

I. Developments in the Real Economy

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1. National Output and Income
 2. Balance of Payments
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 5. Employment and Earnings

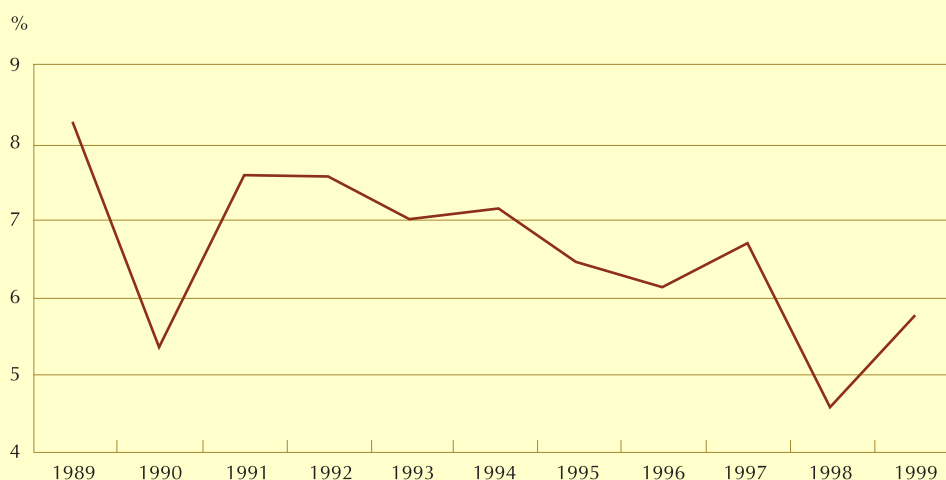
I. Developments in the Real Economy

1. National Output and Income

Overview

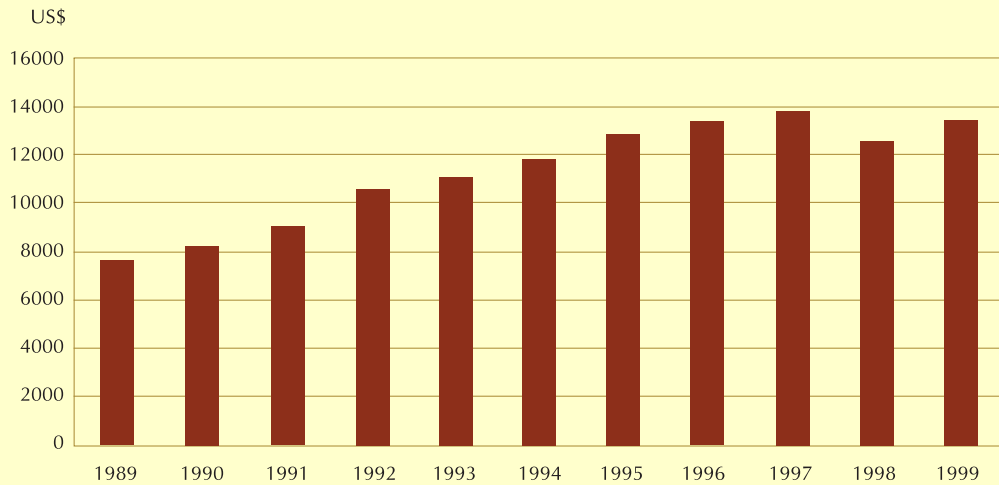
As a result of substantial growth in exports and public investment programs, the Taiwan economy posted upward overall growth for the year 1999. Although the devastating earthquake in late September temporarily disturbed production activities, the economy with the help from various government rehabilitation measures soon regained its momentum. The preliminary estimate of real Gross Domestic Product (GDP) growth rate for 1999 was 5.67 percent, better than the set target of 5.5 percent. The main driving forces behind the economic growth for 1999 were private consumption and export growth.

Economic Growth Rate



Per capita GNP recorded US\$13,248 in 1999, representing a moderate increase when compared with the reading of US\$12,333 in the previous year. The increase was partly due to the appreciation of the NT dollar against the US dollar.

