



寶華綜合經濟研究院
Polaris Research Institute

The Effects of the 2008 Economic Crisis on Taiwan and its Major Policy Measures

**For the International Conference on
The Impact and Lessons from the Global Economic Crisis**

President Kuo-Yuan Liang

Date: May 16, 2009 (9:30-10:30)

Venue: Chung-Hua Institute for Economic Research



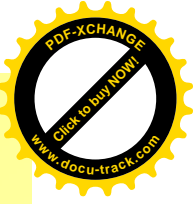
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Outline

- | **Effects of the 2008 Economic Crisis on Taiwan**
 - | **Financial Turmoil Protracting and Aggravating Recession**
- | **Policy Measures in tackling the Crisis and making Taiwan more competitive**





Effects of the 2008 Economic Crisis on Taiwan

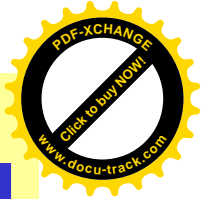
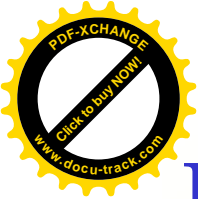
I Financial Turmoil Protracting and Aggravating Recession



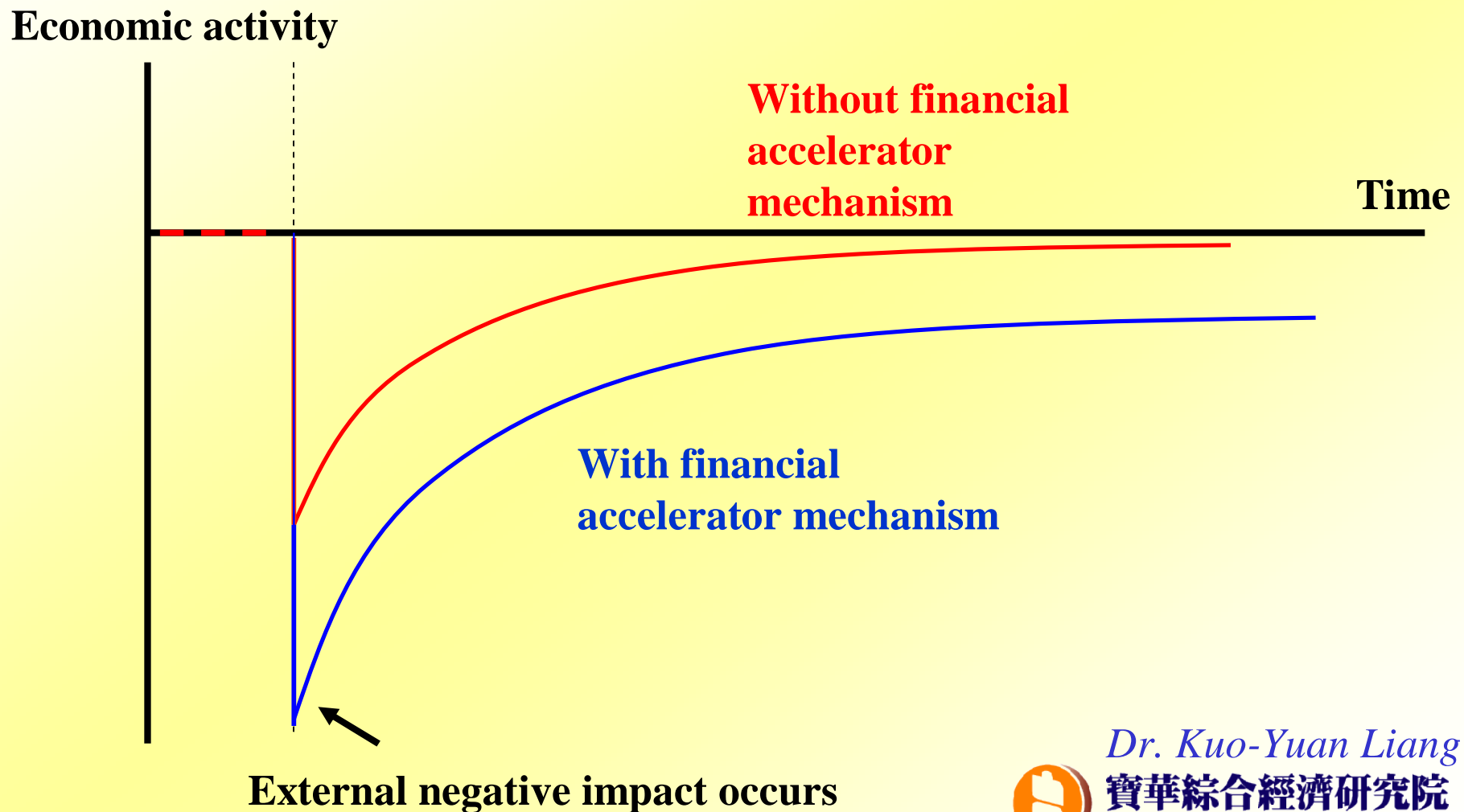
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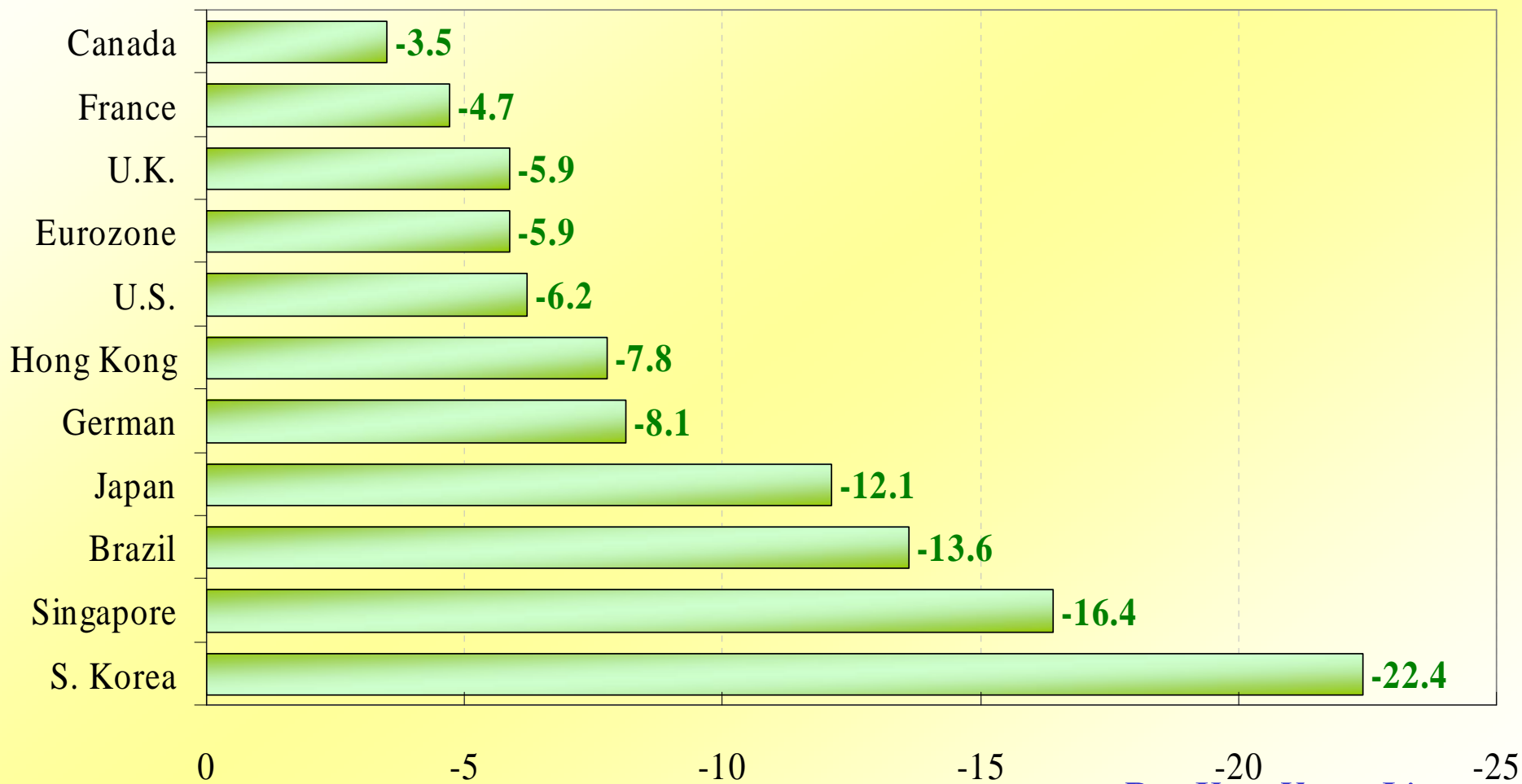
Financial accelerator effect causes deeper and protracted recession...





