



German Business in Taiwan
Business Confidence Survey
Report 2021/2022
2021/2022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 2021/2022

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International Trade Bldg. 19F-9, No. 333, Keelung Rd., Sec. 1,

Taipei 11012, Taiwan

Tel.: +886-2-7735-7500 Fax: +886-2-7733-5280

www.taiwan.ahk.de

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Christoph Lory 羅利齊

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Introduction and Executive Summary



German-Taiwanese economic relations experienced a record-breaking year: Bilateral trade surpassed the US\$ 20bn mark in 2021 for the first time in history and German investments in Taiwan saw a substantial increase, while overall approved foreign investments decreased. To continue this success story, we, the German Trade Office Taipei, will work assiduously for upholding a favorable business environment. Since 2012, we have conducted our Business Confidence Survey to assess the current state of German companies operating in Taiwan, to find out where the shoe pinches, and to get valuable insights into their expectations. We are proud to present you our 10th edition, enjoy reading!

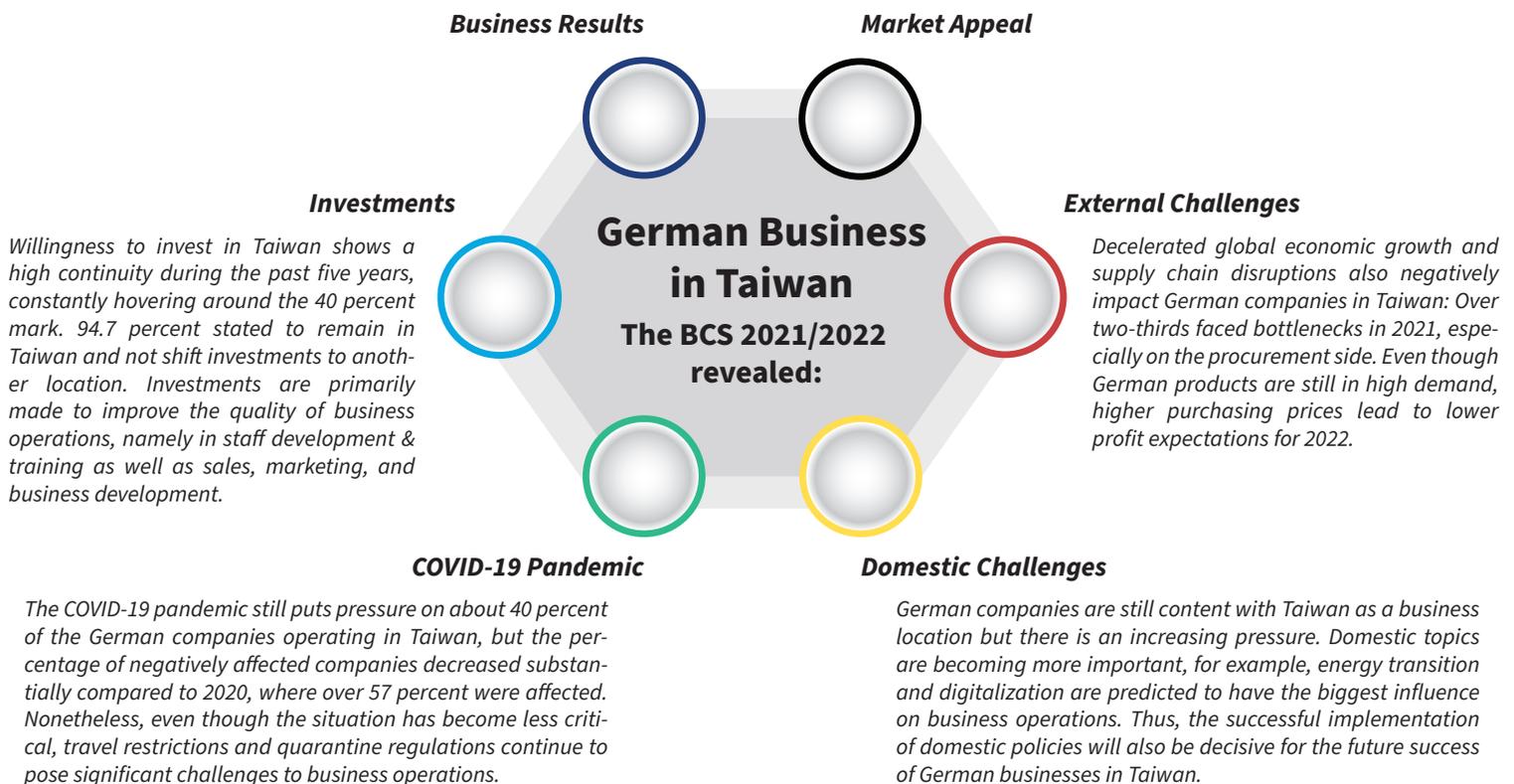
Axel Limberg

Chief Representative and Executive Director
German Trade Office Taipei

Executive Summary

A record high of 81.6 percent fulfilled their business targets in 2021. Already well-established businesses continue to grow, no matter whether in terms of employment, revenues, or EBIT margins. The outlook for further growth also remains positive: Over 60 percent expect the Taiwanese economy as well as their own business to grow further in 2022.

Long-term commitment of German companies remains high, however, there are fewer newcomers over the past few years. Similarly, a slight shift in willingness to invest from being indecisive to not planning to invest is reported. Market appeal may be on the decline, deterring new firms from entering the Taiwanese market. This development requires further investigation.



