23rd Asia Securities Forum
Taiwan Market Report

Lucius Chen
Taiwan Securities Association
Content

A. Taiwan’s Economy Enjoys its Best Performance in a Decade

B. The Securities Market Is Improving

C. Two Main Challenges Facing Taiwan
A. The Economy Enjoys Its Best Performance in a Decade

**The Growth Rate of Exports and Imports**

- Export growth (right scale)
- Import growth (right scale)

**The Growth Rate of the Industrial Production Index**

**The Growth Rate of Retail Trade and Food Services**

**Unemployment Rate and Labor Force Participation Rate**

**CPI and WPI Inflation**

Note: Since FY2010, the general trade system applied for compilation of external trade statistics and the historical data has been revised to FY2005.

Source: Ministry of Economic Affairs, Aug. 2018

Source: Ministry of Finance, Sep. 2018

Source: DGDBS, Aug. 2018

Source: DGDBS Sep. 2018
### B. The Securities Market is Improving

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 (1-8)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TAIEX</strong></td>
<td></td>
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<tr>
<td>TAIEX Index</td>
<td>8,338</td>
<td>9,253</td>
<td>10,642</td>
<td>11,063</td>
</tr>
<tr>
<td>Market Capitalization (NT$ Billion)</td>
<td>24,504</td>
<td>27,248</td>
<td>31,832</td>
<td>33,241</td>
</tr>
<tr>
<td>Market Capitalization to GDP (%)</td>
<td>146.11</td>
<td>158.86</td>
<td>182.62</td>
<td>186.07</td>
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<tr>
<td>P/E Ratio</td>
<td>13.46</td>
<td>16.51</td>
<td>15.66</td>
<td>14.59</td>
</tr>
<tr>
<td>Average Dividend Yield (%)</td>
<td>4.60</td>
<td>4.35</td>
<td>3.95</td>
<td>4.20</td>
</tr>
<tr>
<td>Total Trading Value (NT$ Billion)</td>
<td>22,505</td>
<td>18,915</td>
<td>25,799</td>
<td>22,517</td>
</tr>
<tr>
<td>Daily Trading Value (NT$ Billion)</td>
<td>92.23</td>
<td>77.52</td>
<td>104.87</td>
<td>138.14</td>
</tr>
<tr>
<td>Turnover Ratio (%)</td>
<td>77.55</td>
<td>64.60</td>
<td>78.41</td>
<td>63.58</td>
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</table>
C. Two Main Challenges Facing Taiwan

I. The Impact of the U.S.-China Trade War on Taiwan’s Industries and Capital Market

II. Fintech Development in Taiwan
I. The Impact of the U.S.-China Trade War on Taiwan’s Industries and Capital Market

Taiwan, caught in the middle, may be hit most

Long-Term Concerns:
1. Impact on Taiwan’s position in the global supply chain
2. Impact on the electronics-sector-based securities market
I. The Impact of the U.S.-China Trade War on Taiwan’s Industries and Capital Market

1. Impact on Taiwan’s position in the global supply chain

- Taiwan is a main provider for the global supply chain in technology industry
- 40% of Taiwan’s exports go to China
- Orders for key components are placed in Taiwan and final products are made in China, to be exported to the U.S.
- Fifteen out of the top 20 China-based companies exporting to the U.S. are Taiwan-funded
I. The Impact of the U.S.-China Trade War on Taiwan’s Industries and Capital Market

2. Impact on Taiwan’s electronics-sector-based securities market
   - The electronics sector accounts for 54% of total market cap
   - China’s technology products exported to the U.S. rely on Taiwan’s supply chain
   - Taiwan’s electronics/ICT sector will be hit if China’s exports of technology products to the U.S. are hampered
I. The Impact of the U.S.-China Trade War on Taiwan’s Industries and Capital Market

3. Three Dimensions

- Diversification strategy
- Assistance from the government & capital market for firms returning to Taiwan
- Implementation of the New Southbound Policy
II. Fintech Development in Taiwan

Efforts by the Taiwanese government

- Financial Technology Innovation and Experiment Act (2017)
- FinTechSpace, newly launched (September 2018)
II. Fintech Development in Taiwan

Two Issues:
1. A new supervisory mindset is needed
   - High-degree of supervision for market order and protection of investors
   - Incumbents' hesitance about developing Fintech
   - Challenge in adjusting the mindset that has over-emphasized on planning, guidance and supervision
II. Fintech Development in Taiwan

2. Requirement for more funds and talent

- Room to grow in funds invested in Fintech from Taiwan’s traditional financial sectors
- Brain drain problem
II. Fintech Development in Taiwan

3. Two Dimensions

- Balance between supervision and financial innovation
- Dynamic financial science and technology ecosystem
THANK YOU.