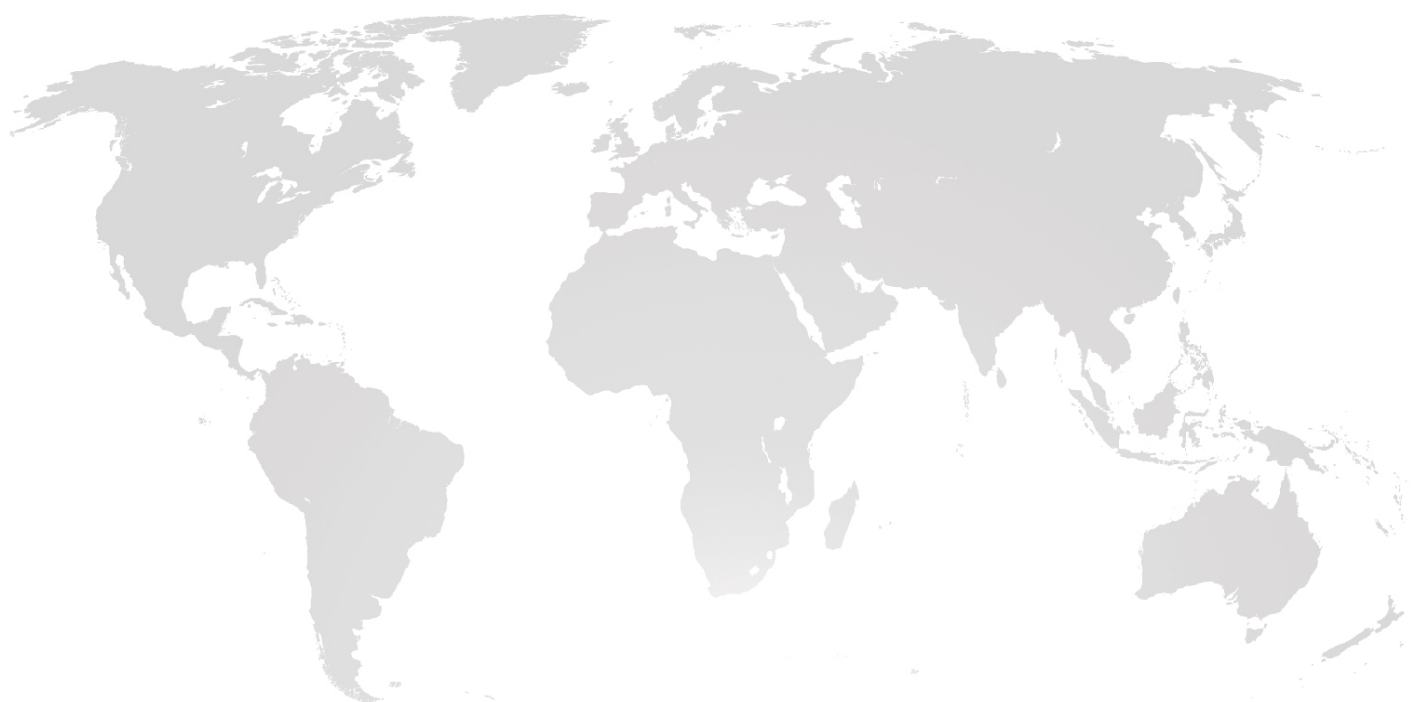




D&B Country Insight Snapshot: Taiwan

November 2014



Overview

Overall Country Risk Rating : DB4a

A

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

Rating Outlook: Stable →

Core Outlook

+ Services sectors are likely to grow faster than manufacturing over the next decade, e.g. entertainment, healthcare and tourism.

+ Proximity to China and the deepening commercial links with the mainland should boost long-term economic prospects.

+ External economic risk is minimal owing to Taiwan's substantial trade surpluses, high levels of foreign reserves and a relatively low external debt.

- Taiwan is facing a period of reduced average growth than in previous decades.

Key Development

The economy is growing steadily following brighter Q2 data, with exports benefitting from strong demand for electronic products. Consequently, we have revised upwards our annual growth forecast for 2014-15.

Credit Environment Outlook

A

Key Development has had a neutral impact on the outlook.

