



# German Business in Taiwan Business Confidence Survey Report 2022/2023 2022/2023德國商業信心調查報告

German Trade Office Taipei



Deutsches Wirtschaftsbüro  
German Trade Office  
Taipei  
德國經濟辦事處

# Business Confidence Survey 2022/2023

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## Imprint

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# Introduction and Executive Summary



**2**022 was another record-breaking year in German-Taiwanese business relations: Bilateral trade—mainly spurred by the machinery, electrical, chemical, and automotive industries—exceeded US\$ 23bn, representing an increase of US\$ 2.3bn compared to 2021. Taiwanese investments in Germany also reached an unprecedented high: US\$ 268 million were invested, mainly in the manufacturing and the financial / insurance sectors. We will work hard to continue this success story and to uphold a favorable business environment. Our annually conducted Business Confidence Survey is an important tool for that, as it provides a clear picture of the current state of German companies operating in Taiwan. We thank everyone who contributed to the survey. Enjoy reading!

## Axel Limberg

Chief Representative and Executive Director  
German Trade Office Taipei

## Executive Summary

### **Business Satisfaction Reached New High but Results Decreased**

A record high of 73% of the German companies in Taiwan were content with their business performance in 2022. Likewise, over 81% reported to have met or exceeded their business targets. However, a slight decrease in revenues indicate that global challenges such as disrupted supply chains and surging prices prevented better results.

### **Covid-19 Pandemic Left German Companies Relatively Unscathed**

Taiwan handled the pandemic exceptionally well. Even though over half of the German companies were negatively impacted during the past three years, only a minor proportion of 6% has experienced lasting damages. Most companies coped with the difficulties and adjusted their business operations. Every fifth company even benefited from it.

### **Commitment to Invest in Taiwan Remains on a High Level**

Since 2020, the percentage of German companies that plan to invest in the upcoming two years has constantly exceeded 40%. Staff development and market development remain the top priorities for investments. However, there was also a shift in willingness to invest from being indecisive to not planning to invest, reaching 39% in 2022.

### **Shortage of Qualified Staff Most Pressing Domestic Challenge**

Besides the absence of free trade and investment protection agreements with the European Union, attracting and retaining qualified staff is seen as the biggest domestic challenge (21%). Likewise, almost every fifth (18%) German company is concerned about talent shortages. The government should address this issue to keep the economy thriving.

### **Macroeconomic Challenges Weigh on Business Operations**

German companies in Taiwan still struggle with disrupted global supply chains. 67% stated that their local business operations were negatively affected in 2022, mainly on the import side. The number of companies that consider global economic growth as the biggest challenge for their future business activities also rose significantly from 46% to 62%.

### **Increased Concerns About Cross-Strait Relations and Tensions**

Cross-strait relations have become an increasingly important topic for German companies. Every fourth (25%) company stated that their supply chains were negatively affected as a direct result of increased tensions in 2022. Cross-strait relations also moved up in the future challenges ranking, recording a steep increase from 45% in 2021 to 54% in 2022.

The Business Confidence Survey (BCS) 2022/2023 was conducted between December 9, 2022 and January 10, 2023. A response rate of 36% was achieved out of the 251 contacted eligible respondents.

# Economic Overview and Outlook



”As of late, the Taiwanese economy has lost some of its momentum. Nevertheless, the forecasts predict further growth for 2023. The level of growth will mainly depend on how the demand for Taiwanese products on the global market will develop.

**Alexander Hirsche**

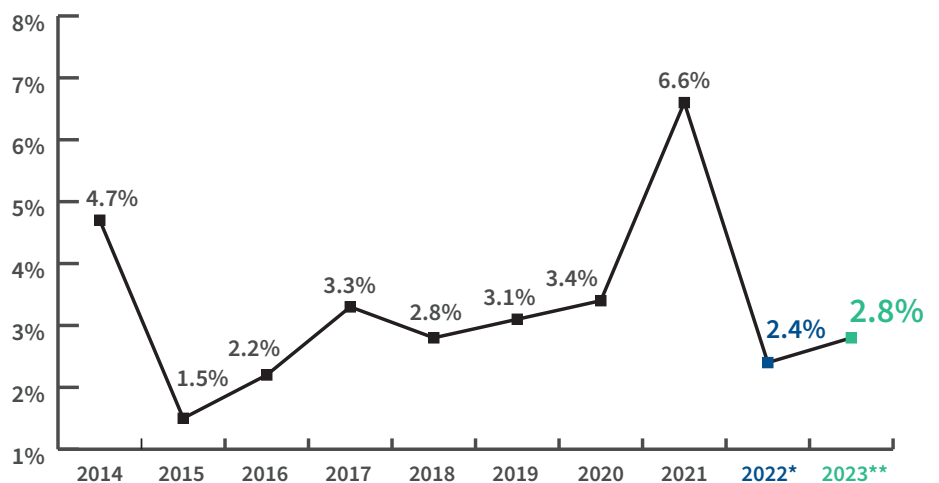
Director Taiwan and Philippines, Asia-Pacific  
GERMANY TRADE & INVEST

## Economic Development: Forecasts Revised Downwards

The Taiwanese economic situation has lost some of its momentum in 2022. The decreasing global demand for Taiwanese exports dampened the mood just as much as the global inflation. The island's government held onto its official forecast of 3.9% for the gross domestic product (GDP) for the year 2022, but the year's 3rd quarter fell short of expectations by 0.6% with a total growth of 4.1%. In the 4th quarter, the economic growth even decreased by 0.9%. By the end of the year, the GDP had to be revised downwards by 2.4%. In comparison, in 2021, Taiwan's economic growth was at a 10-year-high with a total growth of 6.6%.

For the year 2023, the Directorate-General of Budget, Accounting and Statistics (DGBAS) predicts a gross domestic product of 2.8%. Other economic research institutions and think tanks forecast a GDP between 2.4% and 2.9%. However, a lot will depend on how the global market develops in 2023. Taiwan's GDP is being dominated by exports (57%), but its growth decreased significantly over the course 2022 and even turned negative in late autumn.

## Taiwan's GDP Growth 2014 - 2023



Source: Directorate-General of Budget, Accounting and Statistics (DGBAS)

\*advance estimate (as of January 18, 2023)

\*\*forecast

Other indicators such as industrial output and consumer confidence also decreased.

Aside from political tensions, the increasing inflation negatively influenced the general economic situation. Especially essential goods and services such as foodstuffs or transportation showed a steep rise in prices. For 2022, the forecasts predict the inflation to reach 3% before it is expected to fall below 2% in 2023. The central bank reacted by

increasing the key interest rate by 0.625%, now reaching 1.75%.

Positive impetuses are being expected from the island's reopening for foreign visitors. The government abolished the quarantine mandates for visitors in October. Local airlines also resumed and increased their flights to foreign destinations significantly. Travel agencies and hotels registered increasing profits due to foreign visitors.

**Investments:**

**Wind Energy Companies Increase Their Activities**

The investment activities in Taiwan are significantly losing momentum. After the gross fixed capital formation's growth of 15% in 2021, 2022's preliminary growth of investments reached about 7%. For 2023, the forecasts predict slightly more than 3%. For the first time in three years, the industrial production slipped into the red in September of 2022.

Due to the decreasing international demand, the semiconductor companies revised their investment plans slightly downwards. Nevertheless, the sector will massively invest into the expansion of its capacities. This is expected to keep up the demand for capital goods and materials.

The value of approved direct investments increased in the first three quarters of 2022 by more than 150%. This can be retraced back to high-volume engagements in the offshore wind sector as the total number of projects actually decreased by 7% during said period of time.

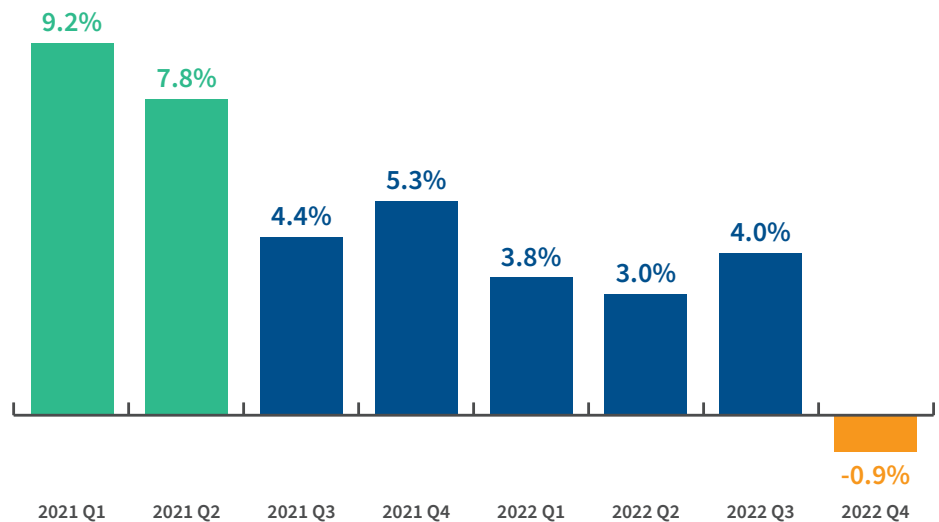
**Consumption:**

**Inflation Dampens Consumers' Mood**

The willingness of Taiwan's population to spend their money on consumable goods lessened in the second half of 2022. The Consumer Confidence Index (CCI) fell to the lowest number in 13 years. From 13 sub-segments, the CCI for permanent consumable goods showed the worst results. This implies a lessening demand for goods such as real estate, cars, or home appliances.