Most recent and complete quarterly data shows the recession is spreading globally...

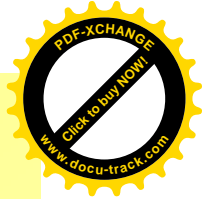
Annualized quarterly % change in real GDP, Q4 2008



Source: Bloomberg

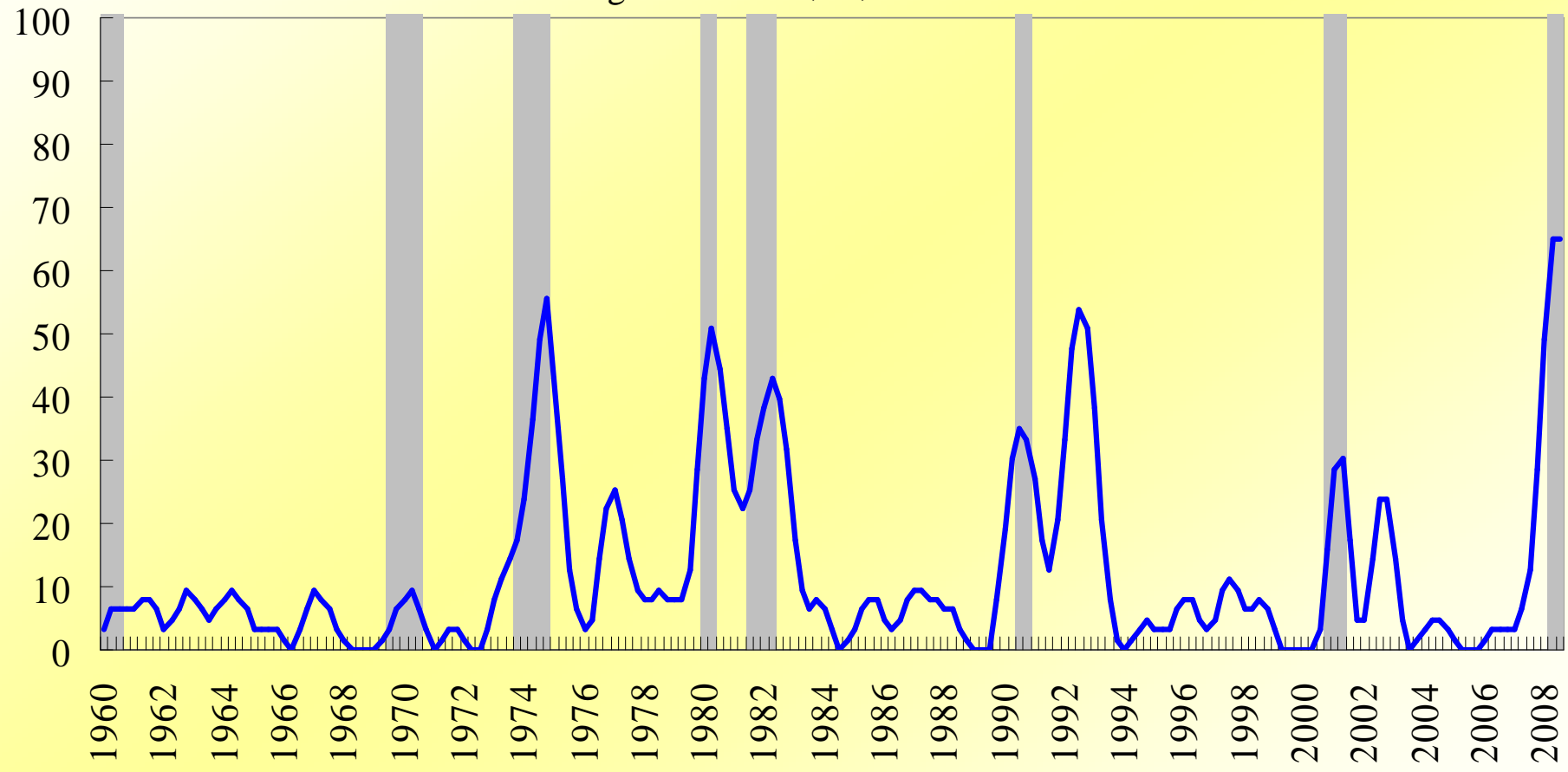


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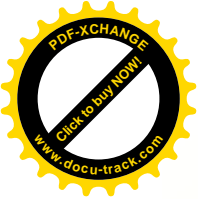


The financial crisis set the globe into the worst recession since the Great Depression...

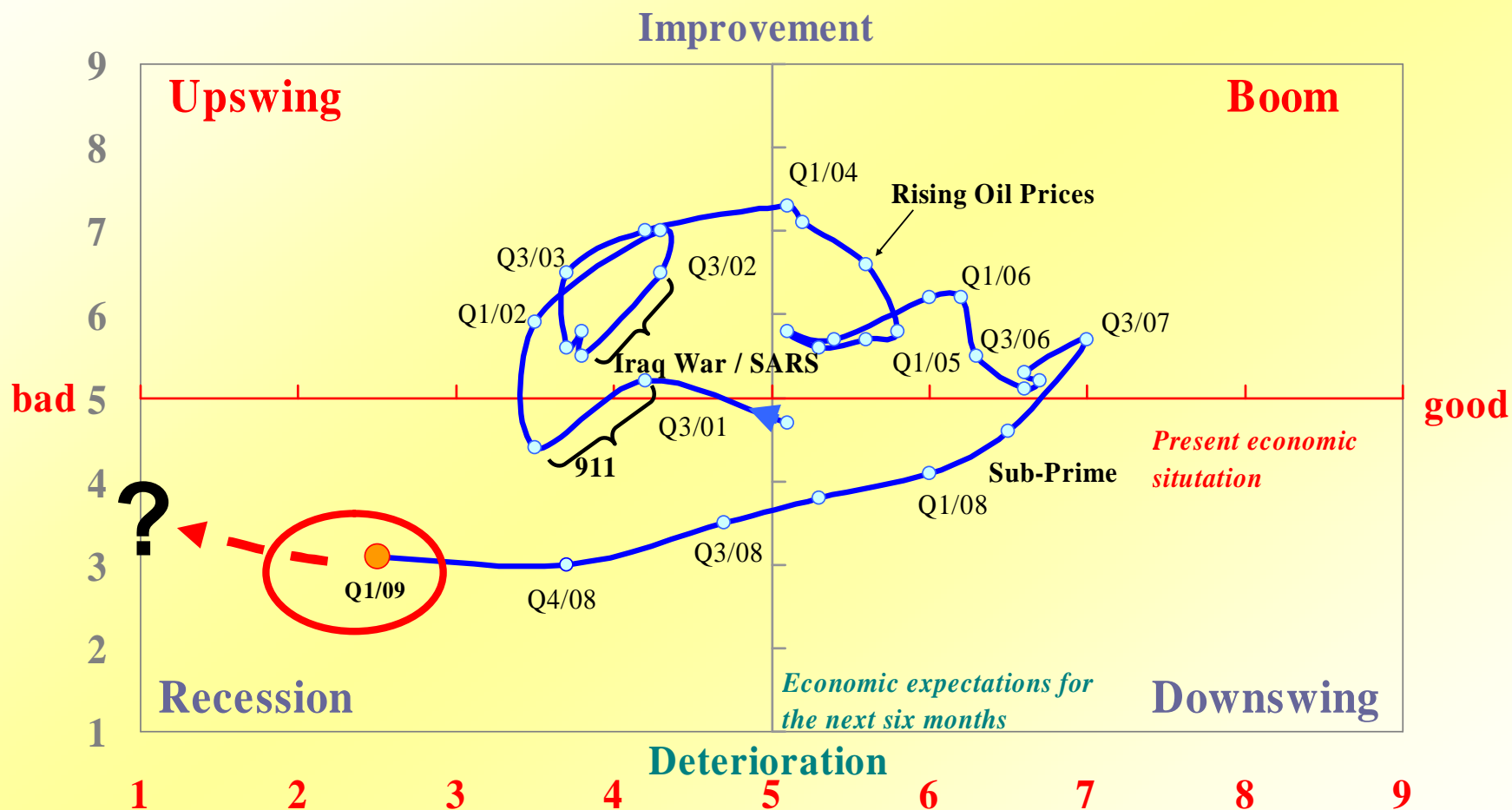
Ratio of nations in recessions among all nations (%)



