BUSINESS REPORT

The Economy in 2002

The global economy was close to bottoming out in the first quarter of 2002. However, some adverse factors such as a series of US corporate accounting scandals, corporate profits were lower than expected, shadows of terrorist attacks and the increasing tension between the US and Iraq had resulted in the weakening of global investors' and consumers' confidence and slowed down the recovery of global economy since the second quarter of 2002. Benefited from the internationally specialized division of labor and the injection of large overseas orders, both Taiwan exports of domestic commodities and manufacturing production rose again significantly.

As the Asian regional economy demonstrated outstanding revival and the US economy gradually got away from the shadow of terrorist attacks on 11 September 2002, the Taiwan export and import amounts increased by 6.3% and 5.0%, respectively, in 2002. Besides, export orders increased 11.23% and industrial production increased 6.95%, compared with last year. The economic growth rate reached 3.54% in 2002, according to the announcement published by the Directorate General of Budget, Accounting and Statistics (DGBAS).

Looking ahead to the year 2003, the risk of uncertain international economy will remain high and thus restrain the growth of Taiwan's foreign trade, which is expected to continue expanding due to the division of industrial labor between China and Taiwan becoming intensified as well as the rapid economic growth in China, the latter of which has become the largest export market of Taiwan. With the anxiety of unemployment and the expectation of limited income increase, the domestic private consumption is inclined to be conservative in the short run. The economic growth rate of Taiwan is estimated to be 3.68% in 2003, according to DGBAS.