Originally, private consumption should have increased in 2022 and developed into the most important

**Taiwan's GDP Growth Rate by Quarter (2021-2022)**



Source: Directorate-General of Budget, Accounting and Statistics (DGBAS)

pillar of the economic cycle. As such, the DGBAS forecasted a rise in consumption of 5.5% in 2023. However, this could prove rather difficult due to current conflict situations. For example, real earnings were in decline in the first half of 2022, though at least the number of unemployment sank once again in 2022. According to the DGBAS, the labour market now has returned to pre-COVID-levels.

Because of the population's high purchasing power, the Taiwanese market is, in general, attractive for high-quality consumable goods manufacturers. Taiwan's average net assets per person are the highest in Asia. According to market researchers from Euromonitor, the revenue from luxury goods reached about 16 billion USD. However, industry figures fear that the local consumers will resume to purchase their luxury goods abroad where many articles are available for less money than in Taiwan.

**Foreign Trade: Exports Decrease**

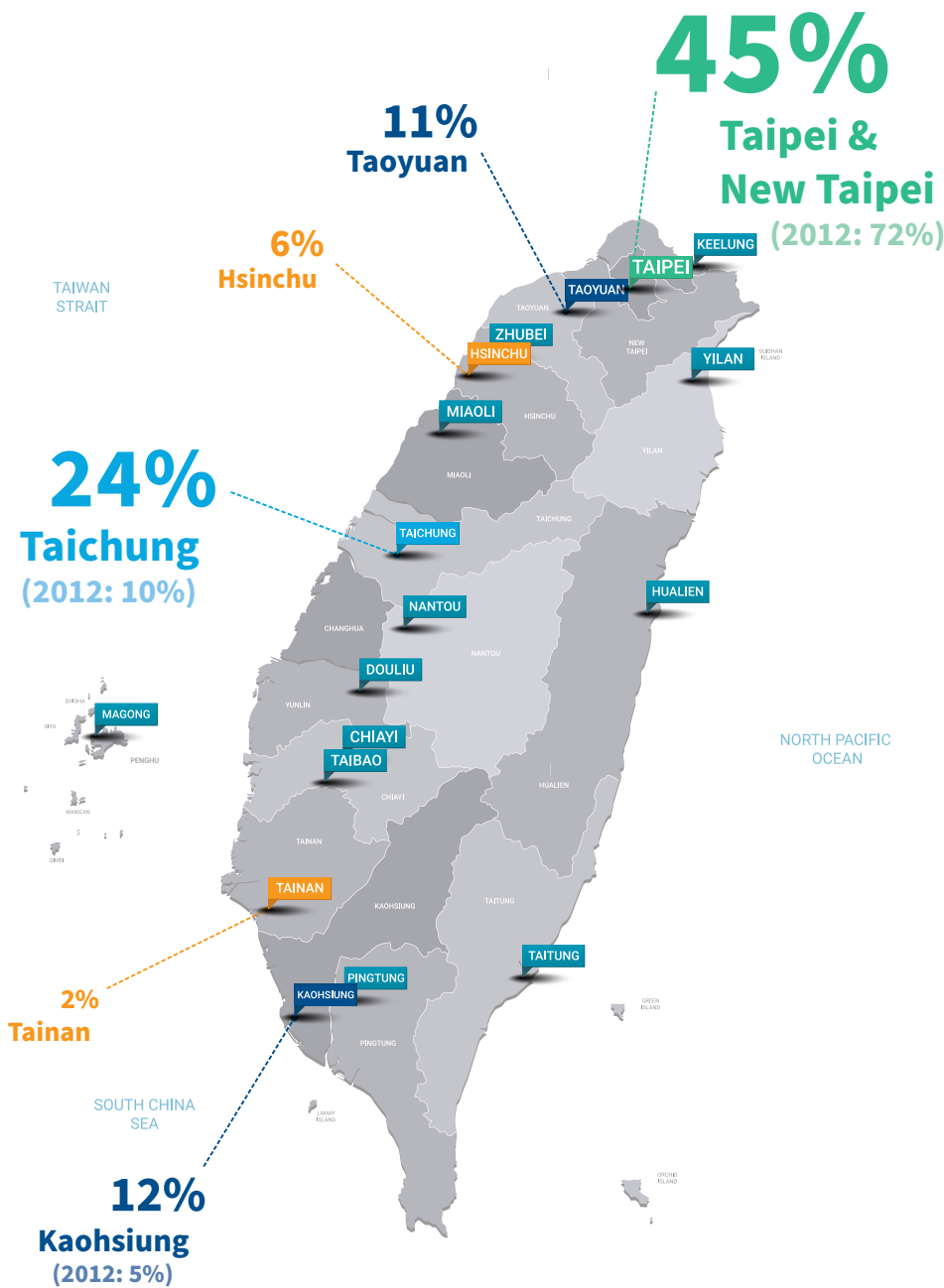
In recent years, exports were Taiwan's most important economic driving force. But now, this trend might be about to stall. After high numbers of growth in the beginning of 2022, exports even turned negative in late autumn. This development is due to the decreasing demand for semiconductors as well as China (including Hong Kong) which buys more than 40% of Taiwan's exports.

Nevertheless, during the full year of 2022, Taiwan's exports increased by 7.4% due to its strong performance in the first half of the year. For 2023, renowned market research institutions only forecast a low single-digit growth in exports. Imports increased in 2022 by 11.9% after a massive increase of 33% in 2021. The imports from Germany were slightly above this average, reaching almost 14%.

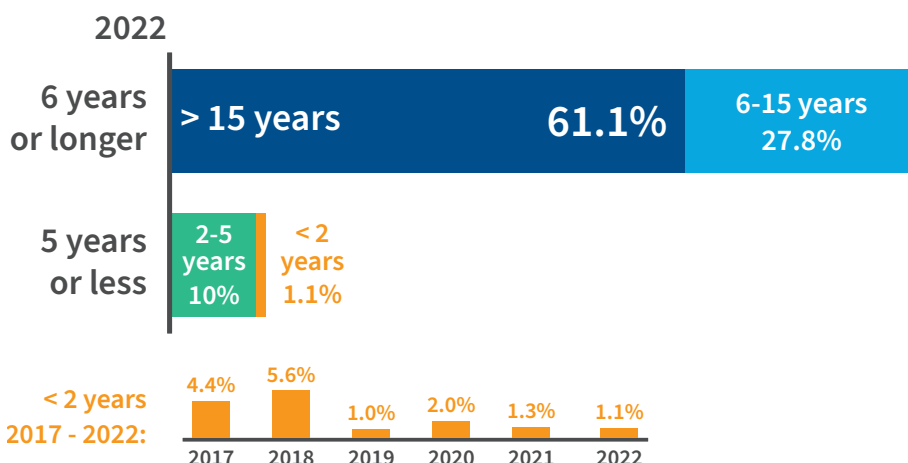
**For further information, please visit [www.gtai.de/taiwan](http://www.gtai.de/taiwan)**

Source: Article provided by GTAI Taiwan

# I. Company Profile



## High Long-Term Commitment - Fewer Newcomers



## Company Location

Almost two-thirds of the German companies are still located in the north of Taiwan. 44.7% are in Taipei or New Taipei City, 10.6% in Taoyuan, and 5.7% in Hsinchu.

While the north—and especially the Greater Taipei Area—remains the main hub for German businesses, the importance of the south has increased significantly over the past decade: Every fourth company now operates in Taichung (24.4%); in 2012, it was only every tenth (9.8%). The value for Kaohsiung also increased by over seven percentage points. Eleven years ago, only 4.9% of the companies stated to be active in Kaohsiung. In 2022 this value rose to 12.2%, making Kaohsiung the third most important city for German business operations.

## Taichung's importance has increased significantly since 2012

## Years of Operation

German companies excel at their long-term commitment to Taiwan: Almost 90 percent (88.9%) have been active in Taiwan for more than 6 years, of which 61.1% even established their local business over 15 years ago. 27.8% stated that they have operated between 6 and 15 years.

## GTO Assessment

For the fourth consecutive year, the number of newly found German companies did not pass the two percent threshold. In 2022, only 1.1% stated that they have been operating in Taiwan for no more than two years. In 2017 and 2018, this value was above 4%. It remains to be seen whether this will be a long-lasting trend—which should be addressed by the authorities—or whether German companies just postponed their market expansion efforts because of the COVID-19 pandemic.



## Main Fields of Business

Taiwan is mainly a service and sales market for German companies. Similar to previous survey results, the 2022 results reveal that 30.4% offer services to Taiwanese customers (28.0% in 2021), while 26.7% focus on sales and marketing activities (27.3% in 2021). As in previous years, trading remains the number three (18.0%). Almost every tenth German company stated to engage in sourcing and procurement (9.9%) or to have manufacturing / production sites (8.1%) in Taiwan. A minor part of 3.7% owns local research and development facilities.

The survey also revealed that the overwhelming majority (91.1%) of the German companies conduct business-to-business (B2B) transactions. 22.2% also target consumers (B2C), while 10.0% sale goods and services to the government (B2G).