Supply Environment Outlook

G

Key Development has had a neutral impact on the outlook.

Market Environment Outlook

A

Key Development has had a positive impact on the outlook.

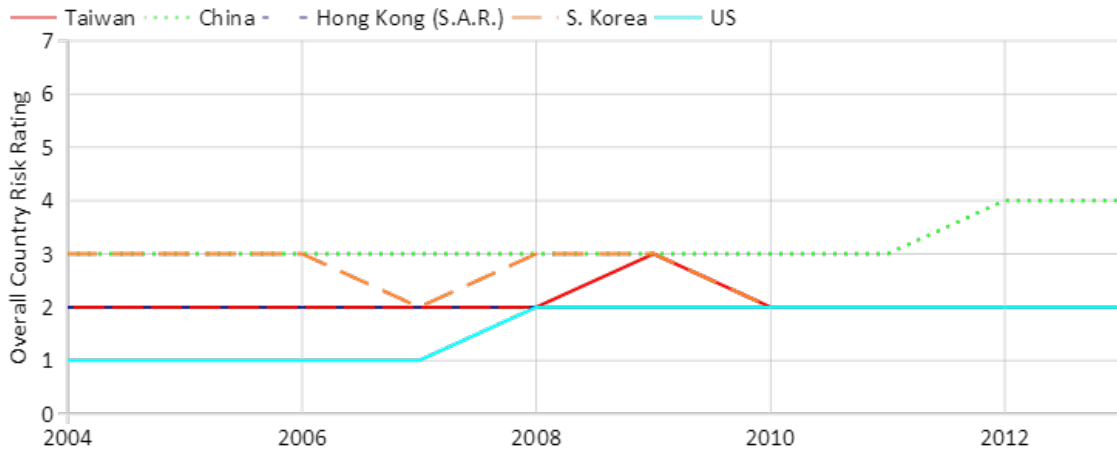
Political Environment Outlook

A

Key Development has had a negative impact on the outlook.