Per Capita GNP



Expenditures on Gross Domestic Product

Item	1999			1998		
	Share (%)	Real Growth Rate (%)	Contribution to Real Growth Rate of GDP*	Share (%)	Real Growth Rate (%)	Contribution to Real Growth Rate of GDP*
1. Private Consumption	60.81	5.72	3.46	59.67	6.52	3.88
2. Government Consumption	13.12	-6.28	-0.89	14.32	4.12	0.58
3. Gross Fixed Capital Formation	22.91	2.24	0.54	23.54	8.01	1.87
4. Increase in Stocks	1.35	—	0.10	1.37	—	0.05
5. Exports	47.23	9.59	4.55	47.81	2.41	1.17
6. Less : Imports	45.42	4.38	2.09	46.71	6.34	2.98
Expenditure on GDP	100.00	5.67	5.67	100.00	4.57	4.57

Note : * Percentage point.

Source : Statistical Abstract of National Income, Taiwan Area, the Republic of China (1951-2000), DGBAS, Executive Yuan

Expenditure Components of GDP

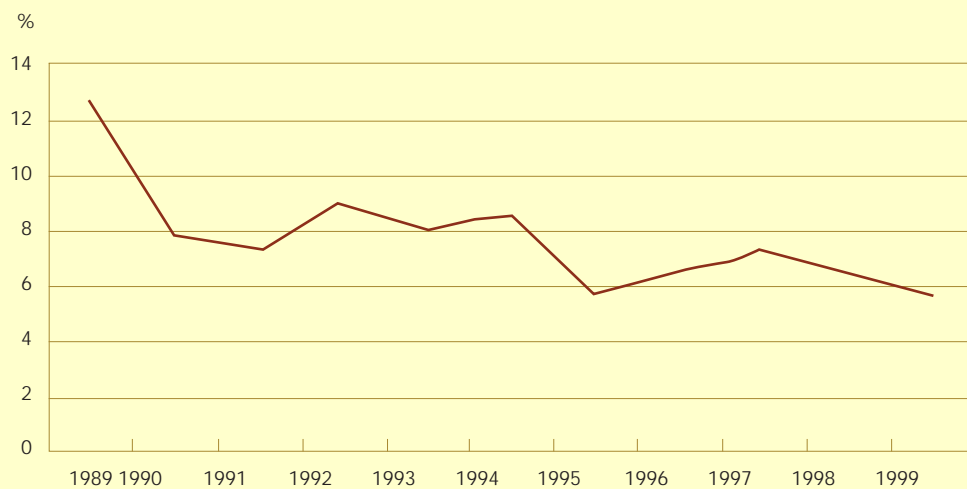
Real private consumption and net exports, which respectively accounted for 3.46 and 2.46 percentage points of real GDP growth, contributed the most to the 5.67 percent gain in real GDP in 1999.

(1) Moderate Growth of Private Consumption expenditures

Private consumption expenditures, which accounted for 60.81 percent of GDP, grew at a rate of 5.72 percent in 1999, slightly lower than the rate of 6.52 percent recorded in the previous year. As far as the consumption categories are concerned, food consumption expenditures rose by 6 percent while non-food consumption expenditures recorded a growth rate of 5.63

percent. Among the components of non-food consumption expenditures, the category listed as "other goods and services" grew by negative 5.88 percent, a significant decline when compared with the 9.18 percent growth recorded in 1998. The marked decline can be attributed to the higher comparison base of non-profit-making private institutions' consumption expenditures in the previous year due to the increased expenditure on several elections, and the negative impact which resulted from the shrinkage in private wealth after the September 21 earthquake.