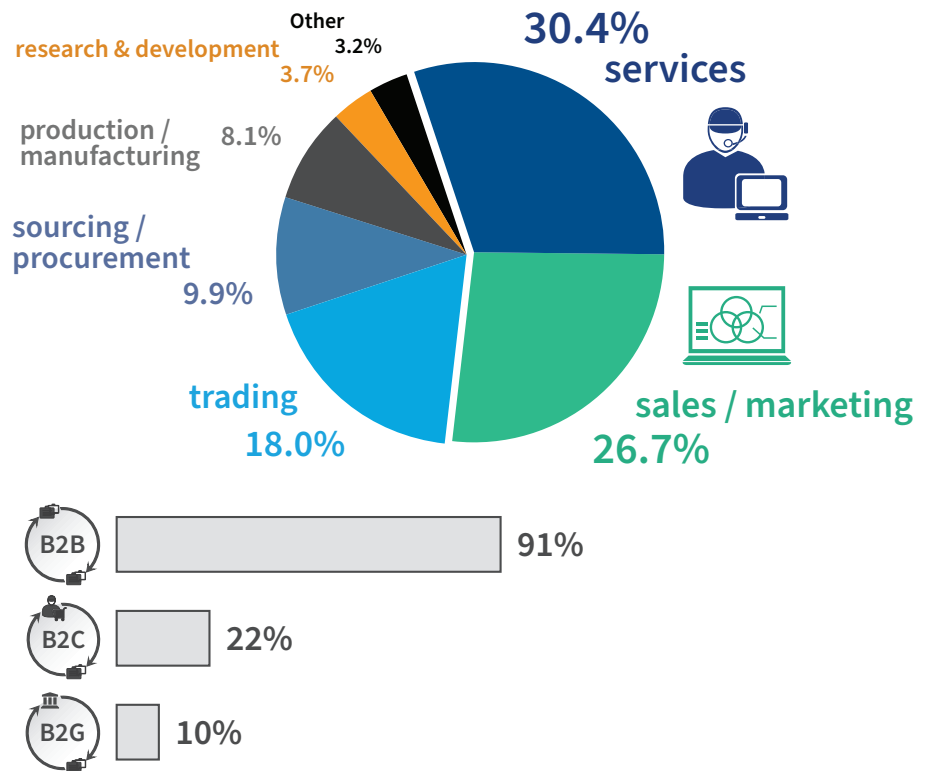
## Industry Sectors

The industry sectors that German companies are active in Taiwan coincide with the strengths of the German economy: The machinery, electronics, energy, automotive, and chemical industry are all strongly represented on the island. About one fourth (25.9%) belongs to the machinery / industrial equipment industry, while the electronics / computer sector and the energy industry account for 12.6% each. Almost every tenth (8.9%) company is part of the automotive industry, while the chemical industry makes up 6.7%. All in all, the ranking—especially the top places—shows a high level of continuity over the past few years, with only slightly changing percentage points.

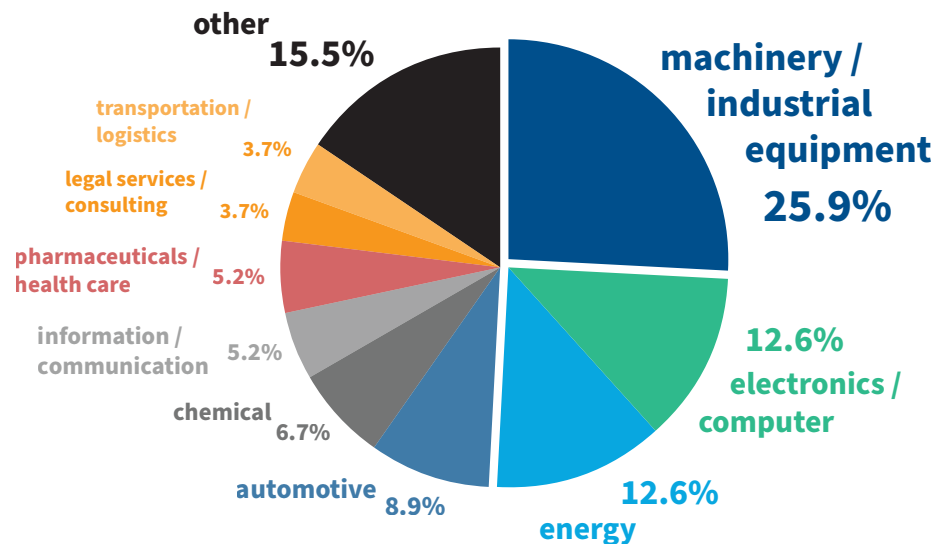
## Company Size

The vast majority of German companies in Taiwan are small or medium-sized entities employing up to 50 people (71.1%). 13.3% of the companies have a staff headcount between 101 to 500 people, while large enterprises employing more than 500 people account for 3.4%.

## Main Fields of Business and Business Types



## Main Industry Sectors



## II. Business Performance

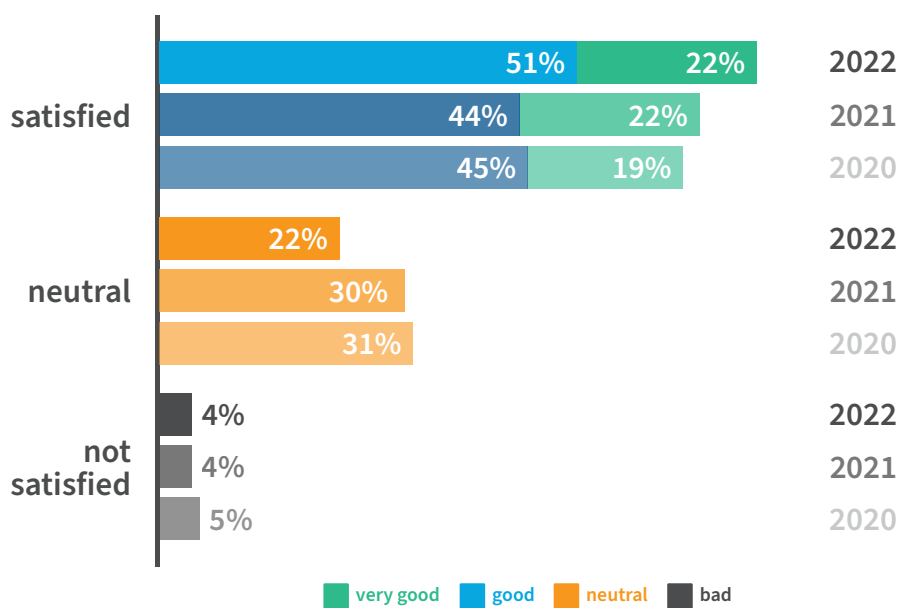


” *Siemens has achieved its “Golden Decade” in Taiwan with continuous growth over the past 10 years. We see Digital and Net Zero Transformations as the dual growth engines not only for ourselves but also for Taiwan in the coming years! Let us join hands to accelerate the transformations to build a sustainable Taiwan!*

**Erdal Elver**

President and CEO, Siemens Taiwan

### Satisfaction with Business Performance

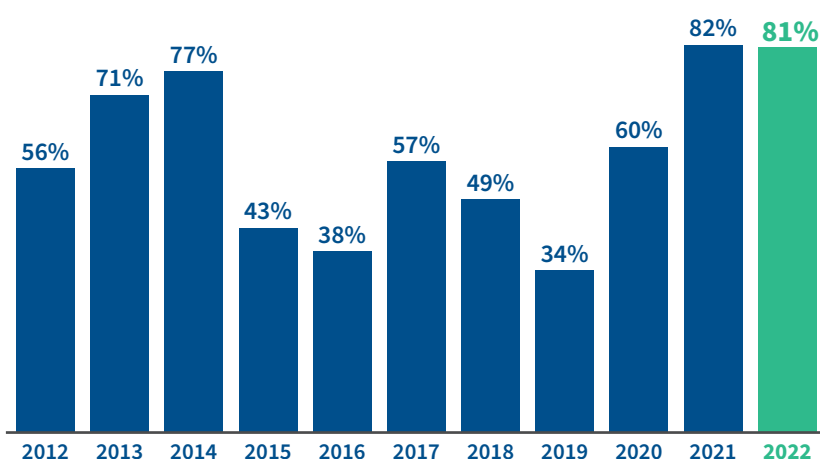


### Business Satisfaction

The vast majority of German companies is satisfied with their overall business performance in Taiwan. There has been a clear upward trend since 2020, hitting a new record high in 2022: 73.3% consider their business performance as good or even very good, which is an increase of seven percentage points compared to last year’s 66.3%. Every fifth company (22.2%) was neither content nor dissatisfied. Similar to 2021, only a minor proportion of 4.4% are not satisfied with their current business performance.

**Record high of 73% are content with their company’s overall business performance in Taiwan**

### Achievement of Business Targets



### Business Targets

The satisfaction is also reflected in the achievement of business targets. For the second consecutive year, over 81% of the German companies in Taiwan reported to have fulfilled or even exceeded their business targets, which shows that the companies were able to achieve their self-imposed goals despite global challenges such as the COVID-19 pandemic and disrupted supply chains. 18.9% stated that they were not able to meet their targets in 2022.



## Revenues

Revenues generated by German companies operating in Taiwan remain highly divers. Large scale enterprises with revenues above NT\$ 1 billion (16.1%) are just as present as small-scale companies with revenues of less than NT\$ 5 million (6.9%). However, most companies generate revenues in between.

In 2022, revenues on the upper end of the scale slightly decreased compared to the previous two years. The number of companies that earned more than NT\$ 1 billion decreased by 5.8 percentage points compared to 2021, while those who generated between NT\$ 250 million and NT\$ 1 billion decreased by 7.0 percentage points. About one-third of the companies (33.3%) generated revenues between NT\$ 50 million and NT\$ 250 million, which corresponds to an increase of 11.4 percentage points from last year's 21.9%.