The Business Confidence Survey (BCS) 2021/2022 was conducted between December 6, 2021 and January 18, 2022. A response rate of 31% was achieved out of the 251 contacted eligible respondents.

Economic Overview and Outlook



” *The Taiwanese economy defies the global crisis with great success. GDP growth of 2021 was the highest increase in over a decade. This growth rate can be primarily attributed to a strong development in foreign trade spurred by semiconductor exports.*

Alexander Hirschle

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

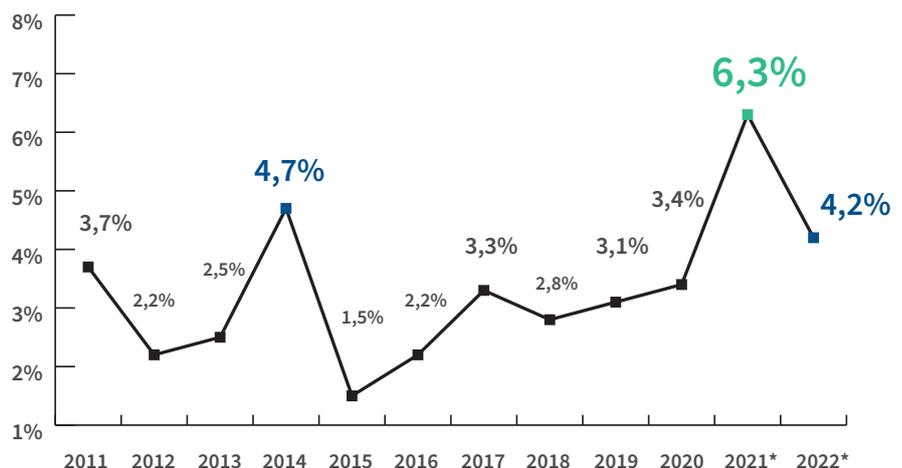
Economic Development: Record Growth Despite COVID

The Taiwanese economy defies the global crisis with great success. GDP growth of 2021 was recently adjusted upwards to 6.3 percent. This would amount to the highest GDP increase in over a decade. In previous years, GDP had still grown by 3.0 percent (2019) and 3.1 percent (2020) – despite the strong downturn of economic activities due to trade war and the world-wide COVID-pandemic.

The increasing momentum is primarily due to the strong foreign trade development. 2021 exports rose by strong 29 percent. Additionally, the temporary “soft-lockdown” caused by an COVID-outbreak in May did not lead to a slump of the consumption side, because cases were swiftly brought under control. Investments were once again a strong driving factor.

If inflationary pressure does not become too high, the central bank probably should keep the base interest rate under a stable condition up to mid-2022. 2022 forecasts indicate a GDP growth of around 4 percent. The slowing economic growth is reasoned with a decreasing international demand of electronic products

Taiwan's GDP Growth 2011 - 2022



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

*forecast

and simultaneously growing prices of raw materials.

Hence beginning with the coming year, the recently weakening consumption might detach exports as the main economic driver. Already in the fourth quarter, the private consumption showed a clear recovery due to the island's relaxed COVID-prevention rules. But it depends, whether Taiwan can keep the virus under control.

