

Taiwan economy rallies thanks to electronics demand

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Taiwan's economy notched up its best performance in almost two years in the final quarter of 2016, with strong demand for electronics offsetting a plunge in mainland tourists, according to official data released Wednesday.

Growth was 2.58 percent year-on-year in the October-December period, the fastest expansion since the first quarter of 2015 when the economy grew 4.01 percent.

It was the third consecutive quarter of growth since Taiwan came out of recession in the April-June quarter last year.

Traditionally an export-driven technology hub, the island is home to industry giants such as Foxconn and Taiwan Semiconductor Manufacturing Company (TSMC)—key suppliers for Apple's iPhone.

TSMC announced earlier this month better-than-expected earnings in the same period thanks to the launch of the iPhone 7 series.

President Tsai Ing-wen is pushing for Taiwan to foster its own "Asian Silicon Valley" as one of her five initiatives to kickstart the economy.

"Production of electronic components continue to increase, driven by the expansion of smart technology product applications," the Directorate-General of Budget, Accounting and Statistics said in a statement Wednesday.

However, growth has been dampened by slowing tourism from mainland China, that saw a slump of 40.39 percent in the fourth quarter.

The number of Chinese visitors has fallen since Beijing-sceptic Tsai was elected last January, with speculation China is turning off the taps as a means of pressure on the Taiwanese leader.

Local tourism operators who once catered to droves of mainland tourists complain of half-empty hotels and tour buses sitting idle.

While tourism to Taiwan from other countries rose 17.47 percent in the fourth quarter, overall visitor numbers still declined 3.99 percent.

Analysts are also concerned about whether the strong export demand will continue.

"With weak global demand set to drag on exports and limited scope for more policy support, the recovery is likely to run out of steam soon," Capital Economics economist Gareth Leather said, according to Bloomberg News.

Wednesday's release brings 2016 full-year growth to 1.4 percent, beating the government's estimate of 1.35 percent.

It is forecasting economic growth of 1.87 percent in 2017.

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