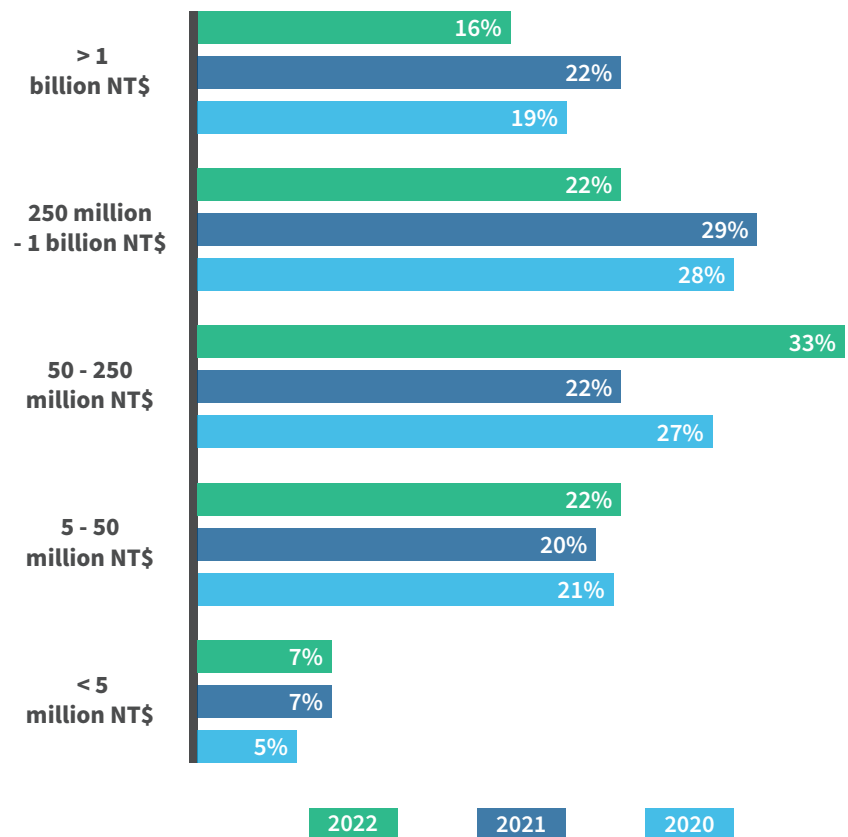
## EBIT Margin

The EBIT (earnings before taxes) margins continued to be positive in 2022. Every second (56.6%) company—of those willing to reveal their numbers (84.4%)—reported an increase in their EBIT margins. The overall result for positive margins remained virtually the same as in 2021; however, fewer companies were able to increase their margins substantially (minus 16 percentage points) compared to last year. Likewise, the number of those companies whose EBIT margins decreased substantially rose slightly from 3.3% in 2021 to 6.6% in 2022. 27.6% stated that their margins were similar to those of the previous year (27.9%).

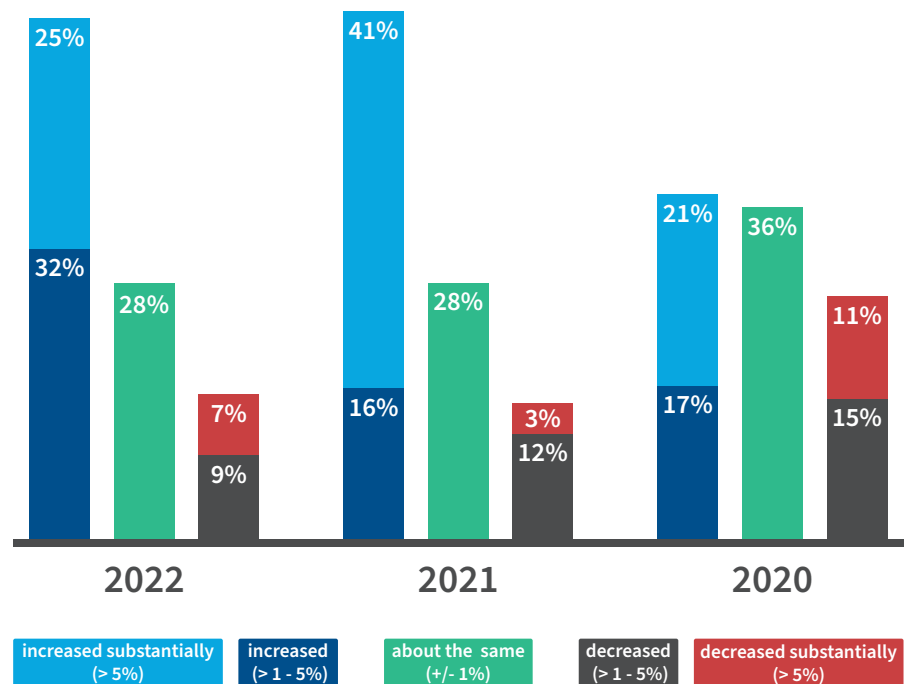
## GTO Assessment

Even though the vast majority of German companies operating in Taiwan is healthy and profitable, the decrease in revenues indicate that there are global and local difficulties such as disrupted supply chains and surging prices that prevent further positive development.

## Revenues 2020 - 2022



## Development of EBIT Margins 2020 - 2022



## II. Business Performance

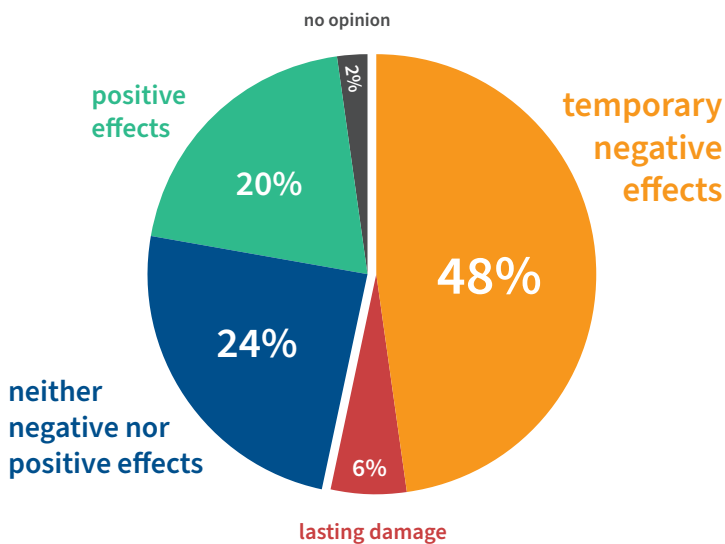


“German companies are increasingly satisfied with the business, which shows the strong market relevance of Taiwan. While supply chain constraints had an impact in all sectors, in particular with bigger companies, the business performance clearly shows increasing EBIT Margins. As Volkswagen Group Taiwan we are committed to drive this growth further.

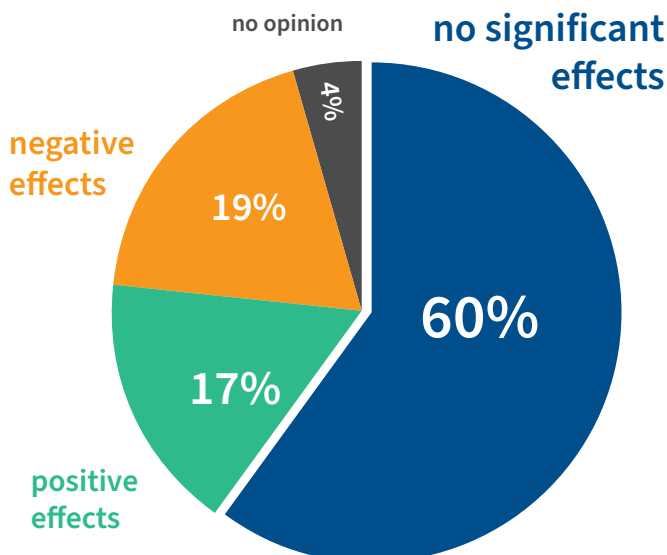
**Rahil Ansari**

CEO & Chairman, Volkswagen Group Taiwan

### Assessment of COVID-19: Past 3 Years



### Assessment of COVID-19: Expected Future Effects



### COVID-19 Pandemic

When asked how the COVID-19 pandemic has affected business operations over the past 3 years, 47.8% stated to have suffered from temporary negative effects. Only a minority of 5.6% declared that the pandemic has caused lasting damage to their businesses. Every fourth (24.4%) company was neither negatively nor positively affected, while 20.0% stated that their business was influenced positively.

In a follow-up question, the companies were asked how they would evaluate the future effects of the COVID-19 pandemic on their local business results. 60.0% stated that they expect the pandemic to have no significant effects on their future business results. 18.9% assume to continue being negatively affected, while 16.7% expect positive effects.

### GTO Assessment

The results revealed that German companies have emerged from the COVID-19 pandemic relatively unscathed. Even though over half of the companies were negatively impacted, only a minor proportion has experienced lasting damages. Most companies were able to cope with the difficulties and adjust their business operations, every fifth even benefitted from the crisis. An improvement in business activities was already recognizable in 2021 and the results of 2022 confirmed this trend.