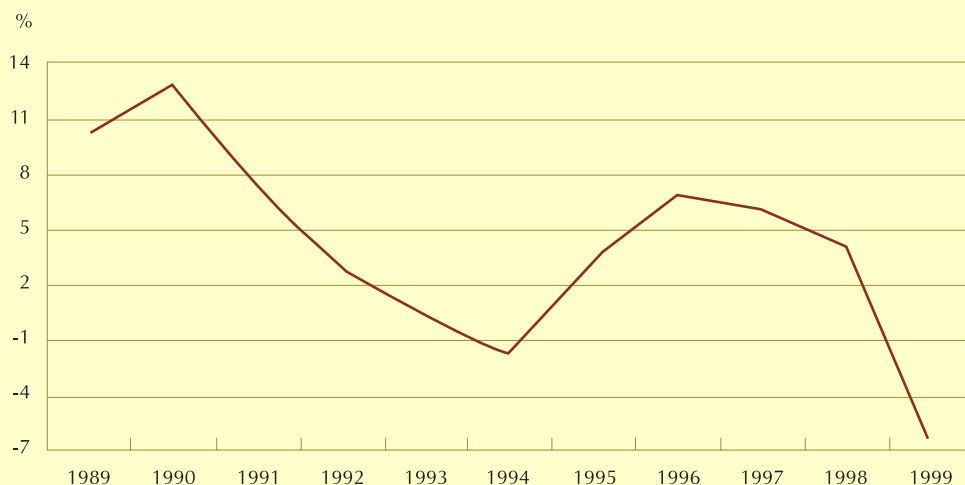
Real Growth Rate of Private Consumption Expenditures



(2) Negative Growth of Government Consumption expenditures

The growth rate in government consumption expenditures sharply dropped from positive 4.12 percent recorded in the previous year to the negative 6.28 percent in 1999. Government consumption expenditures made a negative contribution of 0.89 of a percentage point to this year's economic growth. The dramatic change was mainly due to falling military procurement.

Real Growth Rate of Government Consumption Expenditures

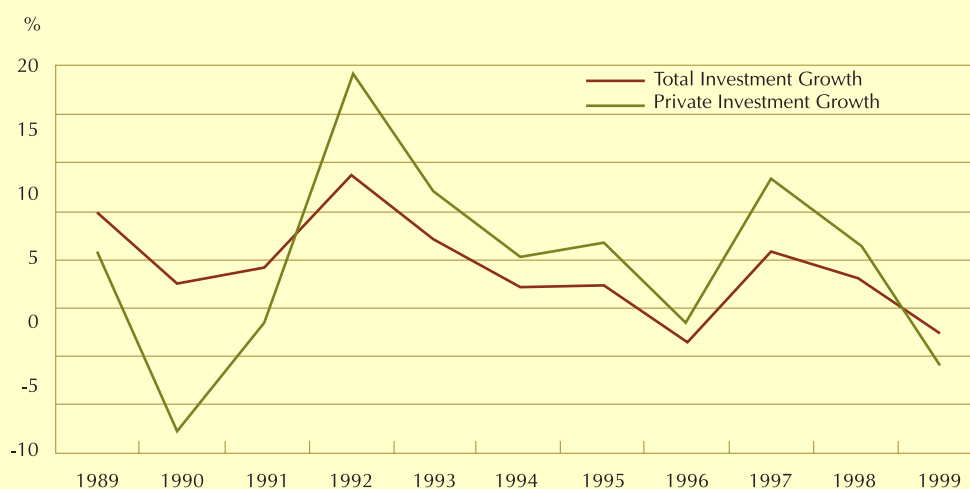


(3) Slower Growth of Fixed Capital Formation

Real fixed capital formation grew by only 2.24 percent, a sharp decline when compared with the 8.01 percent achieved in the previous year, resulting in a contribution of only 0.54 of a percentage point to overall economic growth.

Fixed capital formation in 1999 was mainly sustained by public investment. Of which, government investment increased by 5.6 percent, an above-average figure in recent years, due to the implementation of policies geared to expand domestic demand and heavy infrastructure projects launched after the September 21 earthquake. Furthermore, investment carried

