



2024 Taiwan Economic Forecast

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2024 Taiwan Economic Forecast:

A Modest Recovery After a Difficult Year for Manufacturing

The global economy experienced a slowdown in 2023, mainly due to weak goods demand and inventory reduction. In Taiwan, despite stable private consumption, trade and investment plummeted: the year-on-year real GDP growth rate was 0.11% in the first three quarters, and the forecast of the economic growth rate for 2023 is revised down to 1.34%. Looking ahead, global inflation is expected to ease further, and central banks worldwide are expected to reach the end of the interest rate hike cycle in 2024. The global economic rebound, however, may be modest next year. The demand for electronic products is expected to recover, to a large extent driven by emerging technologies such as high-speed computing and artificial intelligence. As a result, Taiwan's trade and investment is expected to improve in 2024. Private consumption is expected to further expand, with the real economic growth rate forecasted to be 3.02% for 2024.

In the post-pandemic era, private consumption, food, recreational services, and tourism grew substantially. In particular, the volumes of transportation and travel significantly rebounded, with a year-on-year increase of 9.23% in real private consumption in the third quarter. Both online and in-store retail businesses were thriving. The revenues of retail and catering industries increased by 7.50% and 21.33% for the first ten months, compared to the same period last year. Stable private consumption growth is forecasted in the fourth quarter, with a real growth rate of 8.32% for 2023. With the increase in basic wage and the adjustment of the basic cost of living allowances for individual income taxes next year, disposable income is expected to rise, further driving private consumption growth. The forecasted real growth rate for private consumption is 3.01% for 2024.

Due to tightened monetary policy, rising capital costs have contributed to weak equipment investment in Taiwan in 2023. Real private investment declined by 13% in the third quarter of 2023. The estimated annual growth in real private investment is forecasted to decrease by 9.70% for 2023. The manufacturing sector, on the other hand, is expected to recover next year and complete the inventory adjustment cycle in the first half of 2024. Specifically, semiconductor manufacturers are continuing to invest in advanced processes, investment in green and energy-efficient equipment persists, and investment in the aviation industry is fueled by booming international tourism. The forecasted annual growth rate in real private investment is 3.05% for 2024. Gross fixed capital formation is forecasted to decline by 7.53% for 2023 but grow by 4.23% in 2024,

as investment by the government and government-owned enterprises continues to increase.

As global demand remains weak, the real year-on-year growth rates of exports and imports declined by 1.35% and 4.45% in the third quarter of 2023. Exports and imports of real goods and services are projected to decline by 4.39% and 5.07% for 2023. The International Monetary Fund predicted a 3.5% increase in global trade volume next year, surpassing 0.9% this year. The continuous development in emerging technologies and the recovery of consumer electronics demand are expected to contribute to an upswing in exports next year. Additionally, thriving cross-border tourism is expected to boost travel-related income and expenditures. As a result, exports and imports of real goods and services in 2024 are projected to increase by 6.23% and 8.03%.

In 2023, inflation was mainly driven by rising food and entertainment service prices. The Consumer Price Index (CPI) increased by an average of 2.48% and the core CPI by 2.60% for the first 11 months of 2023. On the other hand, the Producer Price Index (PPI) declined by 0.56%, mainly driven by a decrease in raw material prices. The CPI is expected to increase by 2.48% for 2023, while the PPI is projected to decrease by 0.54%. Although inflation is expected to ease next year, the CPI is expected to remain higher than the pre-pandemic level. In light of commodity price fluctuations due to geopolitical risks and unforeseeable weather conditions, the CPI and PPI are projected to increase by 1.90% and 1.42% for 2024.

In the labor market, the average unemployment rate for the first ten months of this year was 3.51%. Labor demand in the manufacturing industry is expected to rise as economic conditions improve; the unemployment rate is projected to be 3.48% and 3.38% for 2023 and 2024. Over the first 10 months of the year, the growth rates of M1B and M2 were 2.82% and 6.52% as a result of higher interest rates and sluggish economic performance. Considering the expected improvement in the domestic economy next year and the increased demand for funds by enterprises, it is projected that the growth rates of M1B and M2 for 2024 are 4.53% and 3.96%.

Moving forward, several uncertainties and risk factors surround the forecast, including economic development in the United States and China, the monetary policy stance in response to inflation trajectories and global financial market fluctuation, and persistent geopolitical risks. Given these uncertainties, the 50%-confidence interval for Taiwan's real GDP growth rate for 2024 is 1.95% and 4.21%.