Key Indicators

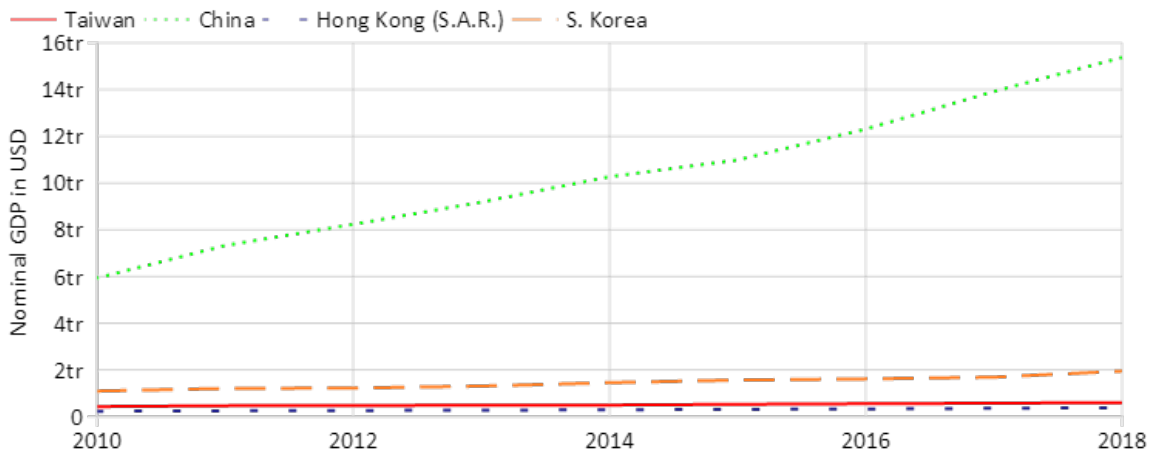
Rating History and Comparison



Source : D&B

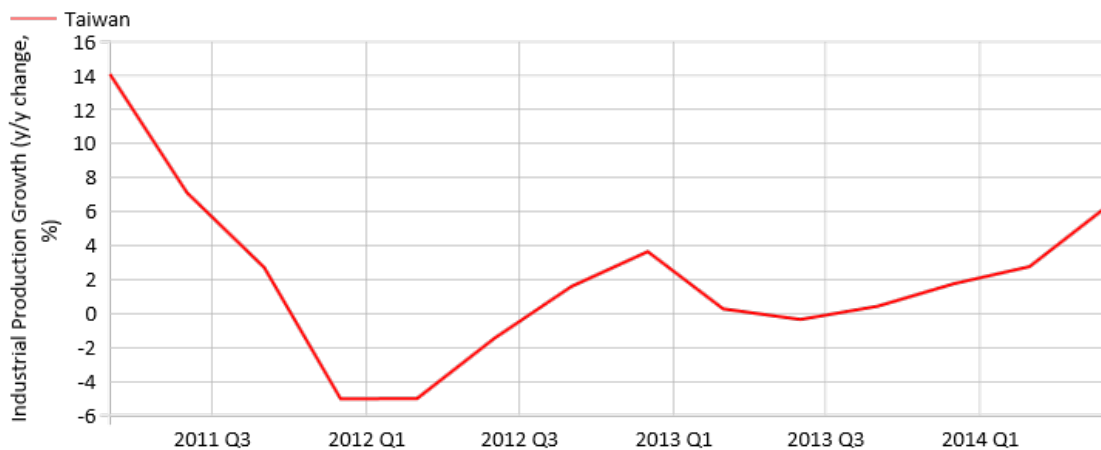
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Chart of the Month



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2011	2012	2013	2014f	2015f	2016f	2017f	2018f
C/A balance % GDP	9.0	10.6	11.7	9.6	9.4	9.3	9.0	8.3
Govt balance, % GDP	-2.2	-2.5	-2.5	-2.5	-2.1	-1.9	-2.0	-1.8
Inflation, annual avge %	1.4	1.9	0.8	1.5	1.6	1.7	1.8	1.9
Real GDP Growth, %	4.2	1.5	2.1	3.0	2.9	2.4	2.3	2.7
Unemployment, %	4.4	4.2	4.2	4.3	4.3	4.5	4.6	4.7

Source : Haver Analytics/D&B

Trade and Commercial Environment

Taiwan is broadly a stable, efficient place in which to do business, but the recent political crisis has reduced its prospects. The economy is highly export-oriented and trade dependent, led by a high-tech sector that faces tough competition from South Korea, Japan and, increasingly, China. Taiwan's authorities want to raise its international profile and attract more FDI, but are stymied by Taiwan's political and legal status. South Korea is poised to sign a free-trade agreement with China by end-2014, which the government say could represent a loss of USD3.2-8.4bn in cross-strait exports. Meanwhile, Taiwan's latest proposed trade agreement with China (the controversial CSSTA) has been suspended following mass protests in March and April 2014.

Trade Terms and Transfer Situation

Minimum Terms: LC

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CLC

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

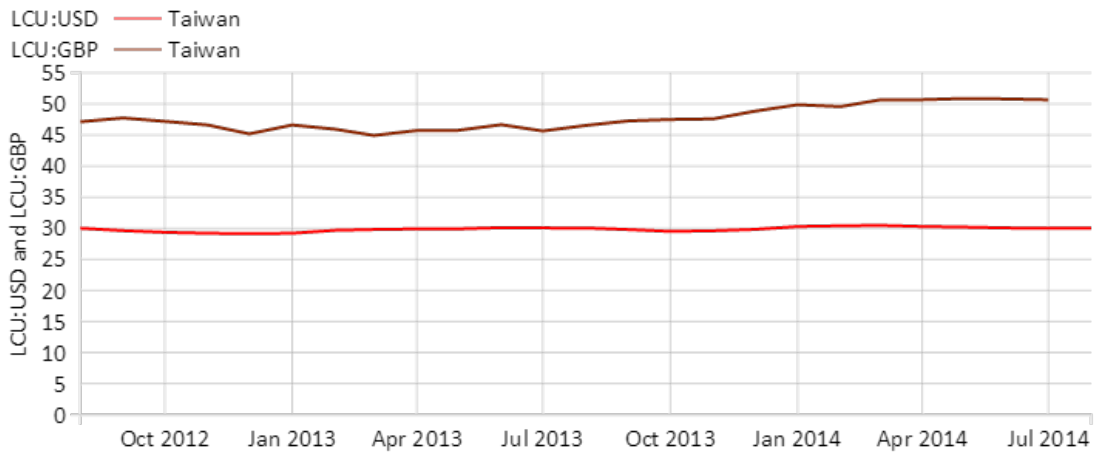
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