Real Growth Rate of Investment

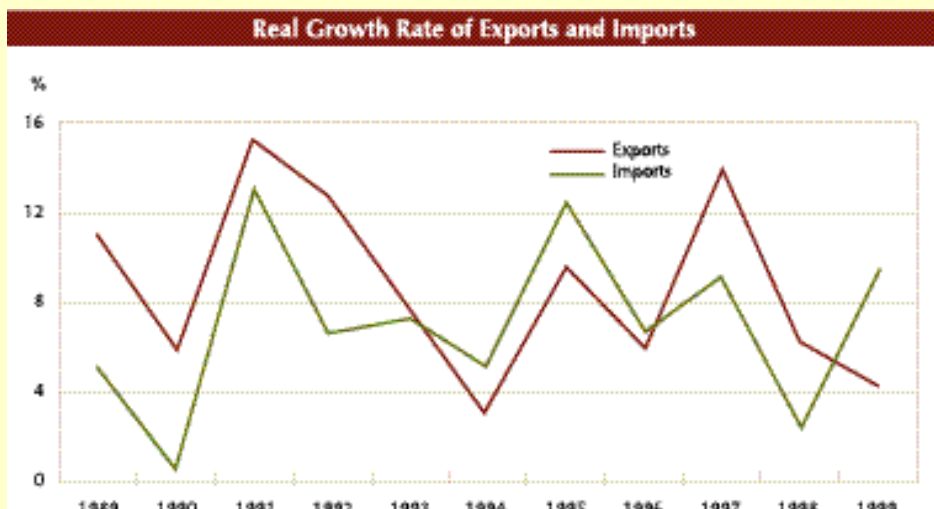


out by public enterprises grew by a robust 12.79 percent in response to the government's demand-stimulus packages. However, private investment for the whole year still experienced a negative growth of 0.6 percent because the financial difficulties faced by some firms in late 1998 still exerted some adverse persistent influences. The lackluster real estate market was far less favorable for the construction sector, as reflected in the weak private investment figure.

In terms of the different types of capital goods, investment in transportation equipment sharply declined by 23.11 percent in real terms as a result of falling large-sized aircraft procurement. Investment in the construction sector posted a 3.81 percent decline since the real estate market had not shown clear signs of recovery. Investment in machinery has begun to grow since the fourth quarter of 1999, as a result of the massive capacity-expanding projects launched by thin film transistor-liquid crystal display (TFT-LCD) and foundry wafer manufacturing firms, and therefore registered a growth rate of 12.51 percent for the year.

(4) Accelerating Growth of Exports

Exports of goods and services in real terms experienced rapid growth during 1999, the 9.59 percent increase being a much higher rate than the previous year's 2.41 percent. Value of exports in US dollar terms grew by 10 percent, reflecting the recovery in the world economy and the thriving developments in the information and electronic industry.



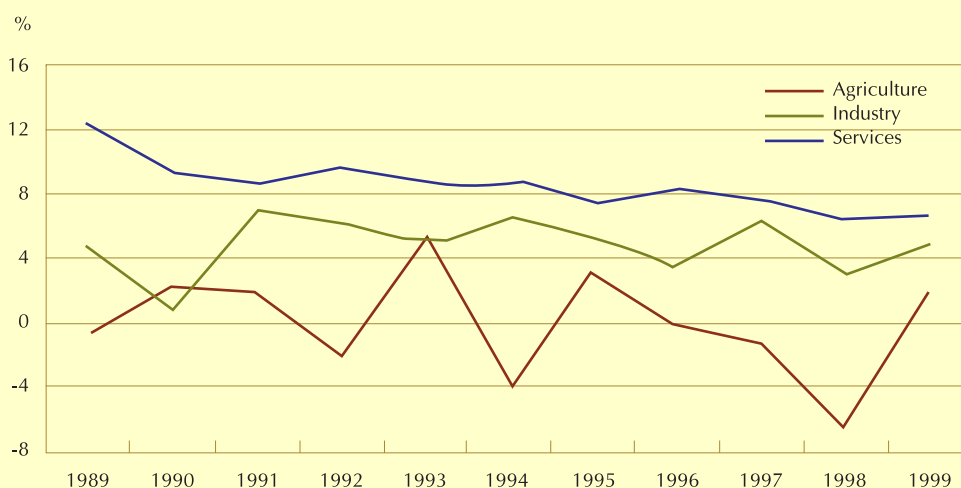
(5) Mild Growth of Imports

Imports of goods and services grew by 4.38 percent in 1999, lower than the figure of 6.34 percent achieved in the previous year. Strong export growth resulted in increased induced demand for imported capital equipment. In addition, the improved economic climate also fueled private sector demand and helped imports to grow continuously.

