption

## Expenditure on Gross Domestic Product

Unit: %

	2015			2014		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Private Consumption	52.22	2.28	1.22	53.31	3.33	1.80
Government Consumption	13.89	-0.44	-0.06	14.55	3.55	0.52
Gross Fixed Capital Formation	20.77	1.52	0.33	21.64	1.76	0.39
Change in Inventory	0.11	-	-0.07	0.17	-	0.52
Exports of Goods and Services	64.51	-0.21	-0.15	69.94	5.91	4.10
(Less : Imports of Goods and Services)	51.50	0.87	0.52	59.61	5.65	3.42
Expenditure on GDP	100.00	0.75	0.75	100.00	3.92	3.92

Note: \* Percentage point.

Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.

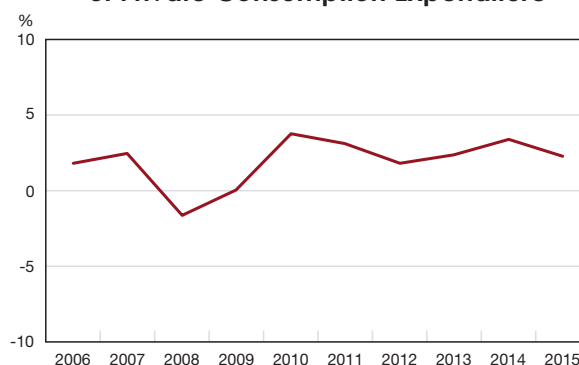
registered the lowest growth rate of 0.48% for the year. With the government's Consumption-Boosting Program and a buoyant stock market, consumer spending in the retail sector and restaurant business rose stably, leading private consumption expenditure to increase by 1.46% in the final quarter.

## (2) Modest Growth in Fixed Capital Formation

Fixed capital formation exhibited modest growth with an annual rate of 1.52% in real terms for the year 2015 and contributed 0.33 percentage points to economic growth. In the first quarter, a rise in the investment in aircraft purchases was partially offset by a decrease in semiconductor investment, such that fixed capital formation registered the lowest growth rate of negative 0.44% for the year. In the second quarter, although the Japanese yen depreciation prompted manufacturers to import more capital equipment, construction investment declined, leading fixed capital formation to grow only mildly by 0.60%. Subsequently, because the semiconductor industry continued to invest in advanced technologies and the transportation industry raised capital spending, fixed capital formation expanded by 3.24% and 2.54%, respectively, in the last two quarters.

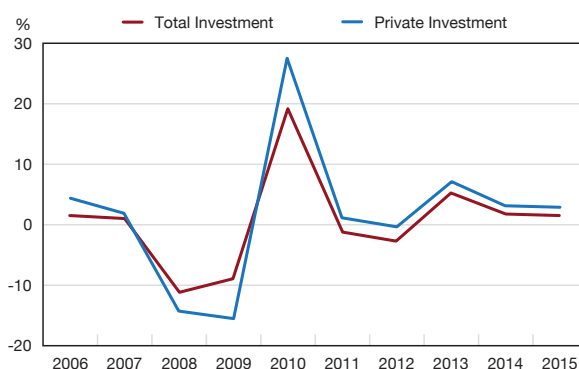
Regarding expenditure by type of purchaser, investment by the private sector registered positive growth, while investment by public enterprises and general government posted further contraction for the year. The private sector steadily expanded new investment in aircraft purchases and its gross fixed capital formation grew by 1.33% in the first quarter. In the second quarter, affected by weaker construction investment, investment by the private sector fell by 0.64%. In the second half of the year, as the semiconductor and transportation industries increased capital spending, private investment expanded by 5.24% and 6.81%, respectively, in the third and final quarters. For the year as a whole, private investment increased by 3.11%. In contrast, investment by public enterprises went down by 6.79% because the fourth nuclear power plant was mothballed and some construction projects

**Real Growth Rate of Private Consumption Expenditure**



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2016.

**Real Growth Rate of Fixed Investment**



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2016.

fell behind schedule. Government investment continued to shrink 4.28% for the year owing to a limited budget.