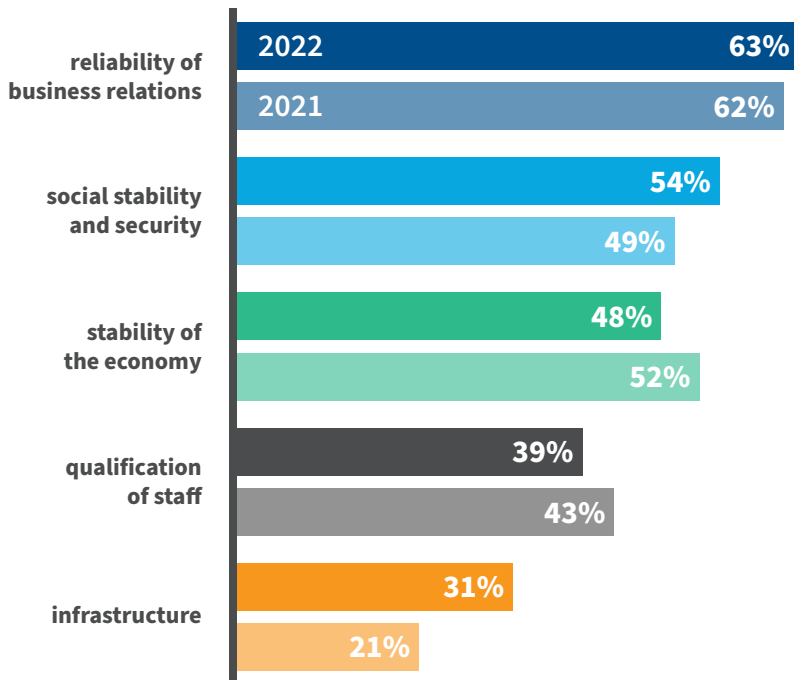
# III. Presence in Taiwan



“Taiwan is a key market for Bosch. For decades, Bosch Taiwan has grown its footprint, with three entities and four R&D centers set up. We are in the fast lane to unlocking the market’s potential and hitting lofty targets. Through our establishment in Taiwan, Bosch will boost our global competitiveness and lay the bedrock of innovations “invented for life”.

**Andreas Schmidt**  
Chairman and Managing Director, Bosch Taiwan

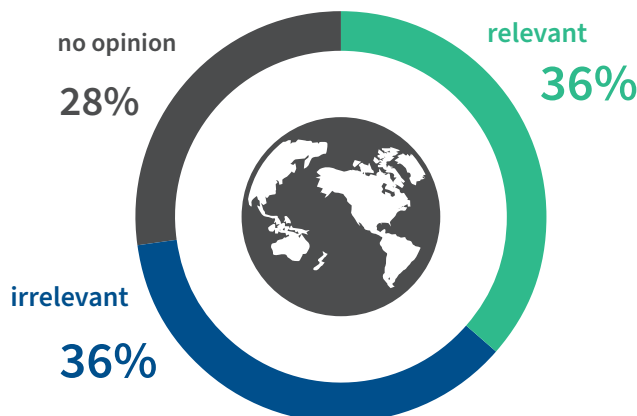
## Most Valued Aspects in Taiwan



## Most Valued Aspects

Compared to last year, there has not been much change in terms of the most valued aspects in Taiwan. German companies still value the reliability of business relations with Taiwanese counterparts the most (63.3%). In 2022, social stability and security was ranked second (54.4%), up one place compared to 2021 (49.3%). The stability of the economy was slightly less valued in 2022: 47.8% chose this option in this multiple answer question, down 4.3 percentage points from last year’s 52.1%. Qualification of staff also slightly decreased from 42.5% in 2021 to 38.9% in 2022. The largest increase was recorded for the option “infrastructure”, which was placed fifth with an increase of 10.6 percentage points to 31.1%.

## Taiwan’s Relevance for Developing Other Markets



**Over one-third consider Taiwan as important for developing new markets in third countries**

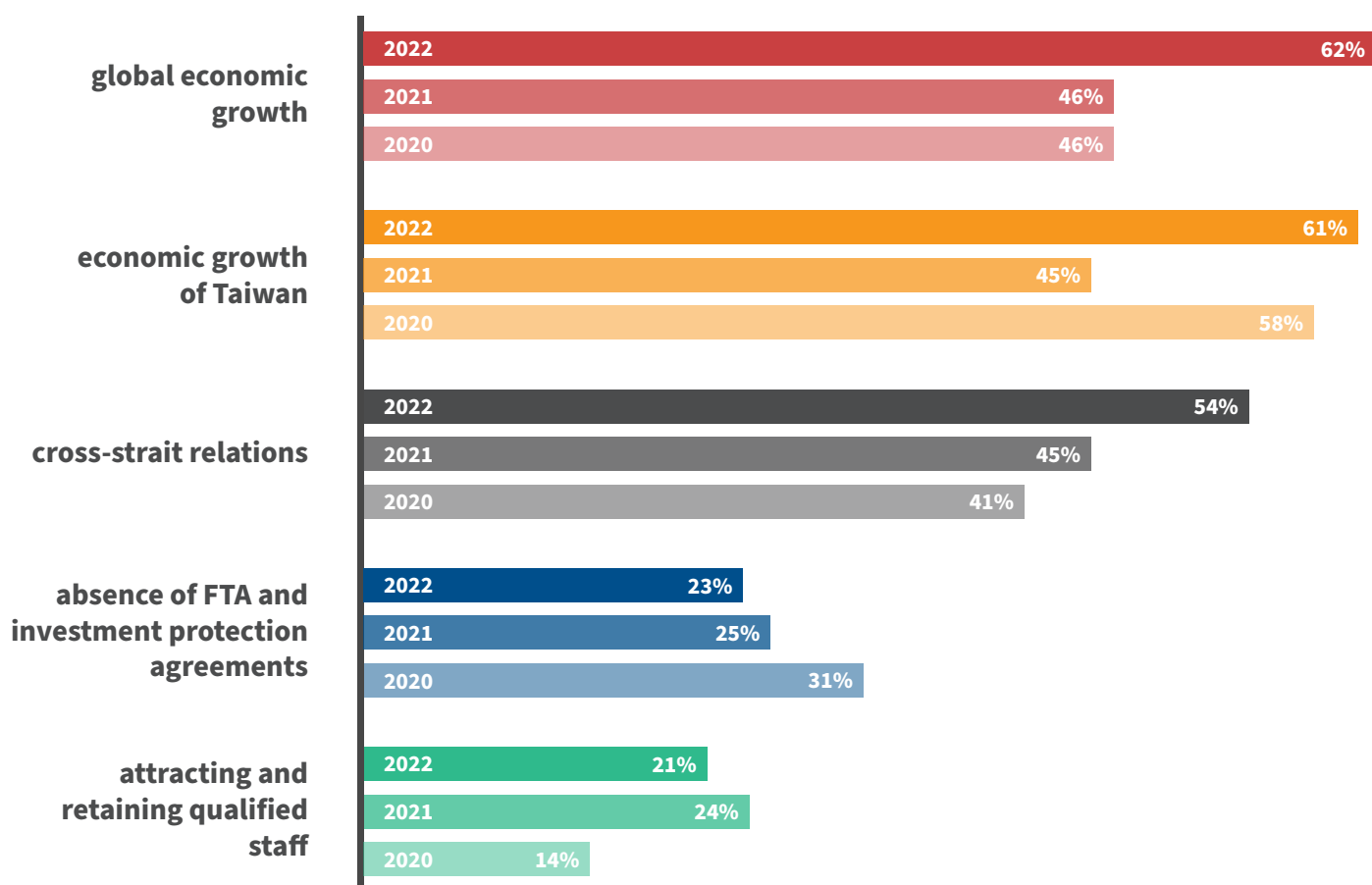
## Third Market Development

The BCS 2022/2023 results revealed that for every third company (36.4%) the business operations in Taiwan also play an important role for the development of new markets in third countries. Furthermore, 44.4% used Taiwan as a stepping-stone for entering other Asian markets.



# IV. Business Challenges

## Business Challenges 2020 - 2022



### Business Challenges

The BCS 2022/2023 results revealed that the prospects of slowing global and local economic growth had an impact on how German companies assess future challenges. Compared to last year's results, the proportion of companies that consider global economic growth (62.2%) and economic growth of Taiwan (61.1%) as the biggest challenges rose significantly by 16.1 percentage points and 16.4 percentage points, respectively. Similarly, cross-strait relations were placed third this year, recording a steep increase of almost ten percentage points from 44.7% in 2021 to 54.4% in 2022.

Other significant challenges named include the absence of free trade and investment protection agree-

ments between the European Union and Taiwan (23.3%), attracting and retaining qualified staff (21.1%), and lack of qualified staff (17.8%).

**Every fifth German company considers shortage of qualified staff as a significant challenge for future business operations**

On the other hand, customs procedures / custom audits (8.9%), aging workforce (7.8%), rising labor costs (7.8%), tax rates / tax procedures (5.6%), and lack of transparency at public tender procedures (4.4%) were considered only minor challenges.

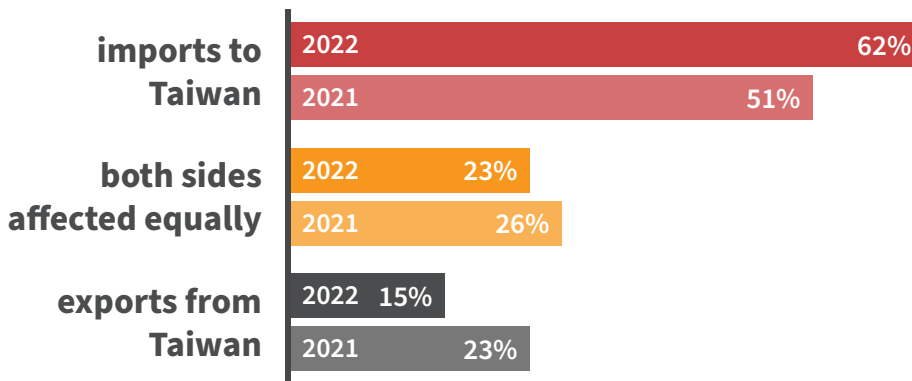
### GTO Assessment

Macroeconomic challenges such as a decelerated global and local economy are expected to increasingly weigh on the local business operations of German companies. Disrupted supply chains will also remain a major concern in the upcoming year. Furthermore, rising cross-strait tensions not only pose risks to future business endeavors but have already had tangible negative impacts on the supply chains of every fourth company.

