

**GDP: Preliminary Estimate for 2020Q3,
and Outlook for 2020-21**

November 27, 2020 According to the preliminary estimate, Taiwan's real gross domestic product (GDP) grew by 3.92% in 2020Q3, compared to the same period of the previous year (yoy). Besides, the real GDP is predicted to grow 2.54% and 3.83% in 2020 and 2021, respectively.

Preliminary Estimate of Real GDP in 2020Q3

The real GDP increased by 16.59% on a quarter-on-quarter, seasonally-adjusted annualized basis (saar) in 2020Q3, and grew by 3.92% on a year-on-year basis (yoy), 0.59 percentage point higher than the advanced estimate.

Meanwhile, the economic growth rates of 2020Q1 and Q2 have been revised to 2.51% and 0.35% (formerly 2.20% and -0.58%).

On the demand side, real private consumption contracted by 1.48%(yoy) in 2020Q3, better than the 5.21% decline in the previous quarter, mainly reflecting the slump of residents consumption expenditure abroad caused by the border control measures relating to COVID-19, which was partly offset by the restoration of retail sales and food services due to government stimulus packages and booming domestic spending instead of abroad.

Real gross capital formation expanded by 0.77%(yoy), primarily owing to the growth of the investment in construction as well as transport equipment.

In addition, real exports of goods and services grew by 3.64%(yoy), mainly driven by the strong foreign demand for parts of electronic product, as well as information, communication and audio-video products. Meanwhile, imports of goods and services decreased by 3.27%(yoy).

On the production side, the manufacturing sector grew by 5.61%(yoy) in 2020Q3, following the 3.73% increase in the previous quarter, mainly due to the output expansion of semiconductor and computers, electronic & optical products.

The wholesale & retail trade sector and the financial & insurance sector increased by 6.29% and 5.72%(both yoy) respectively, after the expansion of 0.73% and 3.26% growth in the previous quarter.

The transportation & storage sector and the accommodation & food service sector decreased by 19.04% and 0.35%(both yoy) respectively, following the 24.45% and 16.41% decline in the previous quarter.

Forecast for 2020

Taiwan's manufacturing activities are less affected by COVID-19 pandemic. Moreover, the capacity expansion of dominant semiconductor manufacturing industry and reshoring oversea companies respond to stay-at-home demand caused by

pandemic and the emerging demand for new technological applications, such as 5G and high performance computing (HPC), support Taiwan's export growth. However, offset by weakened global demand, slumping raw material prices and reducing tourists, it is projected that real exports of goods and services will grow by 1.08%. In the domestic sector, the real private consumption is expected to contract 2.52%, mainly owing to the impact of COVID-19 on the residents' travel expenditure abroad due to the border controls, while partly offset by emerging e-commerce and stay-at-home demand. The government's relief and stimulus measures also help to encourage consumption sentiment and bolster the domestic economy. In the meantime, real private fixed capital formation is forecast to grow by 1.47%, supported by the continuing investment of semiconductor industry and 5G network construction.

Combining the components above as well as the public sector, Taiwan's real GDP is projected to grow by 2.54% in 2020, revised upward by 0.98 percentage point from the previous forecast.

Consumer price Index (CPI) will decrease 0.26%, revised downward by 0.07 percentage point, mainly reflecting the converging decline in oil and raw material prices.

Outlook for 2021

World trade volume is expected to grow by 8.3% in 2021, significantly higher than -10.4% in 2020, according to International Monetary Fund (IMF). Moreover, rising domestic production capacity, spurred by the continuing investment of dominant semiconductor manufacturing and reshoring companies, will support Taiwan's export and investment growth. In aggregate with services exports, real exports of goods and services will grow by 3.38% in 2021.

Regarding domestic demands, real private consumption will grow by 4.04%, supported by the steady growth of the domestic economy, as well as the effect of a low base. Real private fixed capital formation will grow by 3.68%, in addition to the continuing investment of semiconductor industry and the reshoring Taiwan's overseas companies, is also driven by the offshore wind energy, reconstruction of unsafe and old buildings, and urban renewal.

Combining the above components as well as the public sector, Taiwan's real GDP is projected to grow by 3.83% in 2021. CPI will increase 1.16%.

Revision for the 2018 and 2019 National Accounts

Base on the newly available source data, DGBAS released the annual revision of the 2018 and 2019 national accounts. The yearly GDP growth rates have been revised to 2.79% (original 2.75%) for 2018 and 2.96% (2.71%) for 2019.

For further information:

Statistics Database:

<http://statdb.dgbas.gov.tw/pxweb/dialog/statfile1L.asp>

DGBAS news releases on the Internet:

<https://eng.stat.gov.tw/>

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Next release – Jan. 29, 2021 for:

Gross Domestic Products of 2020Q4 (Advance Estimate)