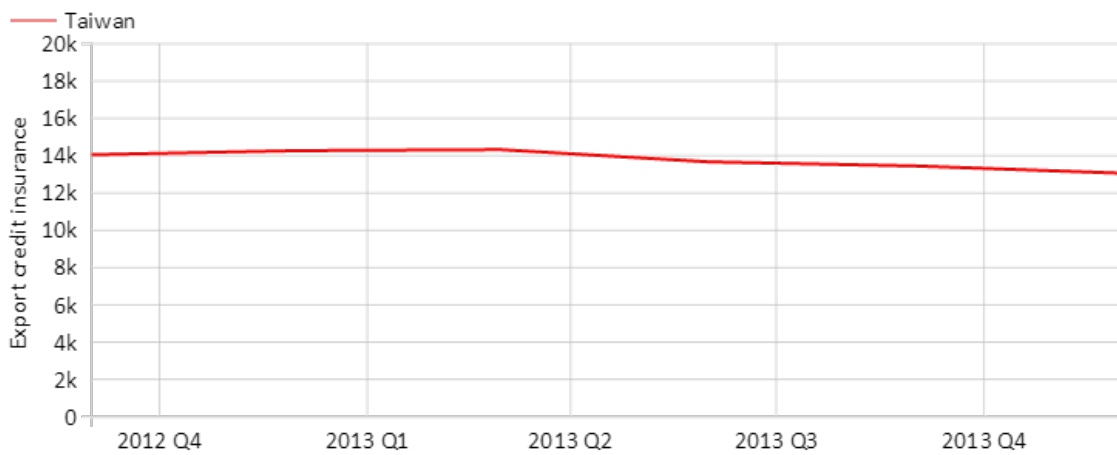
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm

Risks and Opportunities

Short-Term Economic Outlook

The economy is growing steadily

Taiwan's economy is growing steadily and, following brighter than expected data from the second quarter, we have revised up our forecast for annual GDP growth in 2014 to 3.3% and to 3.4% in 2015. The export-oriented economy is benefiting particularly from strong international demand for smartphones, tablets and notebook computers, most of which contain components manufactured in Taiwan or by Taiwan firms with factories in China and elsewhere. Exports rose by 9.4% year on year (y/y) in August, buoyed by electronics orders, machinery and basic metals. Exports were up by 3.4% y/y in the Jan-August period.

Other encouraging signs include steadily rising private consumption amid improving sentiment about jobs and long-stagnant wages, rising wholesale and retail trade and increasing investment, notably gross fixed capital formation by private enterprise. This has been led by semiconductor production, 4G network building and aircraft purchasing. Manufacturing output continues to climb, up by 6.8% y/y in July. Recent sharp rises in prices for food and fuel are a concern, but inflation should remain moderate. Other risks are a slowdown in China, stagnant economic conditions in the euro zone, ongoing tensions in the Middle East, and fears about the Ebola outbreak spreading beyond West Africa.

Political Outlook

Housing protest spurs policy debate

Anger and resentment about vertiginous house prices and rents, particularly in Taipei, continue to bubble close to the surface in Taiwan. In early October the Housing Movement organised a 'sleepout', in which some 15,000 people protested against unaffordable housing by camping overnight in front of The Palace in the capital, a luxury block where apartments are valued at more than NTD2m (USD65,700) per square metre. The protestors called for housing rights to be incorporated into the Constitution, for reform of the housing tax system to curb speculation, and the construction of much more public housing.

The Interior Ministry responded by promising to hold public conferences in January on housing reform. It pointed out that it was progressing plans to construct public housing and reform property taxes, adding vacant dormitories designed for civil servants could be used to alleviate housing demand.

Housing will remain high on the political agenda ahead of local elections on 29th November and the general election in 2016. The government is well aware that anger among younger people about soaring prices (and stagnant wages) were a contributory factor in the 'Sunflower Movement' mass protests in March and April. Previous attempts to cool the market (mortgage lending restrictions and a 'luxury tax' introduced in 2011) have achieved little.