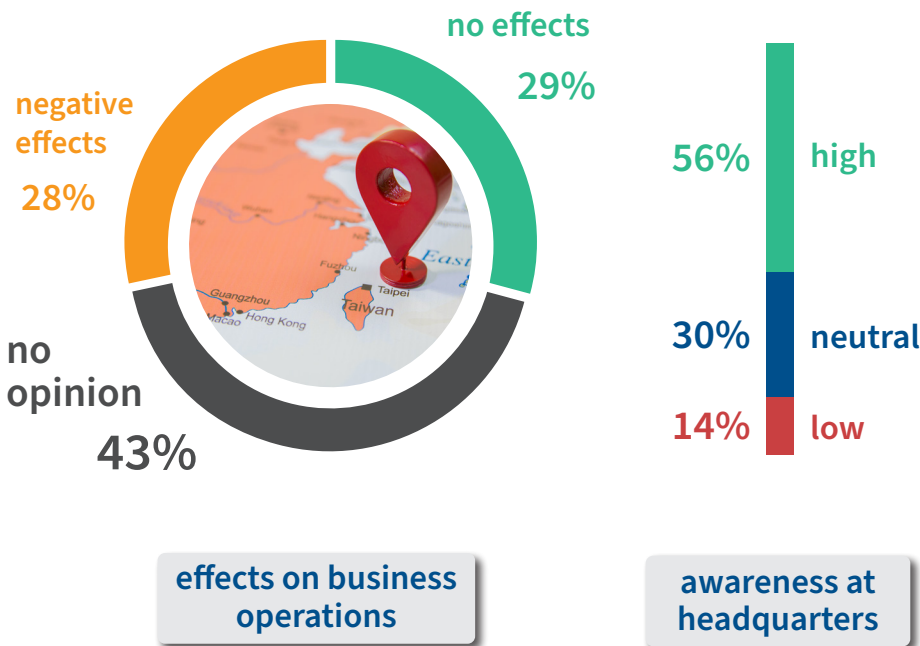
Domestically, the absence of free trade and investment protection agreements with the EU along with concerns about a shortage of qualified staff are seen as the most pressing challenges that should be addressed by the government.

# V. Special Topics

## Negative Effects of Supply Chain Issues



## Impact of Rising Cross-Strait Tensions



## Supply Chain Disruptions

German companies still struggle with disrupted supply chains. 66.7% stated that their local business operations were negatively affected in 2022, which is only a slight decrease from last year's 69.7%. In 2022, 61.7% of them were negatively affected on the import side. 15% reported problems on the export side, while 23.3% indicated that import and export side were equally affected.

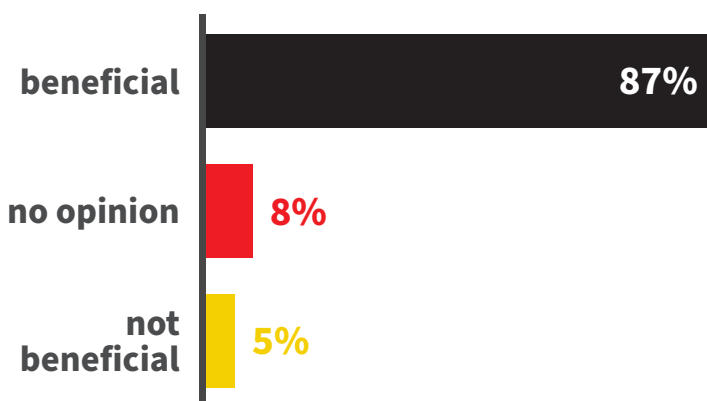
## Cross-Strait Tensions

When asked specifically about the negative effects of increased cross-strait tensions in 2022, every fourth (24.5%) company stated that their supply chains were significantly negatively affected. In contrast, a slightly higher proportion of 27.8% reported not to be affected at all.

A similar pattern was observed for the impact on future business and investment plans: 28.1% predict negative impacts on business operations, while 29.2% fear no consequences. Similarly, 29.6% assume that their investment plans will be significantly affected, 34.1% are optimistic that there will be no negative effects.

The results also indicate that cross-strait tensions have led to a greater awareness for Taiwan's unique situation at German headquarters. More than half (55.8%) stated that the awareness has increased or even increased significantly, while 13.9% do not recognize any awareness.

## Effect of "Made in Germany" on Business Results



## Branding "Made in Germany"

The BCS 2022/2023 confirmed last year's results: The famous branding "Made in Germany" still has a high reputation among Taiwanese consumers and customers. Nearly every ninth (86.5%) company reported that the branding "Made in Germany" has positively influenced their business results. Only a small proportion of 5.5% denied a positive effect of the branding. 8.0% had no opinion on this topic.

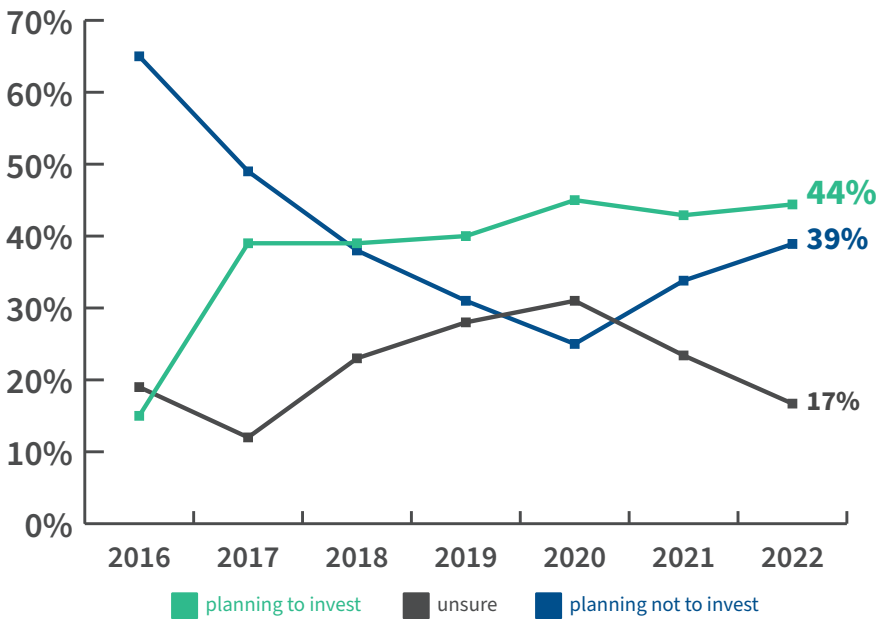
# VI. Business Expansion



“Now that the world recovers from the pandemic, more global challenges lie ahead. However, Taiwan’s investment and economic environment remain favorable, especially for the semiconductor industry. Merck is committed to investing in Taiwan to strengthen our local semiconductor footprint and capability, contribute to building supply chain resilience of the industry, and grow with our customers.

**Dr. John Lee**  
Managing Director, Merck Group in Taiwan

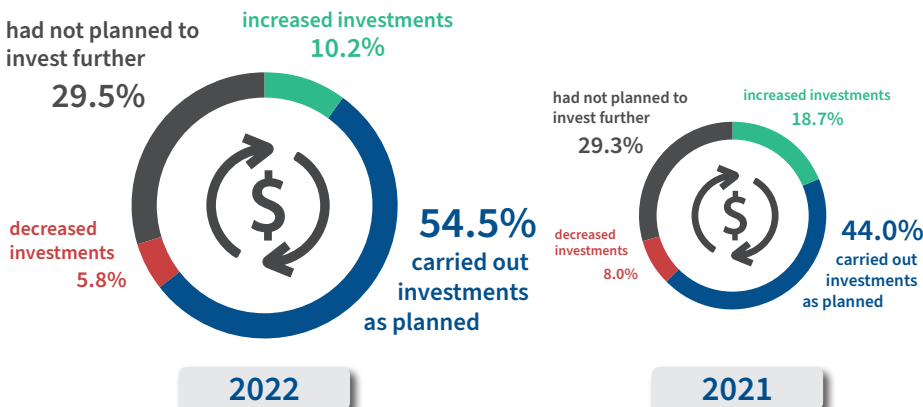
## Investment Plans Within Next Two Years (2016-2022)



## Investment Plans

The commitment of German companies to invest in Taiwan remains on a high level. Since 2017, every fourth company has stated to have plans to invest within the upcoming two years. During the past three years, this value was even between 43% to 45%. However, the survey results of the same period also reveal a steep increase in the number of companies that refrain from investing. While only one-fourth (24.8%) did not have any investment plans in 2020, this value increased by 14.1 percentage points to 38.9% in 2022. Likewise, the number of those companies that were unsure whether to invest in Taiwan over the next two years reached a five-year low (16.7%).

