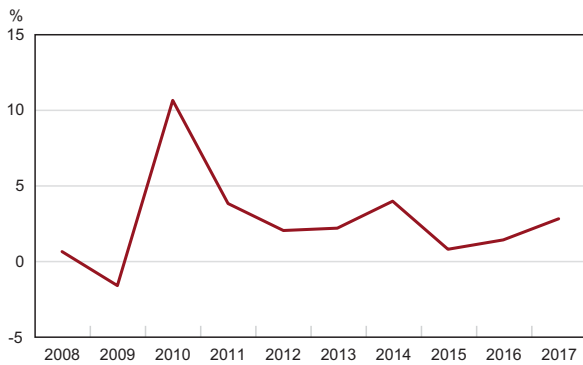


2. National Output and Income

In 2017, Taiwan's external trade gathered steam amid a robust recovery in the global economy, while domestic demand witnessed mild expansion. Private consumption rose at a steady pace, and, despite a slight contraction seen in private investment, investments by general government and public enterprises both exhibited positive growth. For the year as a whole, real GDP expanded at an annual growth rate of 2.86%, higher than the 1.41% in the previous year.

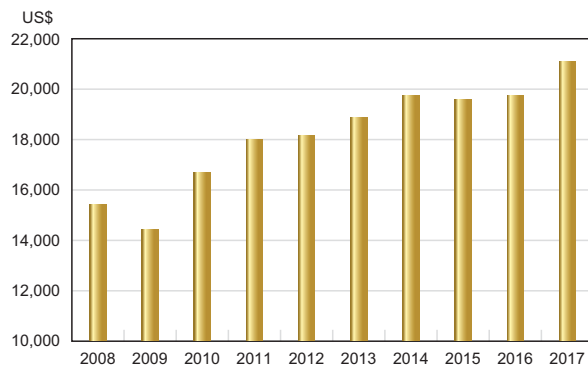
In the first quarter, with decelerated growth in private consumption, steady expansion in private investment supported by increased capital spending by the semiconductor industry, and upticks in exports and net proceeds from merchanting amid a gradually improved global business climate, real GDP recorded a solid growth rate of 2.64%. In the second quarter, declining capital outlays in the semiconductor and aviation industries and the slack in the construction industry resulted in a slowdown in private investment. Exports registered weaker growth owing to decreases in the number of inbound visitors and in net proceeds from merchanting. Therefore, real GDP growth moderated to 2.28%, the lowest level over the year. In the third quarter, dragged by a reduction in investment in the semiconductor industry and a higher base effect, private investment decreased significantly. Nevertheless, a booming domestic stock market and increased new car sales helped push up private consumption. Strong growth in exports on account of the acceleration in the global economic recovery further boosted real GDP growth to 3.18%. In the fourth quarter, because private consumption continued to grow thanks to strong stock market activity and rising wages and exports were bolstered by greater demand in the semiconductor and machinery industries, real GDP rose by 3.28%, the highest level over the year. Meanwhile, amid a solid recovery in the domestic economy, per capita GNI (gross national income) in nominal terms increased from US\$19,720 to US\$21,094.

Real Growth Rate of GDP



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2018.

Per Capita GNI



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2018.

Expenditure Components of GDP

All expenditure components of GDP except for government consumption and fixed capital formation exhibited higher growth rates than those in the previous year. Among them, exports of goods and services remained the primary source of economic growth and recorded a substantial contribution of 4.66 percentage points to GDP growth for the year. Private consumption also contributed 1.23 percentage points to GDP growth in 2017. Gross fixed capital formation made zero contribution to GDP growth, mainly caused by a downturn in machinery and equipment investment by the private sector. Meanwhile, growth in government consumption moved from positive to negative territory and hence dragged GDP growth down by 0.15 percentage points. With respect to shares of GDP, exports of goods and services still accounted for the largest share of GDP at 65.19%, followed by private consumption at 53.00% and gross fixed capital formation at 20.53% for the year.