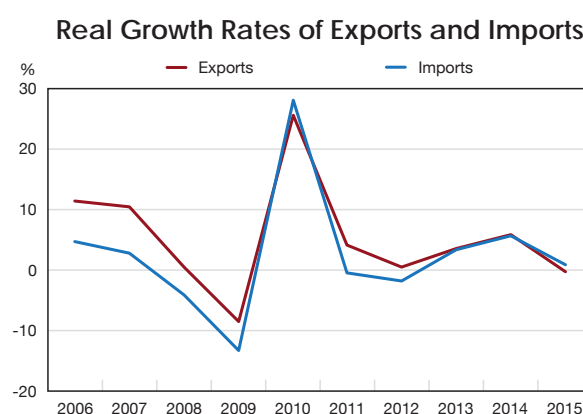
In terms of the type of capital formation, bolstered by growth in the global tourism industry, the largest growth was observed in outlays on transportation, resulting from increased procurement of airliners. Investment in transportation registered a growth of 6.23% for the year. Investment in machinery and equipment posted a moderate growth for the year at 3.24%, attributable to capacity expansion and technology upgrades conducted by semiconductor manufacturers. Investment in intellectual property was relatively stable, registering an annual growth rate of 2.84%. On the other hand, because of a decline in housing transactions, investment in the construction sector went down by 1.36%.

### (3) Exports Fell More than Imports

On account of sluggish global demand for electronics products, Mainland China's efforts to localize the supply chain, and plunging oil prices, exports of goods and services fell by 0.21% for the year, subtracting 0.15 percentage points from economic growth.

For the first quarter, growth in exports of plastics, rubber, base metals, and optical and precision instruments all retreated; however, a solid expansion in exports of electronics products and machinery led total exports to rise by 6.13%. In the second quarter, with weakening global demand for electronics products and machinery, slowing growth in net proceeds from merchanting, and a decline in the number of tourists from Mainland China, growth in exports of goods and services went down to negative 0.74%. During the last two quarters, owing to global manufacturing overcapacity, challenges arising from Mainland China's supply chain localization, and a continued plunge in commodity prices, growth in exports of goods and services dropped to negative 2.88% and 2.57%, respectively.

In 2015, imports of goods and services slightly increased by 0.87%, subtracting 0.52 percentage points from economic growth. Since the import contents of exports and capital formation stood at a high level, the growth trend of imports moved upward in the first two quarters during the year. However, the import demand derived from exports and private consumption started to fall in the third quarter, leading to a contraction in imports in the last two quarters.



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.

## Sectoral Components of GDP

On the output side, in 2015, overall production activity was relatively weak because of softening demand both at home and abroad. The services sector remained the key driver of economic growth, pitching in 0.24 percentage points to economic growth for the year, down from 1.88 percentage points in 2014. The contribution of the industrial sector to overall GDP reversed from positive 2.34 percentage points in 2014 to negative 0.32 percentage points in 2015 largely owing to a sharp drop in manufacturing output. Likewise, the contribution of agricultural production to overall GDP fell into negative territory, subtracting 0.06 percentage points from economic growth.

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Regarding the sectoral shares of GDP in nominal terms, Taiwan's economy was still dominated by the services sector with a 62.97% share in 2015. The ratio of agricultural output to GDP slightly declined to 1.80%. On the other hand, the industrial sector accounted for 35.41% of GDP, slightly higher than the share in the previous year.

### (1) Marked Decrease in Agricultural Output

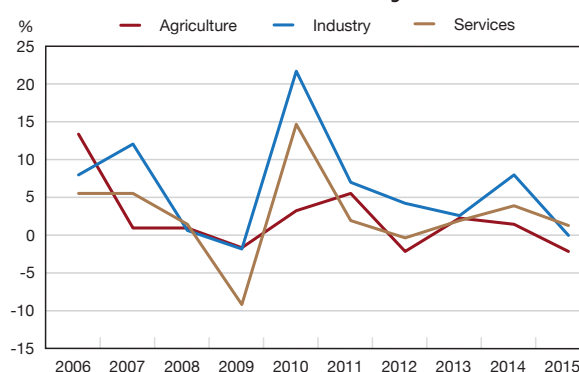
Agricultural production, covering agriculture, forestry, fishing and animal husbandry industries, contracted by 3.09% in 2015, largely attributable to a decline in rice production.

### (2) Small Contraction in the Industrial Sector

Against the backdrop of faltering export demand in 2015, all industries in the industrial sector, namely mining and quarrying, manufacturing, construction, and electricity, gas and water, experienced negative growth. Industrial output posted a contraction of 0.95% for the year as a whole, a significant deceleration compared with the previous year's growth of 6.96%.