Investments:

Semiconductor Companies Lead to a Strong Increase

In 2021, gross fixed capital formation was an important pillar of growth. After a remarkable increase of about 5 percent in the crisis year of 2020, the upturn reached an enormous share of 15 percent in 2021. Private investments, which reached a height of 18 percent are still stimulated by massive capacity expansions of the semiconductor companies. Just the three years plan up to 2023 of sector-leading TSMC consists of 100 billion US\$ of investments.

Above that, the successful reshoring program up to 2024 had been extended by three years, aiming additional engagements of about 30 billion US\$ value. During the first phase of the initiative, already 250 companies returned their capacities of nearly 40 billion US\$ back to the island.

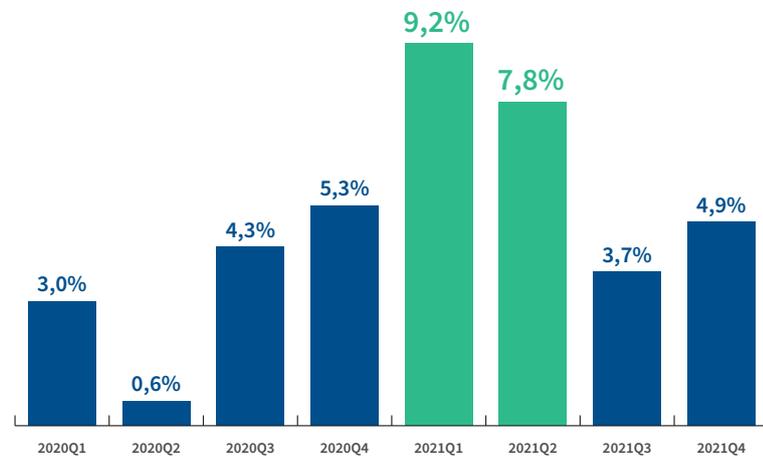
Meanwhile, the government focus on the second wave of investment of international companies and strengthen the position of Taiwan as a center for international supply chains. However, direct investments fell down by 18 percent in 2021. Due to the demographic trend, employees might a bottleneck for the investment location Taiwan. In addition, many employees are drawn to the booming semiconductor sector with its significantly higher wages.

Consumption:
Growing Trend Despite Inflation and COVID

Private consumption recovered in 2021 after a slight dip due to the COVID-pandemic in the previous year. Despite the “soft lockdown” for months by the government sales could be stabilized. Although the lockdown caused declining consumption expenditures, retail registered a growth of 2.3 percent in the first three quarters compared to the previous collection period.

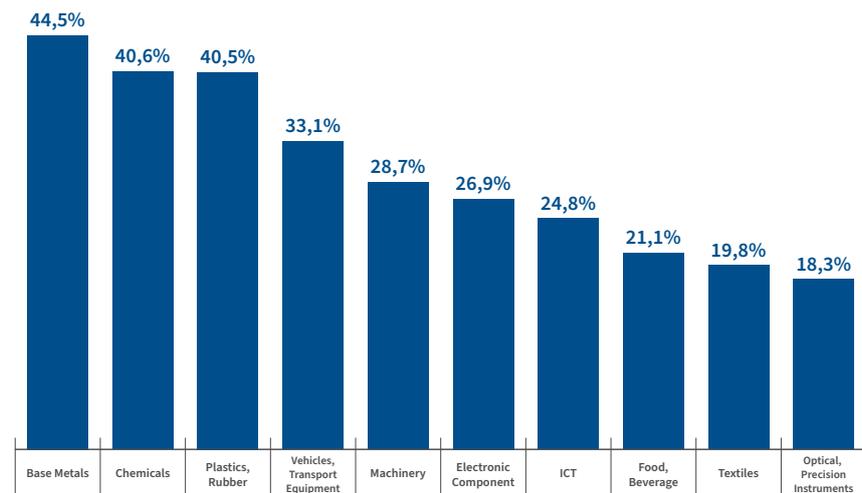
Online retail at hypermarkets increased skyrocketing. With 6.5 percent of growth, wholesale also reported a huge plus. Taiwan’s generally good economic situation, declining unemployment and increasing wages are additional drivers for consumption. Again, the government gave impetus by the supply of stimulus vouchers for the people. Despite that, at the end of the year, consumer confidence decreased due to growing inflationary pressure, among others. Yet, 2022 fore-

Taiwan’s GDP Growth Rate by Quarter (2020-2021)



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

Exports: Growth Rate by Sector 2021



Source: Ministry of Finance (MOF)

casts predict an increase of private consumption by more than 5%.