Country Profile and Statistics

Overview

Taiwan (Formosa) is a democratic republic lying just off the coast of mainland China, southwest of mainland Japan. The Chinese nationalist forces of Chiang Kai-Shek retreated to the island in 1949, and fought a diplomatic battle to retain UN recognition as the true seat of Chinese government; however, the emergence of China as a global economic power has defeated such efforts. There is still popular support for a formal declaration of independence in Taiwan. However, China continues to insist that Taiwan is an integral part of its territory, and that independence would be an act of war. Political tensions have eased since the current Kuomintang (KMT) government was voted into office in 2008.

Taiwan's export-led economy has become increasingly integrated with China's to maintain its competitiveness. The KMT has signed successive agreements with China (the island's largest trade partner) including the landmark Economic Cooperation Framework Agreement (2010) to liberalise cross-strait travel, trade and investment. However, a follow up agreement on trade in services such as banking, healthcare, tourism, film, telecommunications, and publishing has proved highly controversial and provoked mass protests in spring 2014. It remains unratified by Taiwan's legislature.

Key Facts

Key Fact	Detail
Head of state	President MA Ying-jeou
Capital	Taipei
Timezone	GMT +08-00
Official language	Mandarin Chinese
Population (millions)	23.5
GDP (USD billions)	495.4
GDP per capita (USD)	21,090
Literacy (% of adult pop.)	96.1
Surface area (sq km)	35,980

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2009	2010	2011	2012	2013
Real GDP growth (%)	-1.81	10.76	4.19	1.48	2.09
Nominal GDP in USDbn	377.52	428.22	465.19	475.32	489.09
Nominal GDP in local currency (bn)	12,481	13,552	13,709	14,077	14,561
GDP per Capita in USD	16,329	18,488	20,030	20,386	20,925
Population (year-end, m)	23.12	23.16	23.22	23.32	23.37
Exchange rate (yr avge, USD-LCU)	33.06	31.65	29.47	29.62	29.77
Current Account in USDbn	42.92	39.87	41.69	50.59	57.35
Current Account (% of GDP)	11.37	9.31	8.96	10.64	11.72
FX reserves (year-end, USDbn)	348.2	382.01	385.55	403.17	416.81
Import Cover (months)	20.62	16.07	14.4	15.53	16.14
Inflation (annual avge, %)	-0.9	1	1.4	1.9	0.8
Govt Balance (% GDP)	-4.5	-3.3	-2.2	-2.5	-2.5

Source : D&B

Forecasts

Metric	2014	2015	2016	2017	2018
Real GDP growth (%)	3.3	3.4	2.4	2.3	2.7
Nominal GDP in USDbn	495.4	525.8	552.4	573.2	596.8
Nominal GDP in local currency (bn)	15,215.79	15,900.5	16,552.42	17,231.06	18,023.69
GDP per Capita in USD	21,090	22,270	23,284	24,039	24,971
Population (year-end, m)	23.5	23.6	23.7	23.8	23.9
Exchange rate (yr avge, USD-LCU)	30.7	30.2	30	30.1	30.2
Current Account in USDbn	47.4	49.2	51.1	51.3	49.8
Current Account (% of GDP)	9.56	9.37	9.26	8.95	8.34
FX reserves (year-end, USDbn)	416.8	416.8	416.8	416.8	540.5
Import Cover (months)	16.3	16.01	16.13	16.14	22
Inflation (annual avge, %)	1.5	1.6	1.7	1.8	1.9
Govt Balance (% GDP)	-2.5	-2.1	-1.9	-2	-1.8

Source : D&B

Comparative Market Indicators

Indicator	Taiwan	China	Hong Kong (S.A.R.)	S. Korea	US
Income per Capita (USD)	21,090	7,367	40,353	29,325	53,975
Country Population (m)	23.5	1,393.8	7.2	49.5	322.6
Internet users (% of population)		45.8	74.2	84.8	84.2
Real GDP Growth (% p.a., 2014 - 2023)	2 - 3	5.5 - 7	1.8 - 3.3	3.2 - 3.7	1.5 - 3

Source : D&B

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