Source: IMF

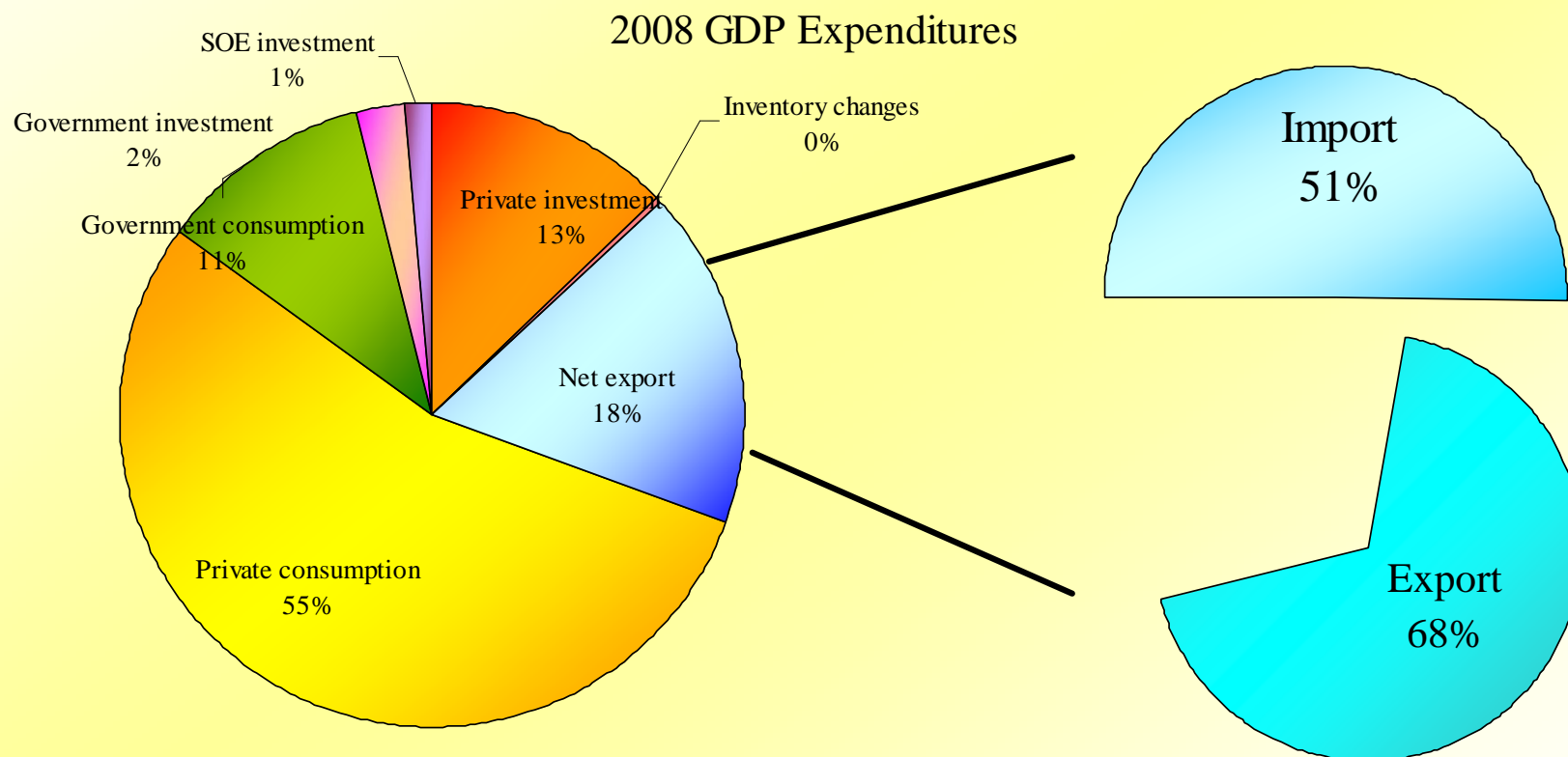


Ifo world economic climate map shows current global economy gloomy and unlikely to improve notably in the next 6 months...



Source: Ifo (2/09)

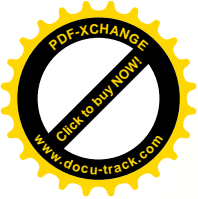
Trade expansion has helped Taiwan prosper but it has also placed the economy in a vulnerable position against drastic external shocks...



Unit: GDP share of each component

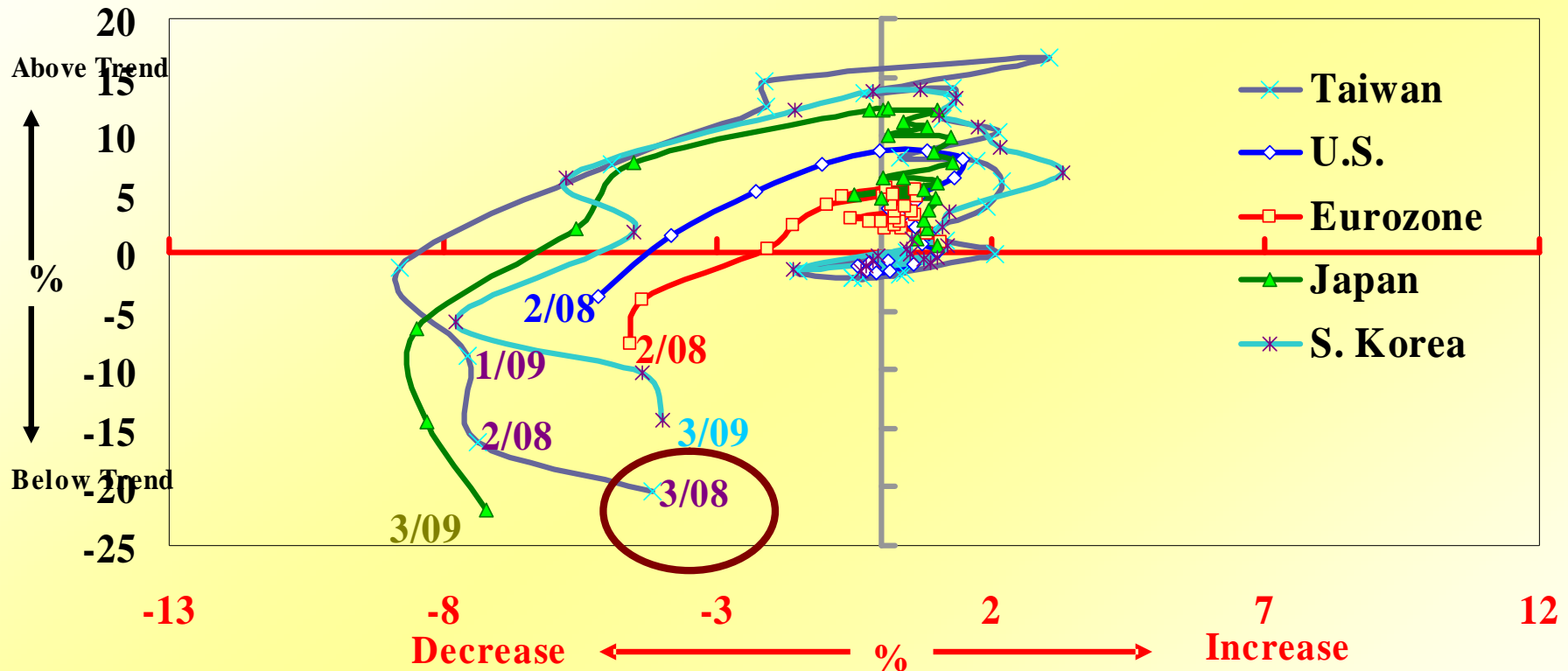
Source: DGBAS





Export activities declining globally, Taiwan, Japan, and S. Korea have been seriously affected...