Influenced by worse-than-expected global economic performance, growth in manufacturing output slipped to negative 0.60%, reversing from positive growth of 7.93% in the previous year. Production of the information and electronics industry contracted 1.14% during the year owing to softening global demand, weakening demand for mobile devices and the semiconductor industry's inventory overstock. Dragged down by weaker demand and price competition in the global steel market, output growth in metal and machinery decreased by 4.18% for the year. Similarly, output growth in food, textile and other industries decreased by 1.26% for the year because of sharp declines in demand for apparel, clothing accessories and wood products. In contrast, production

Real Growth Rates by Sectors



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2016.

of the chemical industry slightly rebounded by 1.16%, attributable to rising demand for inventory replenishment and a lower base effect.

In contrast to the previous year's 0.42% growth, output in the construction industry contracted by 1.03% for the year, particularly reflecting a slowdown in the real estate market. Output of mining and quarrying also dropped significantly by 6.59% for the year, owing to the decline in the production volume of marble, sand and gravel.

### (3) Slight Growth in the Services Sector

For the year, services output grew by a mere 0.39%, much slower than the growth of 2.92% registered in the previous year. Some of the services subsectors remained in positive growth, but recorded lower growth rates than in the previous year on account of weak domestic demand and a slump in exports.

## Gross Domestic Product by Type of Activity

Unit: %

	2015			2014		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Agriculture	1.80	-3.09	-0.06	1.81	0.52	0.01
Industry	35.41	-0.95	-0.32	34.55	6.96	2.34
Mining and Quarrying	0.10	-6.59	-0.01	0.10	-3.65	0.00
Manufacturing	30.34	-0.60	-0.18	29.75	7.93	2.28
Construction	2.53	-1.03	-0.03	2.56	0.42	0.01
Electricity and Gas Supply	1.86	-6.98	-0.09	1.51	1.71	0.03
Water Supply and Remediation Services	0.58	-1.55	-0.01	0.63	3.08	0.02
Services	62.79	0.39	0.24	63.64	2.92	1.88
Wholesale and Retail Trade	15.93	-1.06	-0.17	16.48	3.90	0.66
Transport and Storage	3.31	0.84	0.02	2.84	0.59	0.02
Information and Communications	2.82	2.72	0.08	2.95	2.09	0.06
Finance and Insurance	6.56	3.00	0.20	6.58	7.56	0.49
Real Estate and Ownership of Dwellings	8.13	0.71	0.06	8.26	1.93	0.16
Public Administration and Defense; Compulsory Social Security	6.43	0.62	0.04	6.69	-0.36	-0.02
Other Services	19.61	0.10	0.01	19.85	2.61	0.51
Gross Domestic Product	100.00	0.75	0.75	100.00	3.92	3.92

Note: \* Percentage point.

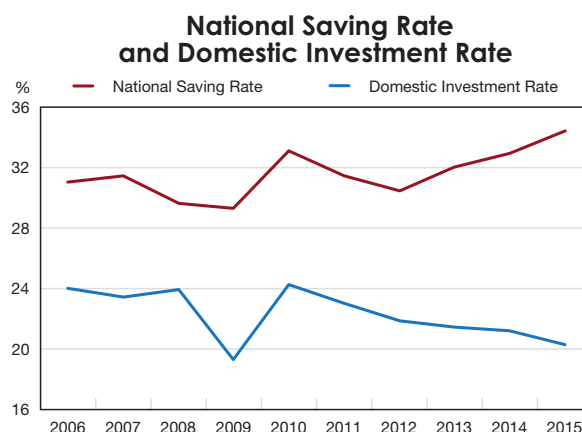
Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2016.

Resulting from increased fee income and insurance premium income, finance and insurance services registered the largest growth of 3.0% among the services subsectors for the year. Information and communications services also posted an increase of 2.72%, up from the previous year's 2.09% growth, attributable to the rising number of internet users over the year. Transport and storage services continued to grow along with the increase in the number of visitors and falling oil prices,

yet posted a slight growth of 0.84%. Real estate and ownership dwellings services grew by 0.71%, reflecting a cooldown in the housing market. On the other hand, wholesale and retail trade services decreased by 1.06% in 2015 because of a slowdown in trade-related export demand, weak domestic demand and a higher base effect.

### Rise in National Saving Rate

The national saving rate (the ratio of national saving to GNI measured at current prices) further rose from 32.95% in the previous year to 34.41% in 2015 as nominal national consumption (including both private consumption and government consumption expenditures) grew at a moderate rate of 1.12% compared to the GNI growth rate of 3.88%. The relatively slow growth in nominal national consumption was primarily due to the contraction in government spending and modest growth in private consumption. Accordingly, the excess saving ratio, defined as the excess of national saving over gross domestic investment to GNI, climbed from 11.75% in 2014 to 14.14% in 2015, reflecting a greater increase in national saving than that in domestic investment.



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.