

## Business Report

### The Economy in 2009

In the first quarter of 2009, both the industrialized and developing economies continued to suffer from the recession of the previous year. Following policies instituted by different governments aimed at stimulating economic recovery, the rate of decline of economic and financial indicators in the major countries of the world began to slow down towards the end of 2008, although they were still negative in the second quarter of 2009. In the third and fourth quarters of 2009, the global economy was driven by the strengthening recovery in China and the other emerging economies of Asia, as well as by the gradual recovery of consumption in Europe and America. Taiwan's economic growth began a slow rising trend. In the fourth quarter, the annualized growth rate of the island's economy surged to 9.06%. According to an estimate put out by the Directorate General of Budget, Accounting and Statistics (DGBAS) on 20 May 2010, Taiwan's economy is estimated to have declined by 1.91% in 2009.

According to DGBAS statistics, consumer spending jumped back causing private consumption to register a real growth rate of 1.37% in 2009, following an increasingly stabilizing economic recovery, a strongly rising stock market, and a reduction in the number of workers on unpaid leave. Although private fixed investment dropped by 18.38%, the trend has already turned to a positive direction as companies have started to invest in machinery again and upgrade production processes in response to the economic recovery and returning factory orders. In the area of public spending, the government announced plans to invigorate the economy through the expansion of infrastructure construction calling for a total fixed investment of NT\$500 billion in 2009, an increase of NT\$50 billion or 18.62% over the previous year.

Taiwan's trade performance in the first half of 2009 showed that export orders dropped to their lowest point in January because of the ravages of the financial crisis. The expansionary policies implemented by various governments to stimulate demand thereafter brought about a slow recovery, starting in the second quarter. Benefiting from the strong demand for notebooks, consumer electronics, flat panels, and other products from emerging markets in the second half of the year, export orders showed positive growth again in October. Taiwan's customs statistics for 2009 show a total export value of US\$203.67 billion, down 20.3% from the previous year, and a total import value of US\$174.37 billion, a reduction of 27.5%. The trade surplus for the year amounted to US\$29.30 billion, a new high and an increase of 93.00% over the US\$15.18 billion surplus in 2008.

The prices of international crude oil, agricultural and industrial raw materials fell drastically in 2008 due to the financial tsunami. In 2009, the consumer price index dropped by 0.87%, the average unemployment rate rose to 5.85%, up 1.71% from 2008, and the industrial product index slid by 8.74%.

Thanks to the overall improvement in the international environment in 2010, the outlook for Taiwan's domestic economy is cautiously optimistic. The return to stability of the island's economic fundamentals will boost consumer confidence and invigorate private investment. The introduction of new ebooks, LED TVs, touch-screens, cloud-computing, 3D, and other technology products will bring considerable business opportunities to domestic industries. These factors will help Taiwan maintain its trade momentum and provide powerful support for economic growth. DGBAS predicts that the island's exports and imports will grow by 17.07% and 20.10% respectively in 2010, resulting in a trade surplus of US\$30.3 billion. Further, the economic growth rate is expected to reach 6.14%.