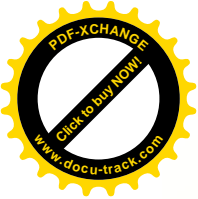
Export



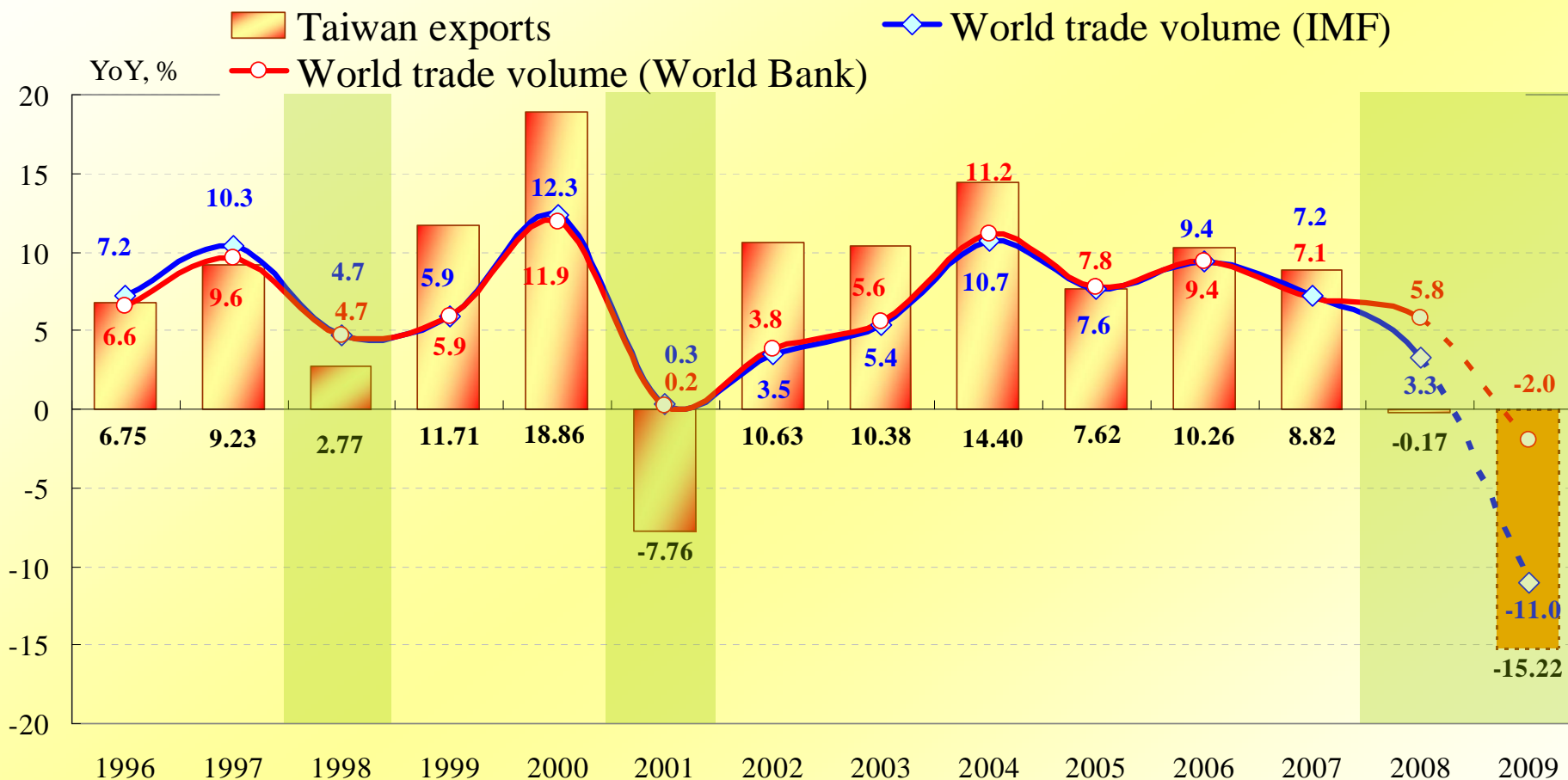
Note : Above (Below) Trend indicates export value higher (lower) than LR potential export value,
Increase (Decrease) represents current period real GDP is more (less) than previous period

Source: calculated by the PRI according to Eurostat's method





Uncommonly shrinking global trade volume unfavorable for Taiwan export growth...



Note : 08' & 09' world trade volume are forecasts from IMF (4/09),

World Bank (12/08), 09' Taiwan exports are PRI forecasts

Source: IMF, World Bank, DGBAS, PRI

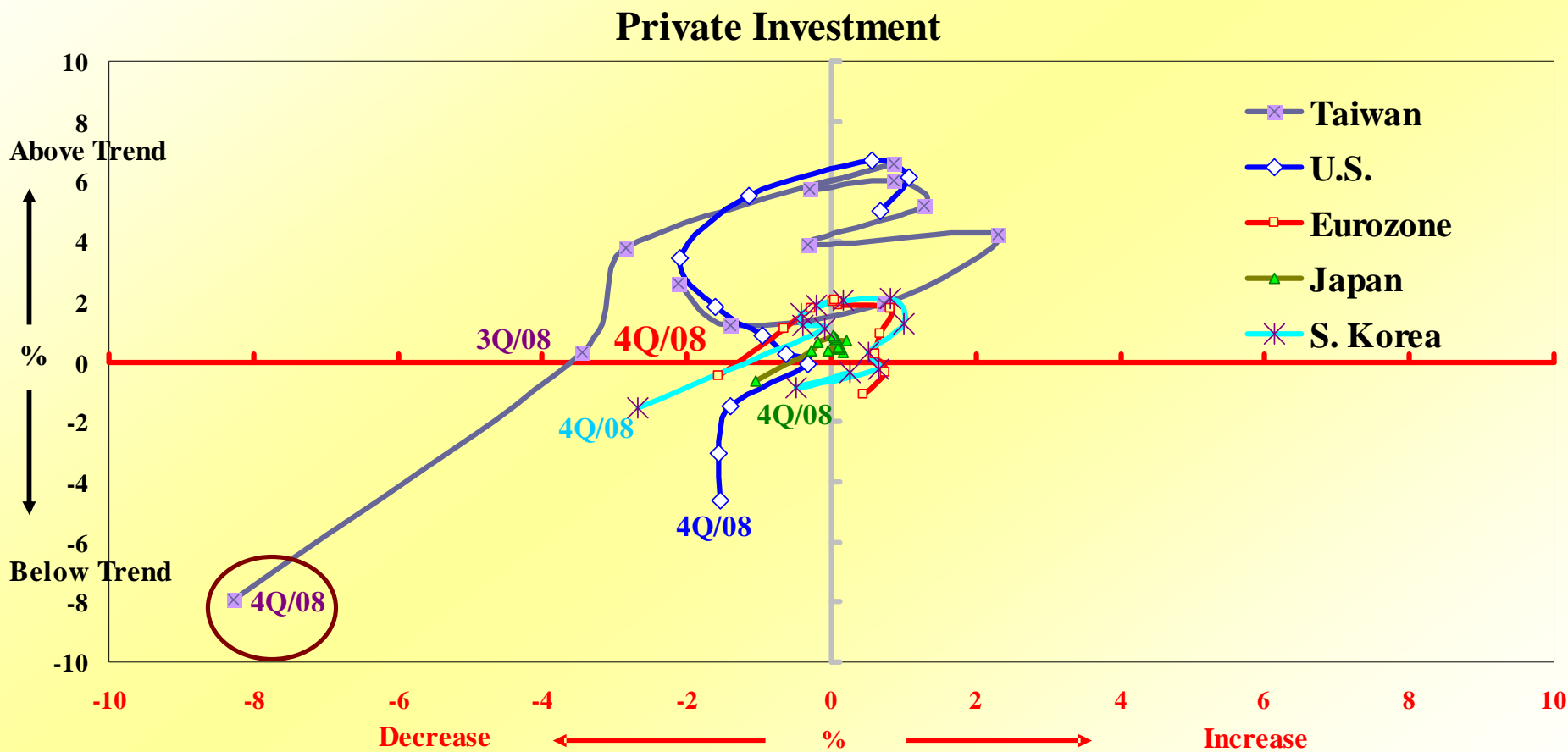
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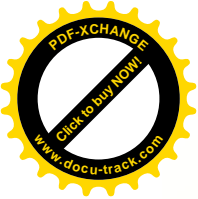
Investment confidence undermining globally, Taiwan has been most affected...