GDP by Kind of Activity

Economic growth in 1999 was again primarily driven by an expansion in the services sector while its output to GDP ratio exceeded 60 percent for the fifth consecutive year. This indicates that the Taiwan economy is highly dependent on the performance of its services sector. The services sector made the most important contribution of 3.98 percentage points in the overall 5.67 percent GDP growth in 1999. Industrial output accounted for 33.09 percent of GDP, extending its continuous downward trend. Its contribution to real GDP growth was 1.63 percentage points, as manufacturing production was boosted by the pick-up of economic activities abroad. The contribution of agricultural output was 0.06 of a percentage point, reversing a 1998 decline of 0.19 of a percentage point.

Real Growth Rate of Output by Sector



(1) Positive Growth of Agricultural Output

Thanks to good weather conditions, the agricultural sector experienced a rebound in the first half of the year. But it soon encountered severe conditions

due to heavy rain and the devastating earthquake that happened in the third quarter. For the year as a whole, agricultural output grew at an annual rate of 1.78 percent reversing its decline of 6.59 percent in the previous year.

(2) Faster Rebound in the Industrial Output

Industrial output grew by 4.67 percent in 1999, a faster pace than the rate of 2.74 percent posted in the previous year. However, the growth was almost entirely supported by the strong performance of the manufacturing sector while other industrial sectors, such as mining and quarrying, construction, electricity, gas and water, etc., all encountered declines when compared with the previous year.

In terms of the four main categories within the manufacturing sector, the industry of food, textile posted a negative growth in 1999, reflecting the ongoing adjustment in the industrial structure and the increased outward relocation of production lines.

Gross Domestic Product by Kind of Activity

Item	1999			1998		
	Share (%)	Real Growth Rate (%)	Contribution to Real Growth Rate of GDP*	Share (%)	Real Growth Rate (%)	Contribution to Real Growth Rate of GDP*
1. Agriculture	2.60	1.78	0.06	2.47	-6.59	-0.19
2. Industry	33.09	4.67	1.63	34.56	2.74	0.97
Manufacturing	26.44	6.39		27.39	3.35	
Construction	3.92	-4.14		4.35	-2.06	
Electricity, Gas & Water	2.23	2.64		2.30	6.07	
3. Services	64.31	6.39	3.98	62.97	6.16	3.79
Trade & Eating-Drinking Places	18.36	5.71		17.77	6.97	
Transport, Storage & Communications	6.81	17.47		6.58	9.48	
Government Services	10.12	3.10		10.02	2.53	
Finance, Insurance & Business Services	23.13	4.83		22.74	4.56	
Gross Domestic Product	100.00	5.67	5.67	100.00	4.57	4.57

Note : * Percentage point.

Source : *Statistical Abstract of National Income, Taiwan Area, the Republic of China (1951-2000)*, DGBAS, Executive Yuan.

Among the three capital and technology-intensive industries, the information and electronic industry posted the strongest growth rate of 19.6 percent. The chemical and the metal and machinery industries grew by 6.25 percent and 2.14 percent, respectively.

(3) Mild Growth in the Services Sector

Services output grew by 6.39 percent in real terms, slightly higher than the 6.16 percent posted in 1998. The improved performance mainly attributed to the surge of output in the transport, storage and communications sector with the growth rate jumping to 17.47 percent in 1999 from the 9.48 percent recorded in the previous year. The finance, insurance and business services sector also experienced an upturn as a result of the stock market's bullish development, reaching a growth rate of 4.83 percent.

National Saving Rate

The national saving rate rose slightly from 26.08 percent in the previous year to 26.19 percent in 1999. Broken down by the components of national savings, the household saving rate increased to 13.73 percent. The private enterprise saving rate rose to 3.27 percent, reflecting the privatization of some public financial institutions and the increase in corporate profits led by domestic economic recovery. The public enterprise saving rate decreased slightly to 0.72 percent. The government saving rate declined to 0.29 percent, due to the shrinkage in government revenue caused by falling tax revenues and the expanded government transfer expenditures after the September 21 earthquake.

In 1999, excess saving (national saving less gross domestic investment) accounted for 2.1 percent of GNP, higher than the 1.3 percent recorded in the previous year.

National Saving Rate and Domestic Investment Rate

