

ECONOMY

Taiwan GDP declines as hi-tech export demand eases

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Taiwan's economy contracted in the fourth quarter of 2022, rounding out its slowest full-year growth since 2016 and reflecting waning global demand for its hi-tech products ranging from iPhones to semiconductors.

Gross domestic product had declined by 0.86 per cent in the October-December quarter from a year earlier, official data showed yesterday.

It was the island's first quarterly contraction since the January-March period in 2016 and the worst decline since a 1.13 per cent fall in the third quarter of 2009.

"Taiwan's economy unexpectedly contracted in [the fourth quarter], driven by a sharp fall in exports," Capital Economics, a research firm, said in a note.

The economy grew by 2.43 per cent last year, below the government forecast for 3.06 per cent.

The mainland, Europe and the United States are big buyers of Taiwanese exports, which are the mainstay of the economy.

But a surge in coronavirus infections on the mainland kept people indoors in December and

away from shops and entertainment venues despite a recent easing of Covid-19 controls.

"In 2022, it was mainly the drag from China's economic slowdown as exports to the mainland contracted even though exports to the US and the European Union were still positive for the full year," said Ho Woei Chen, an economist for global economics and markets research with UOB in Singapore.

Mainland factories that buy Taiwan's exports for assembly and re-export were short of labour at times last year because workers left for their hometowns to avoid

lockdowns, said Hu Jin-li, a professor with the Institute of Business and Management at National Yang Ming Chiao Tung University in Taipei.

Technology products made up about 30 per cent of Taiwan's GDP, Taipei-based Market Intelligence and Consulting Institute estimated.

Manufacturers saw inventory pile up in the later months of 2022 as global demand for new electronics had tapered off amid the pandemic, the institute's deputy director general Jay Yang said.

Earlier this month, the Ministry of Finance announced

a 12.1 per cent year-on-year fall in exports in December. In November, global orders for goods from Taiwan had already seen their steepest slide in nearly 14 years.

Looking ahead, analysts say it is likely to be a slow first half of the year.

"We foresee sales of hi-tech [goods] will go down this year, so the GDP growth rate won't be good," Yang said.

Consumers in Europe, a key market for Taiwan's PCs and other electronic devices, still face inflation of nearly 10 per cent and high utility bills amid uncertainty about energy supplies from Russia. And in the inflation-hit US, Fitch Ratings forecast a recession from the second quarter.

Taiwan's exports to the US fell by 2.6 per cent year on year in December and shipments to Europe dropped by 10.5 per cent.

The island's economy would come under pressure in 2023 as the US and the EU were "expected to be in a recessionary environment", Ho said.

Taiwan's global smartphone shipments declined by 17 per cent year on year in the fourth quarter and by 11 per cent in 2022 overall, market research firm Canalys said on Tuesday.



Taiwan's GDP declined by 0.86 per cent in the October-December quarter from a year earlier, according to official data. Photo: Reuters