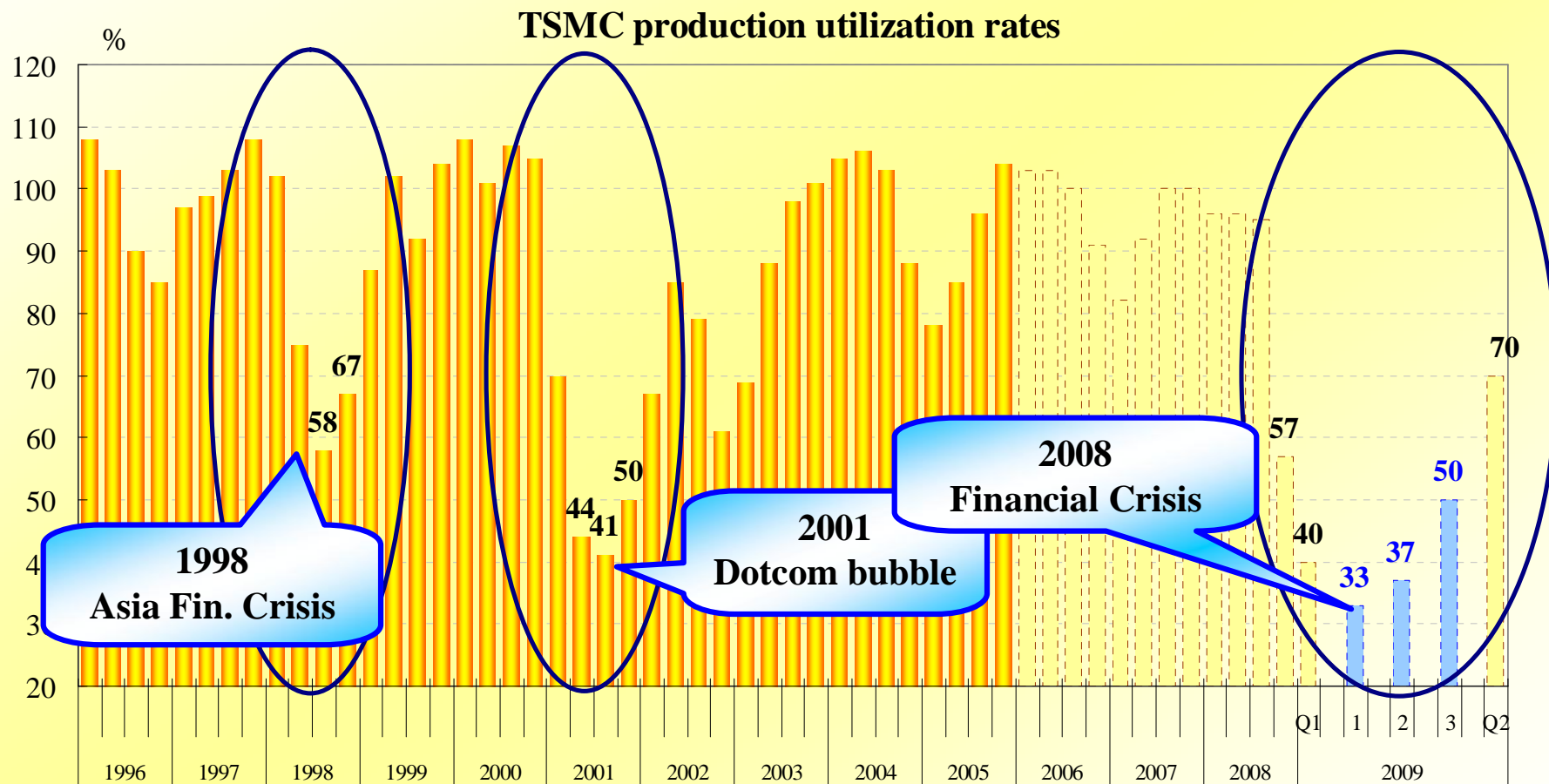
Source: calculated by the PRI according to concept from Eurostat



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...Rush order rises capacity utilization rate, but is still low amid sluggish economy...



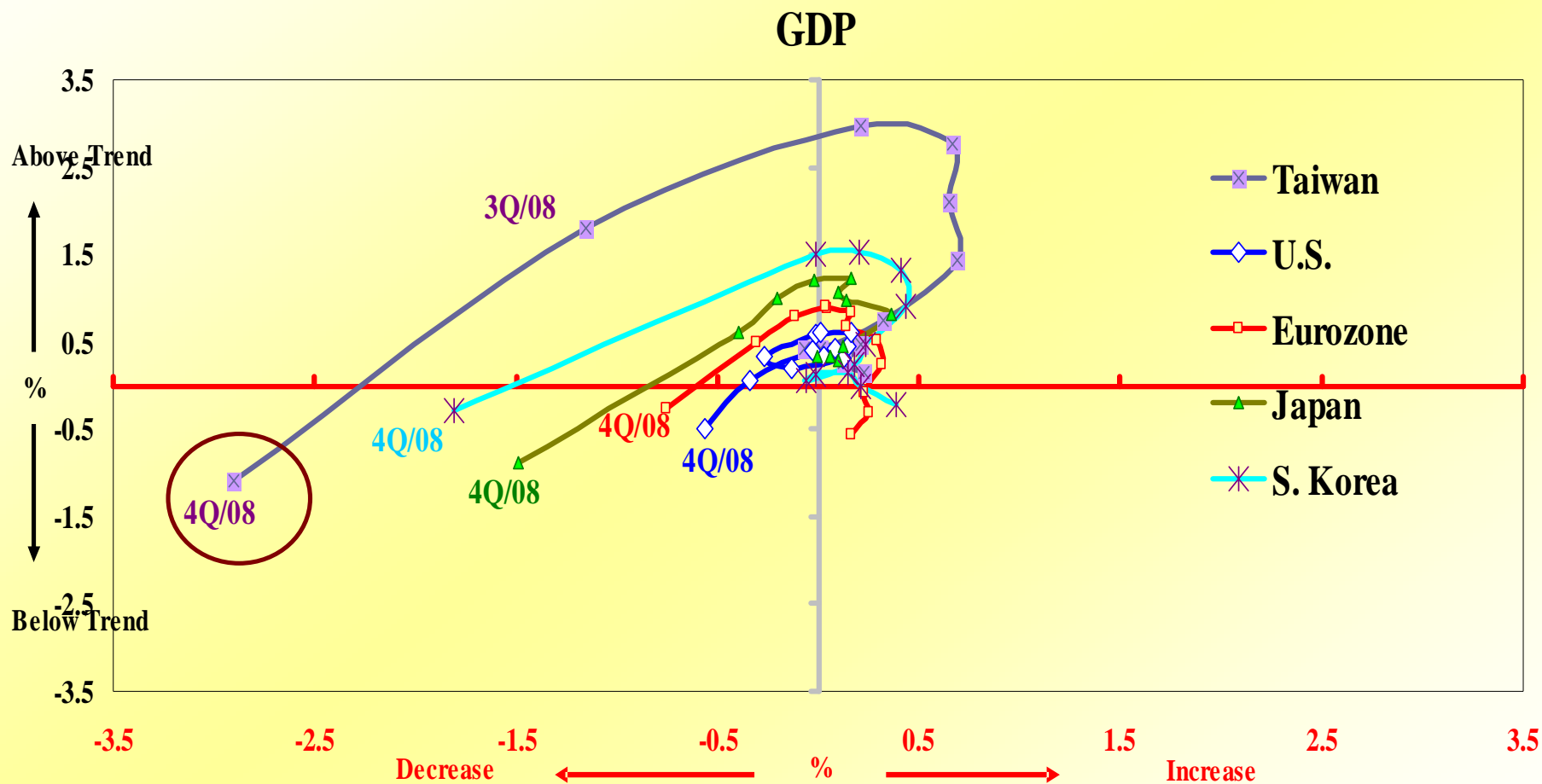
Note: Since 2006 TSMC did not disclose utilization rates, figures are averages of investment reports.

Source: TSMC, PRI, Institutional Investors





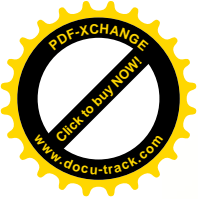
Global economy in recession, Taiwan has been seriously affected...