GDP by Expenditure

Unit: %

	2017			2016		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Private Consumption	53.00	2.34	1.23	52.66	2.32	1.21
Government Consumption	14.08	-1.06	-0.15	14.38	3.72	0.52
Gross Fixed Capital Formation	20.53	0.01	0.00	20.90	2.27	0.47
Change in Inventory	-0.26	-	-0.26	-0.09	-	-0.26
Exports of Goods and Services	65.19	7.43	4.66	62.80	1.93	1.24
(Less : Imports of Goods and Services)	52.54	5.20	2.64	50.64	3.45	1.77
Expenditure-based GDP	100.00	2.86	2.86	100.00	1.41	1.41

Note: * Percentage point.

Source: *Statistical Abstract of National Income, DGBAS*, Executive Yuan, February 2018.

(1) Steady Upturn in Private Consumption

In 2017, private consumption grew by 2.34%, slightly higher than that of the previous year, and contributed 1.23 percentage points to GDP growth. Higher corporate profits, an improving employment situation, and a buoyant stock market caused disposable income and financial wealth to increase. This, combined with a growing number of citizens traveling abroad, pushed up overall consumer spending.

Influenced by weaker new car sales and negative growth in retail sales, private consumption posted slower expansion of 1.81% and 2.05% in the first and second quarters, respectively. In the third quarter, vigorous stock market activity and stronger new car sales and retail sales led private consumption to pick up by 2.62%. In the fourth quarter, private consumption further advanced by

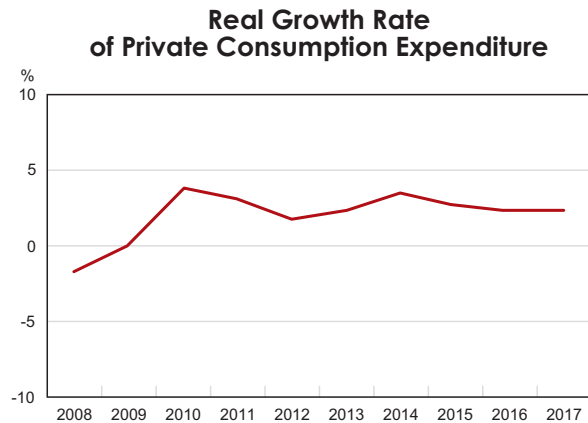
2.89%, reflecting increased employment, steady growth in wages, a significant rise in the number of citizens traveling abroad, and higher trading volumes in the stock market.

(2) Sluggish Growth in Fixed Capital Formation

In 2017, fixed capital formation displayed lackluster growth, primarily because of stagnated construction investment, affected by a downturn in the housing market, and negative growth in machinery and equipment investment in the second half of the year resulting from a higher base effect. Therefore, fixed capital formation grew by a mere 0.01% year on year and made nearly nil contribution to real GDP growth. In the first quarter, despite a decline in construction investment, the semiconductor industry continued to expand capacity in advanced manufacturing and airline companies increased investment in aircraft purchases, driving fixed capital formation to rise by 4.82%, the highest level over the year. In the second quarter, as the aviation industry reduced capital outlays and construction investment contracted further, fixed capital formation growth slowed to an annual rate of 0.80%. Subsequently, growth in machinery and equipment investment turned negative because of a higher base effect, leading fixed capital formation to shrink by 2.73% and 2.18% in the last two quarters, respectively.

Regarding expenditure by type of purchaser, in spite of falling construction investment, investment by the private sector rose by 3.89% in the first quarter on account of an uptick in machinery and equipment investment. In the second quarter, with deceleration in transportation and construction investment, growth in private investment declined to 0.26%. In the second half of the year, investment by the private sector dropped by 4.35% and 3.01% in the last two quarters, mainly reflecting a higher base effect. For the year as a whole, growth in private investment went down to negative 0.89%, lower than the 2.77% registered in 2016. On the other hand, investment by public enterprises displayed an annual growth rate of 0.62% because strong growth in construction investment partly offset a decline in transportation investment. Investment by general government registered positive growth for the second consecutive year with a year-on-year increase of 5.22% on the back of the government's active implementation of various industrial development programs as well as a lower base effect.

In terms of the type of capital formation, the stagnant housing market dragged growth in construction investment down to negative 0.11% for 2017. Meanwhile, though experiencing negative growth in the second quarter, transportation investment recorded a marked increase of 18.61% for



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2018.