## Realization of Investments 2022 Compared to 2021

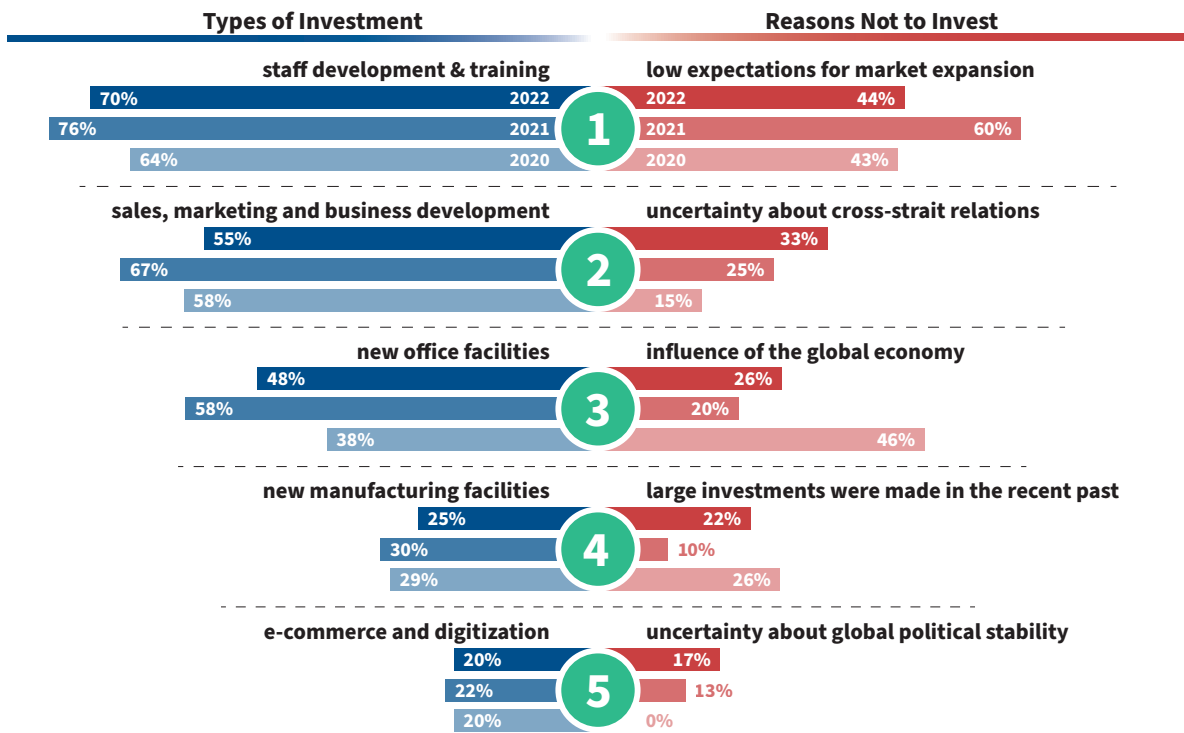


## Realization of Investments

Almost two-thirds (64.7%) carried out their investments as planned or increased their investments in 2022. This value resembles the previous result, however, there was a slight shift: Compared to 2021, the number of companies that increased investments during the year dropped by 8.5 percentage points to 10.2%. By contrast, 54.5% reported to have carried out their investments as planned, up 10.5 percentage points. The number of companies that had not intended to invest (29.5%) remained virtually the same as in 2021. 5.8% reported to have decreased investments, which constitutes a slight decrease.



## Investment Plans



### Types of Investments

As in the previous three years, investments in staff development & training (70.0%) remains the top priority of German investments in Taiwan. Sales, marketing and business development (55.0%), as well as new office facilities (47.5%) continue to be ranked second and third. In the BCS 2022/2023 results, investments in new manufacturing facilities (25%) and e-commerce and digitization (20%) moved up the ranking, now placing fourth and fifth.

### Reasons Not to Invest

Like in 2021, low expectations for market expansion (43.5%) remains the main reason for refraining from investing in Taiwan within the next two years. However, there was a

significant drop of this value by 16 percentage points compared to the previous results. By contrast, the prevailing uncertainty about the further development of cross-strait relations causes German companies to hesitate with investments. In 2020, “cross-strait relations” was placed fourth with 14.8%; in 2021, it was already placed second with 25% and in 2022 this value hit a new high of 32.6%. Likewise, concerns about the global economy (26.1%) and global political stability (17.4%) were mentioned as additional external reasons for refraining from investments.

### Overall Satisfaction

Nearly none of the German companies currently intends to leave Taiwan. The overwhelming majority of 96.7% does not plan to shift invest-

ments to a foreign business location. Likewise, 93.3% stated that it was at least likely that they would restart their business in Taiwan right now if they were facing such a decision.

**93%**  
would restart their business  
in Taiwan again

### Relocation of Investments



### GTO Assessment

The BCS 2022/2023 results show that German companies are still highly content with Taiwan as a business location. The overwhelming majority does not plan to shift investments to a foreign location and nearly all companies would restart their business in Taiwan again.

Investments in manufacturing facilities and an expansion of e-commerce and digitization capabilities have moved up in the ranking. However, low market expansion expectations and an increased uncertainty about cross-strait relations and the global economy cause some companies to refrain from investments.

# VII. Outlook

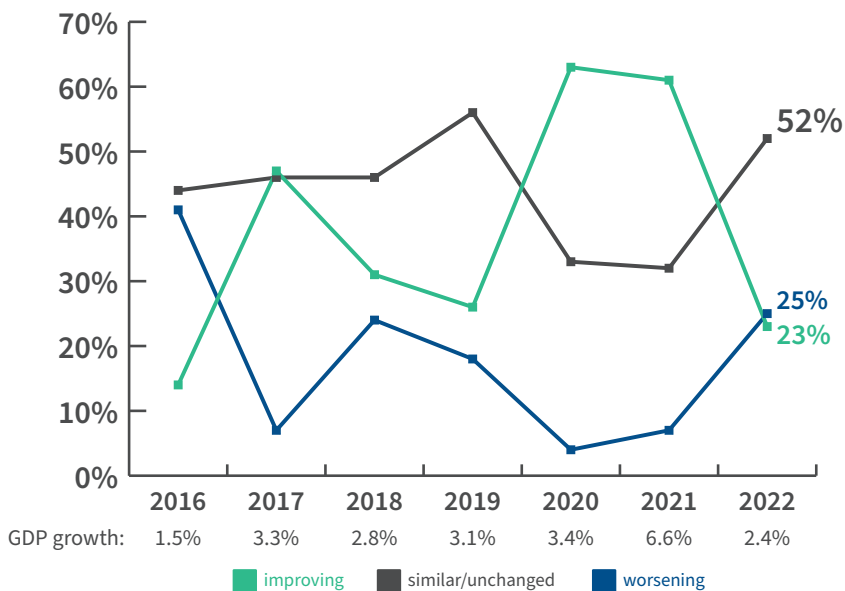


“We are pleased to see the government is committed to leveraging its resources and expertise in the tech sector and building a sustainable green energy system for this island, which will definitely help strengthening the collaboration with other countries’ governments and enterprises. We expect to see a continuous effort from the authorities in boosting the investment incentives from the private sector.

**Monica Liu**

Country Manager – Taiwan, RWE Renewables

## Prediction of Taiwan’s Economic Development for the Following Year

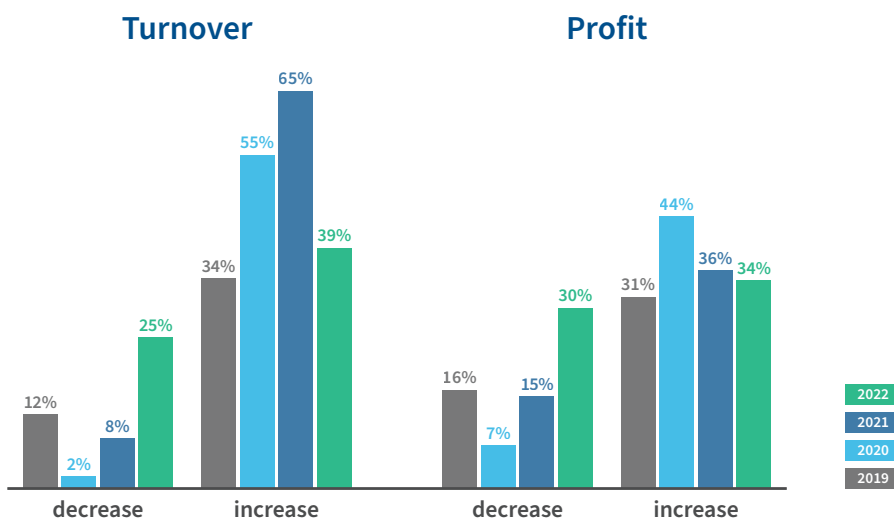


## Taiwan’s Economic Outlook

Optimism about Taiwan’s future economic development is somewhat curbed compared to the previous two years. Over half of the German companies (52.2%) estimate that there will be no significant changes in 2023. Only 23.4% expect the economy to improve, which is a steep drop of 37.9 percentage points from the result of 2021 (61.3%). Likewise, the percentage of companies that expect the economy to slow down increased significantly from 6.7% in 2021 to 24.5% in 2022.

Similar results were given for the outlook over the next three years: 50.0% assume that the economic development will be similar to the current state. However, more German companies are optimistic about a positive development until 2026. 34.5% predict Taiwan’s economy to improve, while only 15.5% assume lower growth rates.