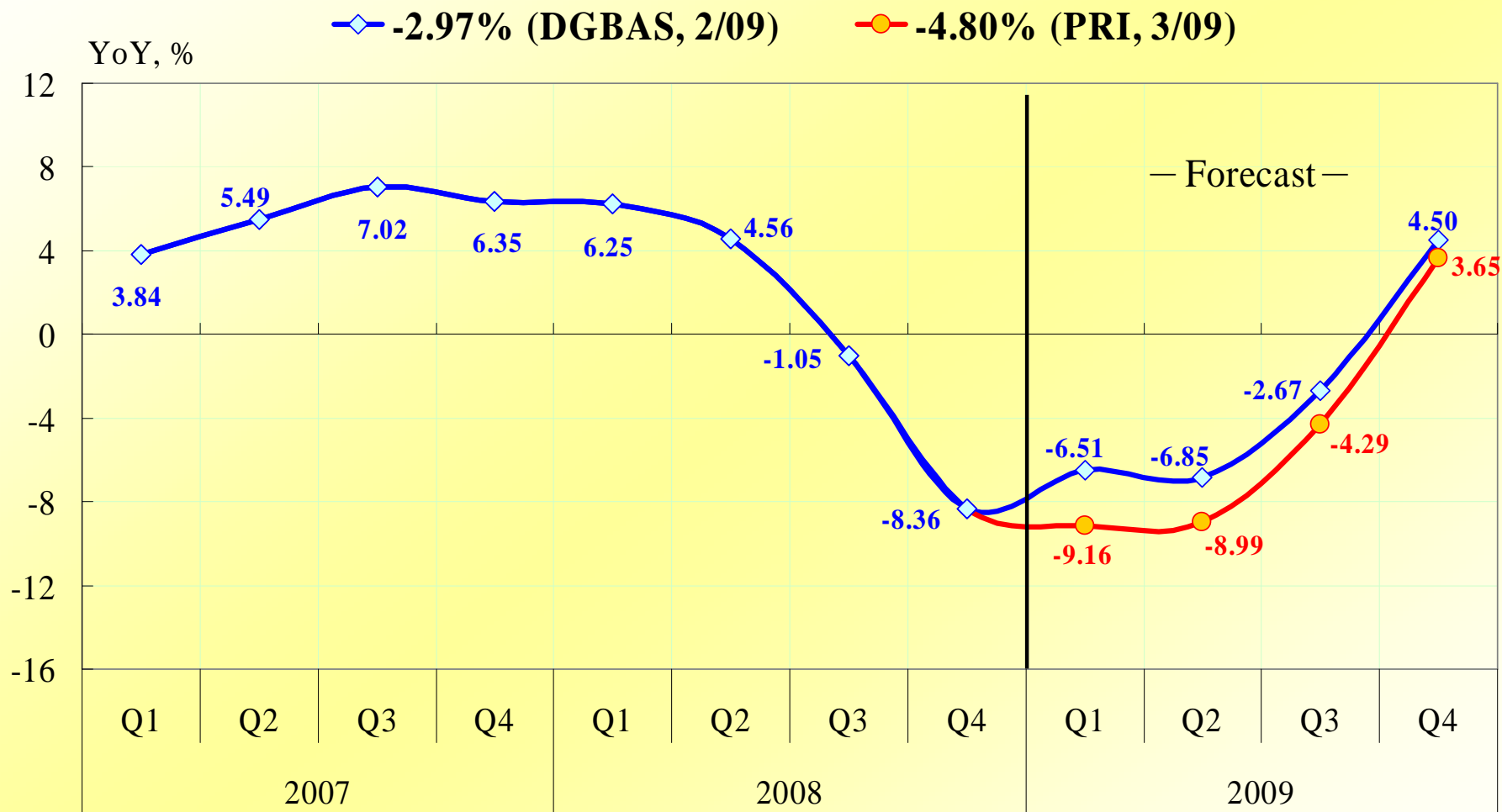
Source: calculated by the PRI according to Eurostat's method



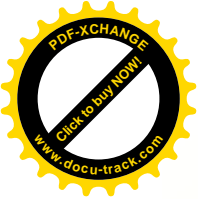
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Gloomy 2009 Taiwan economic outlook amid external economic shocks...

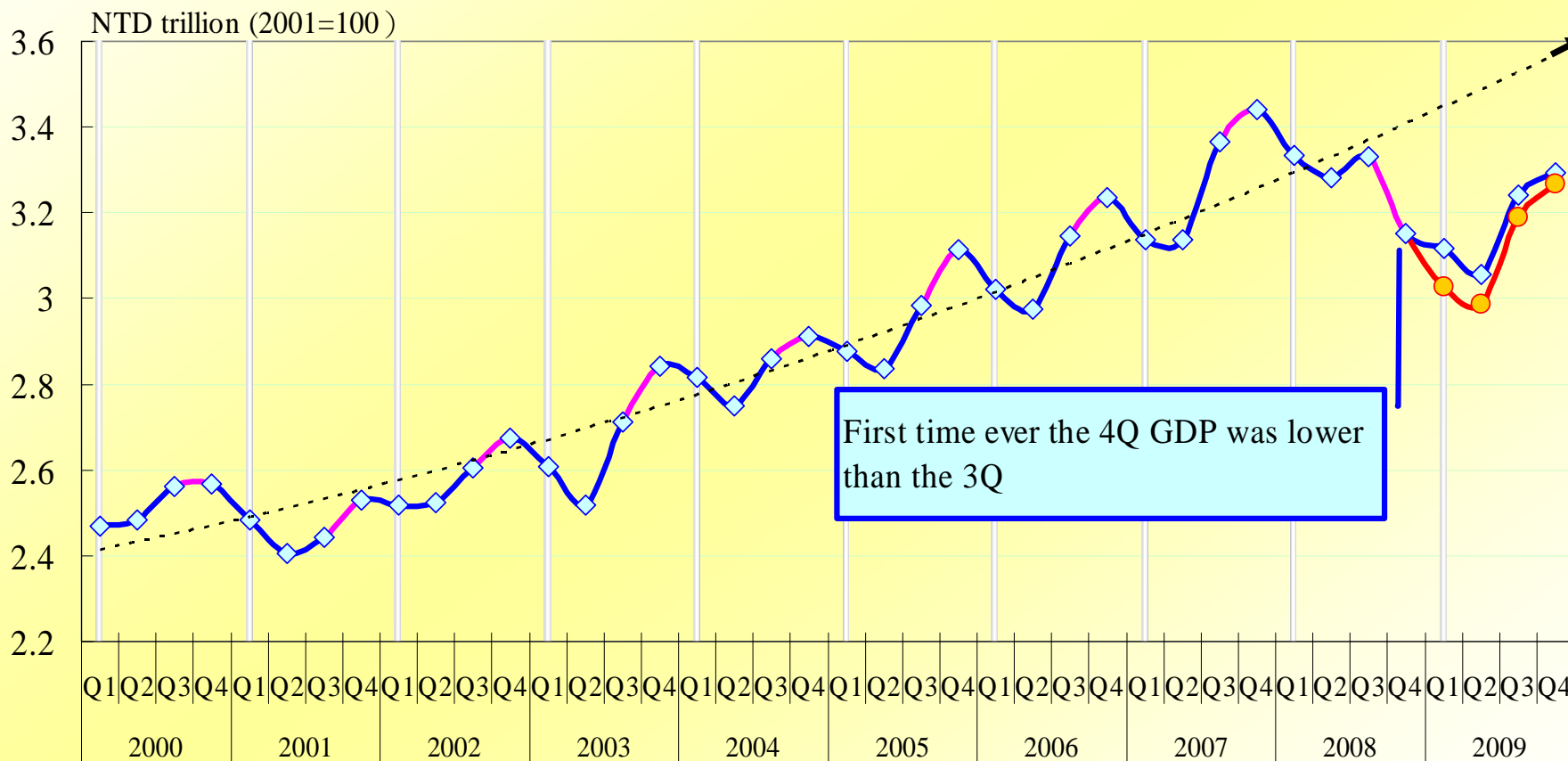


Source: DGBAS, PRI

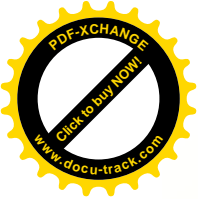


Recession inflicted by financial crisis leads to Taiwan GDP below long term trend...