Table 1 2023 Taiwan Economic Forecast: A Revision

Unit: Billions of NT\$

	Annual		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	Forecasts	Growth Rates (%)	Realized	Growth Rates (%)	Realized	Growth Rates (%)	Estimate	Growth Rates (%)	Forecasts	Growth Rates (%)
Real GDP	22,019.22	1.34	5,125.09	-3.49	5,380.92	1.41	5,653.15	2.32	5,860.06	4.92
Private Consumption	10,631.99	8.32	2,595.62	6.41	2,624.65	12.94	2,685.71	9.23	2,726.02	5.10
Government Consumption	2,930.43	1.35	651.21	3.59	691.53	0.30	736.95	0.03	850.74	1.69
Fixed Capital Formation	5,266.60	-7.53	1,315.89	-2.64	1,308.45	-7.55	1,326.99	-11.07	1,315.27	-8.42
Private Enterprises	4,358.67	-9.70	1,153.60	-3.96	1,087.45	-10.28	1,108.61	-13.00	1,009.02	-11.43
Public Enterprises	352.54	5.75	63.75	21.51	89.24	10.28	80.34	-6.35	119.22	4.39
Government	559.71	3.47	100.59	1.16	133.50	7.44	138.74	3.74	186.88	1.82
Balance of Trade	3,204.71	-1.88	556.84	-35.13	772.56	-3.16	930.69	9.24	944.63	24.61
Exports of Goods & Services	14,114.70	-4.39	3,246.26	-11.86	3,384.04	-7.75	3,709.10	-1.35	3,775.30	3.37
Imports of Goods & Services	10,914.26	-5.07	2,689.42	-4.79	2,611.48	-9.03	2,778.41	-4.45	2,834.95	-2.04
Price										
CPI	105.50	2.48	104.36	2.61	105.10	2.04	105.88	2.45	106.67	2.84
PPI	109.92	-0.54	109.31	3.16	108.81	-3.68	110.65	-0.96	110.91	-0.45
Monetary Aggregate										
M1B	26,298.57	3.11	26,020.04	2.18	26,059.13	3.01	26,447.65	3.19	26,667.46	4.03
M2	59,554.82	6.59	58,522.99	6.82	59,076.65	6.59	59,680.24	6.48	60,939.39	6.48
Exchange Rates (NT\$/US\$)	31.16		30.40		30.71		31.69		31.84	

Source: Institute of Economics, Academia Sinica, Dec. 22, 2023.

Table 2 2024 Taiwan Economic Forecast

Unit: Billions of NT\$

	Annual		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	Forecasts	Growth Rates (%)	Forecasts	Growth Rates (%)	Forecasts	Growth Rates (%)	Forecasts	Growth Rates (%)	Forecasts	Growth Rates (%)
Real GDP	22,683.41	3.02	5,395.97	5.29	5,523.66	2.65	5,838.23	3.27	5,925.55	1.12
Private Consumption	10,952.52	3.01	2,697.55	3.93	2,691.63	2.55	2,766.54	3.01	2,796.80	2.60
Government Consumption	2,983.36	1.81	660.95	1.50	701.09	1.38	751.16	1.93	870.16	2.28
Fixed Capital Formation	5,489.43	4.23	1,301.97	-1.06	1,364.78	4.30	1,408.46	6.14	1,414.23	7.52
Private Enterprises	4,491.72	3.05	1,116.67	-3.20	1,123.02	3.27	1,171.35	5.66	1,080.68	7.10
Public Enterprises	402.29	14.11	71.89	12.78	102.28	14.62	86.48	7.65	141.63	18.80
Government	612.18	9.37	109.89	9.25	143.79	7.71	152.12	9.65	206.38	10.44
Balance of Trade	3,171.04	-1.05	717.77	28.90	769.40	-0.41	874.72	-6.01	809.15	-14.34
Exports of Goods & Services	14,993.79	6.23	3,494.64	7.65	3,613.92	6.79	3,917.49	5.62	3,967.75	5.10
Imports of Goods & Services	11,790.30	8.03	2,781.72	3.43	2,834.42	8.54	3,027.90	8.98	3,146.26	10.98
Price										
CPI	107.51	1.90	106.76	2.30	107.31	2.10	107.59	1.62	108.36	1.58
PPI	111.48	1.42	111.06	1.61	111.17	2.17	112.19	1.39	111.48	0.51
Monetary Aggregate										
M1B	27,490.42	4.53	27,176.54	4.44	27,389.74	5.11	27,784.56	5.05	27,610.84	3.54
M2	61,915.09	3.96	61,181.66	4.54	61,775.72	4.57	61,931.79	3.77	62,771.17	3.01
Exchange Rates (NT\$/US\$)	31.22		31.48		31.50		31.25		30.66	

Source: Institute of Economics, Academia Sinica, Dec. 22, 2023.