## Turnover and Profit Expectations for the Following Year



## Financial Key Indicators

The results indicate that reservation is not just growing at the macro level. Compared to the previous two years, significantly fewer companies expect an increase of their turnover in 2023. While at the end of 2021 64.9% predicted their turnover would increase in 2022, only 39.3% assume that for 2023, which is a decrease of 25.6 percentage points. Similarly, the percentage of compa-

nies that predict a decrease of their turnover over the next 12 months rose from 8.2% to 24.7%. Profit expectations are also lower: Nearly every third (29.5%) company forecasts a decrease in profits in 2023, up 14.4 percentage points from last year. However, the percentage of companies that expect their profit to increase only slightly decreased from 35.6% in 2021 to 34.0% in 2022.

Despite the lower expectations in terms of sales and profit, German companies remain optimistic about their productivity and growth over the next two years. 42.7% are optimistic about extending their productivity, while only 5.6% are pessimistic. Likewise, over half of the companies (51.7%) still predict their business to grow.

### Outlook on Business Targets

The outlook on achieving their business targets hit a three-year low. While in 2020 and 2021 over 90% of the companies were optimistic to reach at least most of their business targets in the following year, only 74.5% assume to achieve their targets in 2023. 53.4% expect to fully achieve or even exceed them, which also constitutes a decrease of 12.4 percentage points compared to 2021. Moreover, the number of companies estimating to only partially achieve their business targets also increased significantly from 3.9% in 2021 to 21.1% in 2022.

### Impacting Factors

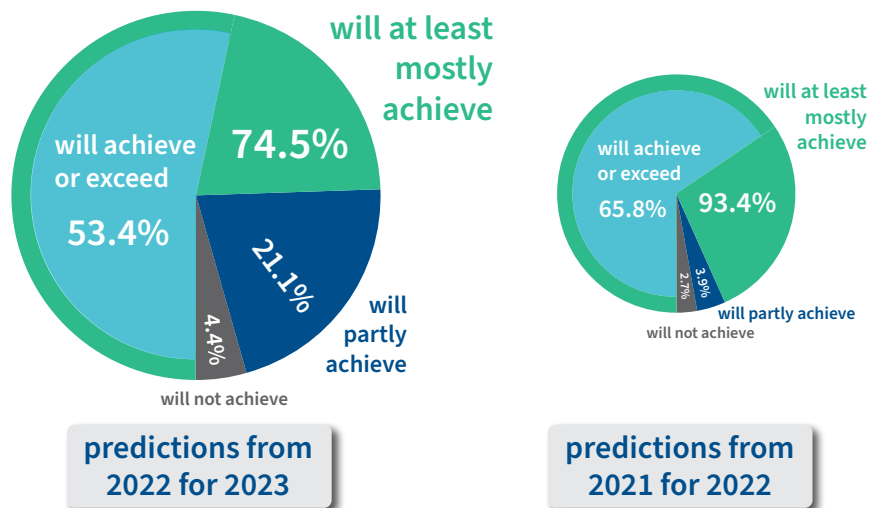
As in previous years, energy transition (33.3%) and digitalization (27.8%) remain among the top factors that may have the biggest impact on the industries that German companies are operating in. However, the trade dispute between the U.S. and China was ranked first (35.6%) in 2022. Other important factors include climate protection (26.7%), Industry 4.0 / Smart Machinery (24.4%) as well as localization demands (23.3%). The impact of demographic change is only relevant for every tenth company (11.1%).

### GTO Assessment

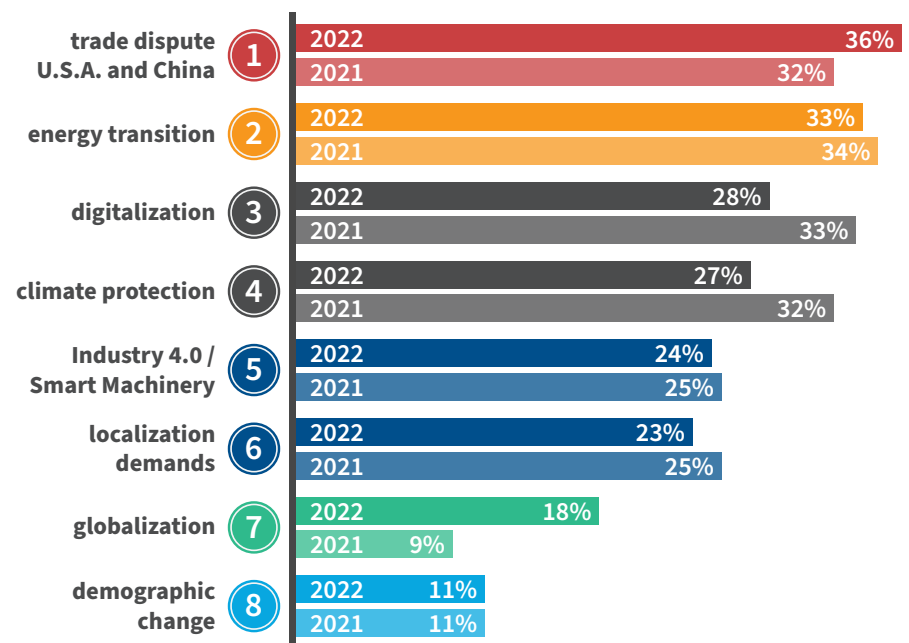
Compared to last year, German companies gave a more reserved prediction of Taiwan's economic development in the upcoming years. However, after four consecutive years of high GDP growth rates between 2.4 and 6.6 percent and with the end of the COVID-19 pandemic being in sight, raising doubts about further growth can be regarded as a natural development.

Nevertheless, the BCS 2022/2023 results also indicate a growing impact of global economic challenges and geopolitical events on local business operations. One-fourth of the companies predicts a decrease in turnover, every third company will probably face lower profitability. Especially the woes of the global economy, the uncertainty about cross-strait relations, and the trade dispute between the U.S. and China weigh heavily on business sentiment. Domestic topics such as the energy transition and localization demands will also likely put pressure on business operations.

### Forecasts of Business Targets (2022 Predictions Compared to 2021)



### Factors Likely to Affect Business Operations in the Next Few Years





# Key Findings

*Taiwan is still a highly attractive market for German companies. Business satisfaction remains very high, but macroeconomic challenges such as persisting supply chain issues, the woes of the global economy, and uncertainty about the further development of cross-strait relations weigh on business sentiment. Domestic challenges such as skilled labor shortage should be addressed by the government to keep Taiwan's economy and the German-Taiwanese business relations thriving.*

## Business Performance

- Record high of 73.3 percent were content with their business performance in 2022.
- 81.1 percent have fulfilled or even exceeded their business targets in 2022.
- Revenues slightly decreased in 2022, especially on the upper end of the scale.
- 56.6 percent reported an increase in their EBIT margins, which is on a similar level with 2021.
- German companies have emerged from the COVID-19 pandemic relatively unscathed. Even though 53.4 percent were negatively impacted during the past three years, only a minor proportion of 5.6 percent has experienced lasting damages. 20.0 percent even reported positive effects on their businesses.

## Challenges

- German companies active in Taiwan still struggle with disrupted global supply chains. Over two-thirds (66.7%) stated that their local business operations were negatively affected in 2022, mainly on the import side (61.7%).
- Macroeconomic challenges are expected to increasingly weigh on the local business operations of German companies. 62.2 percent consider global economic growth as the biggest challenges for their future business activities.
- Cross-strait tensions are increasingly seen as a potential business challenge, recording a steep increase from 44.7 percent in 2021 to 54.4 percent in 2022.
- Besides the absence of free trade and investment protection agreements with the EU, difficulties with attracting and retaining qualified staff (21.1%) as well as talent shortages (17.8%) pose the biggest domestic challenges for nearly every fifth German company.
- Factors that may have a substantial impact on business operations include domestic topics such as energy transition (33.3%) and digitalization (27.8%).

## Outlook

- German companies are more reserved about Taiwan's future economic development: 52.2 percent estimate that the economy will remain the same in 2023, only 23.4 percent expect the economy to improve. However, this assessment can probably be attributed to high GDP growth rates of between 2.4 and 6.6 percent in recent years.
- Predictions for local business developments are also lower: 39.3 percent forecast a decrease in turnover, which is a significant decrease from last year's result (64.9%). 29.5 percent assume that they will face lower profitability.
- The outlook on achieving future business targets hit a three-year low. While in 2021 93.4 percent were optimistic to reach at least most of their business targets in the following year, the value for 2023 dropped to 74.5 percent.
- 44.4 percent will invest in Taiwan within the next two years. Since 2020, the percentage of German companies that plan to invest in the upcoming years has constantly exceeded 40%. Staff development and market development remain the top priorities for investments.
- However, there was also a shift in willingness to invest from being indecisive to not planning to invest, reaching 38.9 percent in 2022. 16.7 percent are still unsure about future investment plans.
- 96.7 percent stated to remain in Taiwan and not shift investments, 93.3 percent would restart their business in Taiwan again.

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### About the German Trade Office Taipei

We act as the key intermediary between businesses from Germany and Taiwan, represent the interests of the German economy in Taiwan, and serve as first point of contact for your business activities in both countries. Through the effective combination of political support, networking, and a wide range of tailor-made services, we strive to fully cover the needs of your company during your business endeavors. Customer-orientation lies at the heart of our work, and no matter the size of your company, whether already well-established or newly founded, our highly motivated team will be pleased to assist you with your business operations wherever possible. With over 40 years of experience and backed by the extensive network of the global network of the German Chambers of Commerce Abroad (AHKs), we possess the right expertise to support your company on its journey to success. We are committed to your interests as your success is our mission!

# Our Service to the German Business Community in Taiwan

## GTO German Business Alliance 德經處企業聯盟

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