◆ -2.97% (DGBAS, 2/09) ● -4.80% (PRI, 3/09)

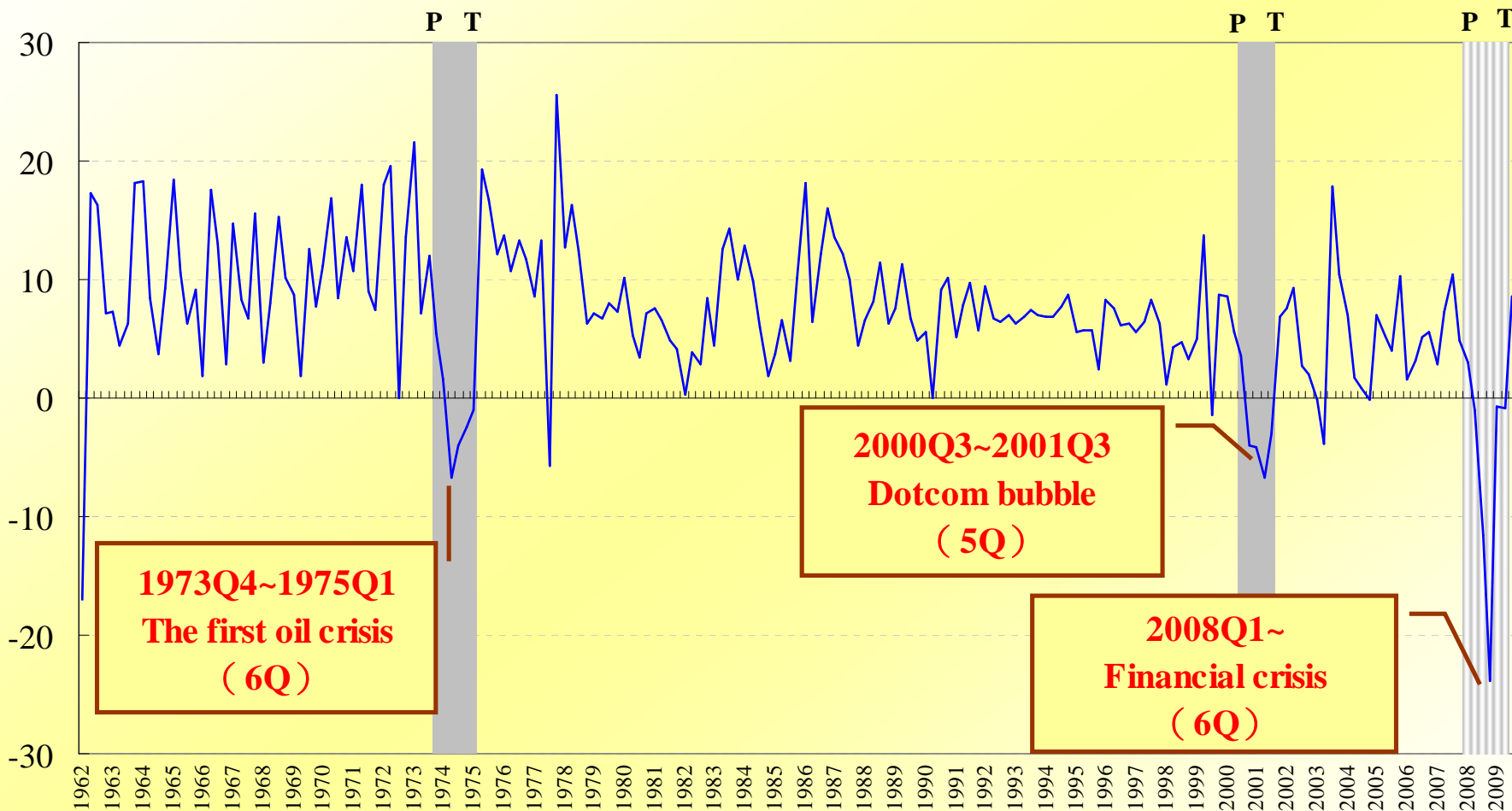


Source: DGBAS, PRI

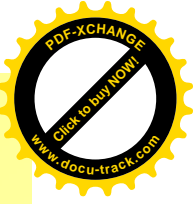


This is the third “classical recession” in Taiwan since 1970...

Taiwan GDP, (QoQ Annualized, %)



Note: 2009 figures are PRI forecasts
 Source: DGBAS, ECRI, PRI



Policy Measures in tackling the Crisis and making Taiwan more competitive

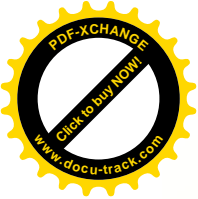


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Government stimulus package will begin to take effect from 2Q09...

Taiwan Stimulus Package

Private Consumption

NTD 85.7
billion
consumption
vouchers

Public Investment

Special NTD 150.6
billion budget,
NTD 449 billion
public construction

Injects nearly NTD 700
billion, expect to create
141 thousand jobs in 09',
will benefit construction
sector and stimulate
domestic demand.

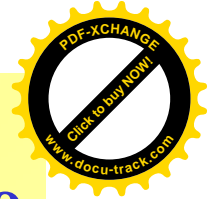
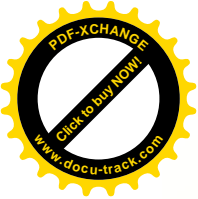




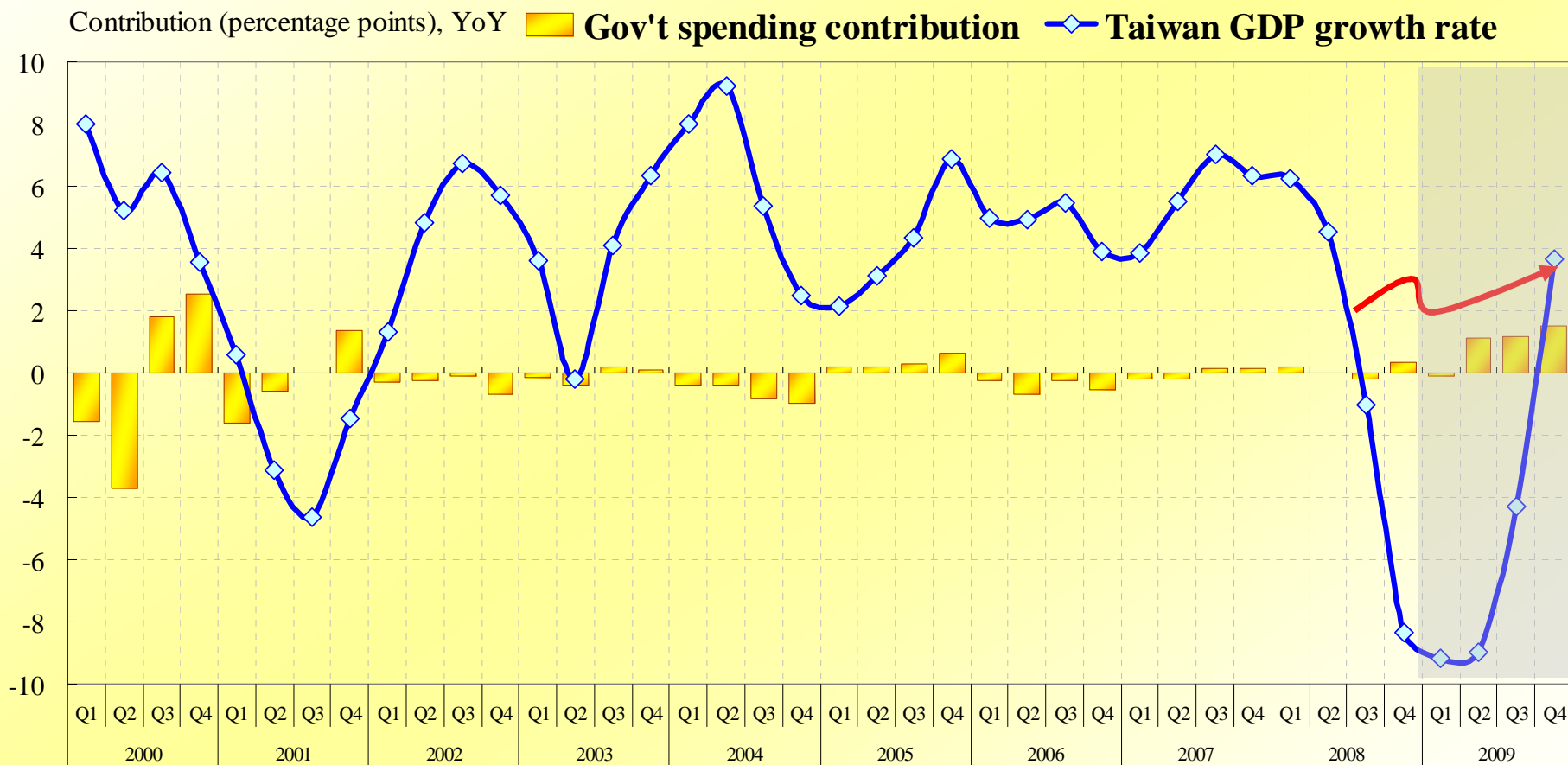
...Details of government stimulus package...