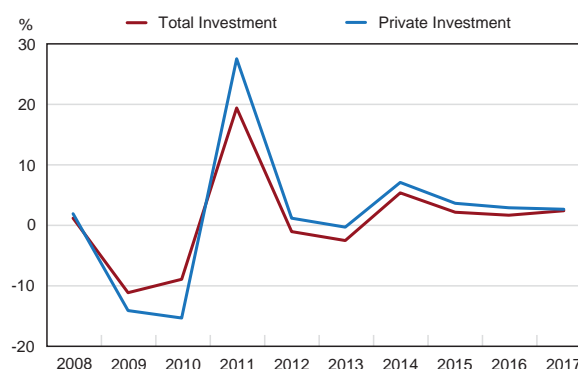
the second half of the year, and 7.19% for the entire year, mainly attributable to a pickup in capital spending by airline companies on aircraft purchases and the replacement of buses and trucks for commercial purposes. With regard to machinery and equipment investment, despite exhibiting significant growth in the first half of the year, it posted a negative growth rate of 11.84% in the second half of the year, and negative 3.24% for the entire year, primarily influenced by a reduction in capital outlays by major semiconductor manufacturers. Investment in intellectual property was relatively stable, registering an annual growth rate of 3.07% in 2017.

(3) Moderate Expansion in Exports and Imports

Amid a gradual recovery in the global economy, external trade saw vigorous growth, mainly bolstered by stronger foreign demand and an increase in net proceeds from merchanting. Exports of goods and services posted an annual growth rate of 7.43%, much higher than the 1.93% of the previous year, and contributed 4.66 percentage points to real GDP growth.

In the first quarter, on the back of mounting demand for electronic parts and components and rising prices of international raw materials, exports of goods and services grew substantially by 7.34%. In the second quarter, notwithstanding a continuous upturn in exports of goods, decreases in the number of inbound visitors and in net proceeds from merchanting led growth in exports of goods and services to reduce to 5.08%, the lowest level over the year. In the third quarter, boosted by a strengthening global economy, exports of electronic parts and components advanced further by 9.32%, and exports of most other products also registered positive growth. In addition, upticks in net proceeds from merchanting and in the number of tourists from abroad drove growth in exports of goods and services to a yearly high of 11.28%. In the fourth quarter, exports of machinery went up by 13.96%, while exports of electronic parts and components, rubber and plastic products, and base metals also displayed robust growth, driving exports of goods and services to rise at an annual rate of 6.00%.

Real Growth Rate of Fixed Investment



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2018.

Real Growth Rates of Exports and Imports



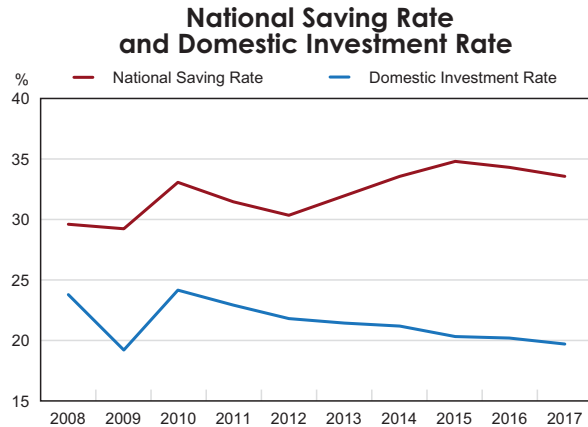
Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2018.

Driven by solid expansion in exports, import demand also increased in 2017. With higher prices of international raw materials and strong export-derived demand, imports of goods and services advanced by 5.2% for the entire year, subtracting 2.64 percentage points from economic growth.

Modest Downtrend in National Saving Rate

As the gradual recovery in the domestic economy underpinned by a pickup in external demand boosted private consumption, national consumption (including both private consumption and government consumption expenditures) went

up by a modest 1.78% in nominal terms for the year, higher than the GNI growth rate of 1.09%. As a consequence, the national saving rate (the ratio of national saving to GNI measured at current prices) slightly fell from 34.31% in 2016 to 33.68% in 2017. The excess saving ratio, defined as the excess of national saving over gross domestic investment to GNI, slid from 14.12% in 2016 to 13.90% in 2017, reflecting a greater decrease in national saving than that in domestic investment.



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2018.