Type	Project
Fiscal policy	Stimulus program to Expand Domestic Demand by Enhancing Local Infrastructure (NTD\$58.3 Billion)
	Economic Revitalization Policy - Projected to Expand Investment in Public Works (NTD\$500 billion)
	Consumption Voucher Scheme (NTD\$85.7 billion)
Job creation policy	2008-2009 Short-Term Employment Promotion Measures: (NTD\$1.2 bn in 08, NTD\$6.66 bn in 09, aimed to create 460,000 jobs in 08 and 560,000 jobs in 09)
	2009-2012 Employment Promotion Project (NTD\$26.66 bn over 4 years, may lower the unemployment rate by 0.8%)
Monetary and Financial policy	<p>Three Supports (Government supports banks, banks support corporate, corporate support workers)</p> <ul style="list-style-type: none"> Guarantee all bank deposits until end of 2009 7 time rate cuts by the central bank from 9/18/07 to 03/18/09 for a total of 375 bps
Tax reform	<ul style="list-style-type: none"> Amendment to the Tobacco and Alcohol Tax Act Reduction in Commodity Taxes Reduction of Inheritance and Gift Tax to a maximum of 10% Reform in Income Tax

Source: Government Information office, CEPD, MOF, Executive Yuan



Government stimulus packages shall help alleviate downside risks from global recession...

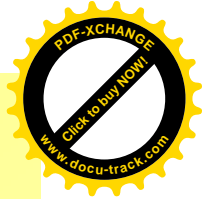


Note: 09' economic growth is the forecast by PRI
Source: DGBAS, PRI

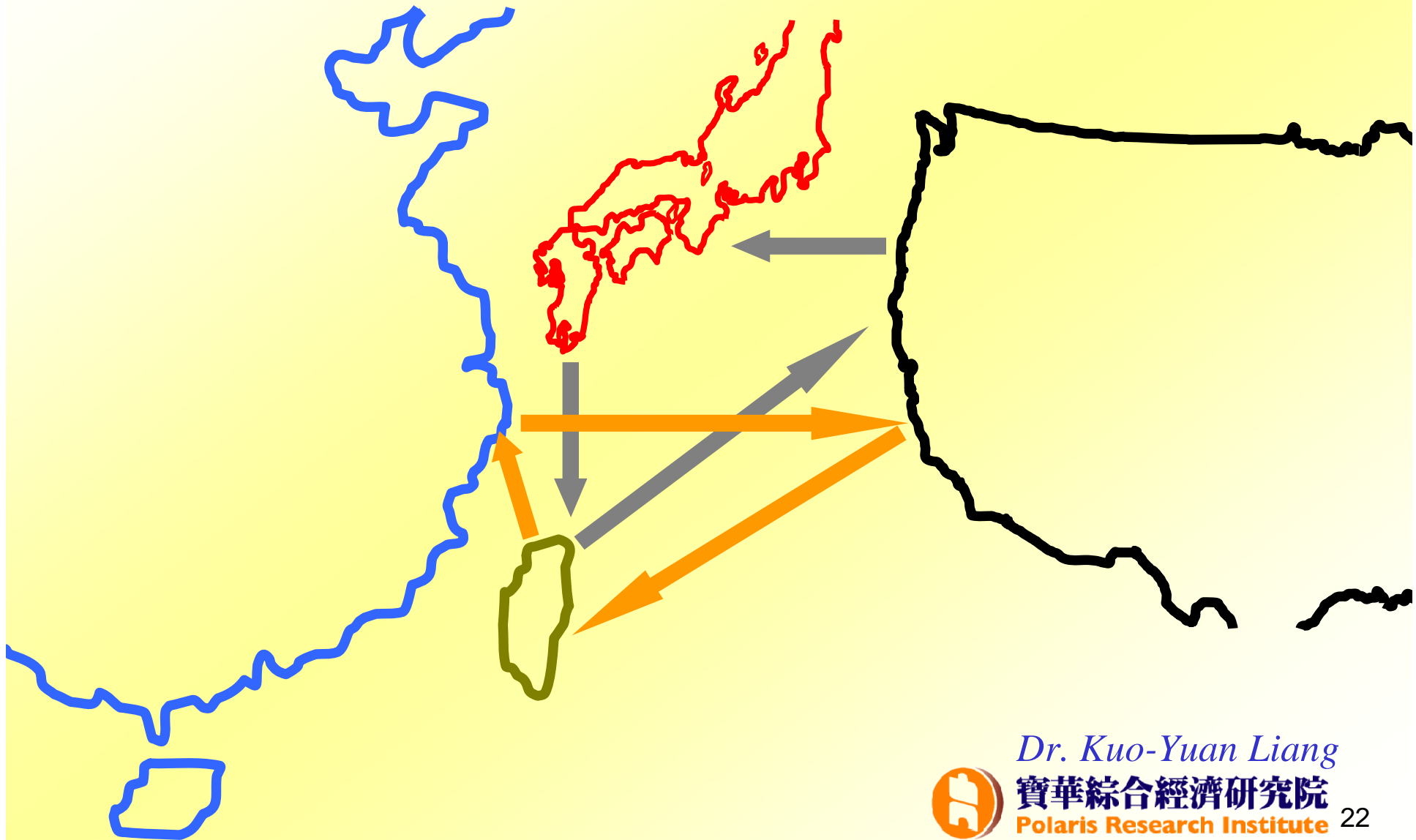


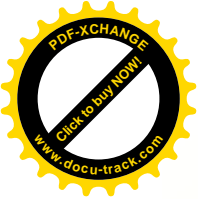
The government launched aggressive industrial development strategies and promotes closer economic ties with China...

Strategy	Content
Industry development	Input more resources and assistance in the Six critical emerging industries (green energy, tourism, health care, biotech, post-modern agriculture, and cultural & creative) to encourage private investment.
	More planning on the expansion of export product portfolio, brand marketing, and the acquisition of critical technologies.
	Assist industrial sectors expand in emerging markets.
ECFA with China	Reach consensus regarding its title, form and content within the island



...Taiwan has transformed from the early triangular trade with US and Japan to the triangular relationship with US and China...





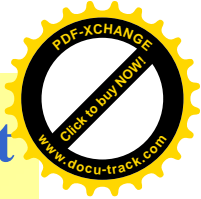
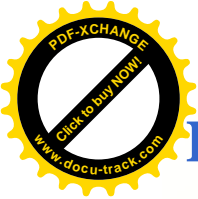
Taipei despite ranking high globally in business environment, it still trails nearby Singapore, Hong Kong and Seoul...

Ranking of the 75 Worldwide Centers of Commerce, 2008

1 (1)	London	79.17
2 (2)	New York	72.77
3 (3)	Tokyo	66.6
4 (6)	Singapore	66.16
5 (4)	Chicago	65.24
6 (5)	Hong Kong	63.94
9 (9)	Seoul	61.83
22	Taipei	53.32
24 (32)	Shanghai	52.89
57 (46)	Beijing	42.52
60	Shenzhen	40.04
72	Chengdu	33.84
73	Chongqing	33.13

Note: This survey is based on 75 metropolitan,
() are the ranking in 2007

Source: MasterCard



Living quality of Taipei and Kaohsiung has room for further improvement in attracting corporations to set regional operational centers in Taiwan ...

Quality of Living, 2009

1 (2)	VIENNA	108.6
2 (1)	ZURICH	108
3 (2)	GENEVA	107.9
4 (4)	VANCOUVER	107.4
4 (5)	AUCKLAND	107.4
26 (32)	SINGAPORE	103.5
35 (35)	TOKYO	102.2
44 (44)	OSAKA	100.3
70 (70)	Hong Kong	94.4
86 (84)	Taipei	86.8
98 (98)	Shanghai	82
101 (102)	Kaohsiung	81
113 (116)	Beijing	74.9

Note: This survey is based on 215 metropolitan,
 () are the ranking in 2008

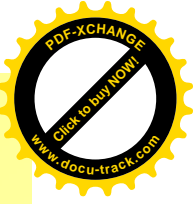
Source: Mercer's 2008 Quality of Living Survey



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Thank You



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