Foreign Trade:
Semiconductors Drive Exports

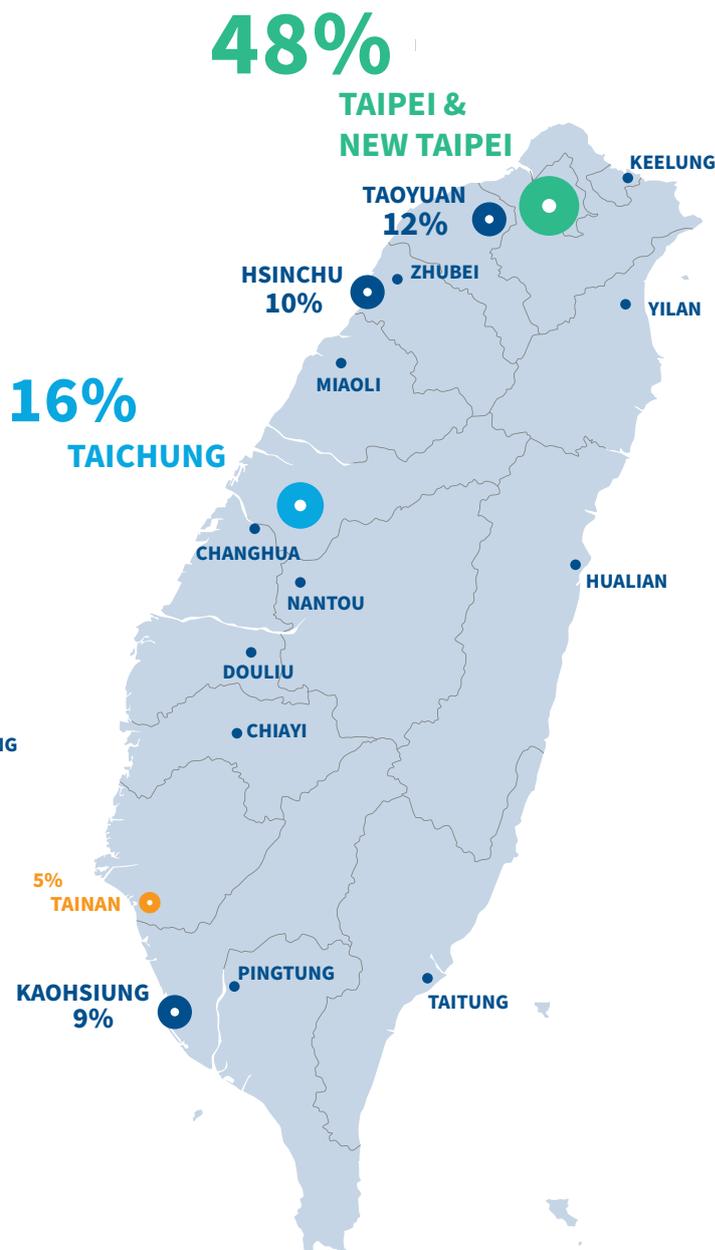
Also in 2021, Taiwanese exports were the most important pillar of economy. Exportation increased by 29.4 percent. Just as in the previous years, main driver for growth were the exports of electric components, semiconductors, and IT-equipment, which account for more than half of all shipments. However, other sectors, such as chemicals, machinery or textiles also showing strong export growth. The government ex-

pect further impetus from an possible participation in the CPTPP trade agreement, which could induce additional GDP of up to 2 percent.

Imports grew even by 33.2 percent in 2021. The strong increase is partly due to rising prices for raw materials and components. “Made in Germany”-imports grew by 23 percent during the same period. In turn, Taiwanese exports to Germany rose by even 35 percent. On balance, according to the Taiwanese customs statistics, Germany had a bilateral trade surplus of about 4.3 billion US\$.

Source: Article provided by GTAI Taiwan

I. Company Profile



Company Location

German companies are active in every major city along the west coast of Taiwan. As in previous years, Taipei and New Taipei City continues to serve as the main hub for the majority of German companies, where almost half (47.7%) of them is located.

However, the middle and south of Taiwan has gradually gained importance over the past ten years. While the results of our first Business Confidence Survey in 2012 indicated that a total of only 14.7 percent were located in Taichung or Kaohsiung, almost one third is now located either in Taichung (15.6%), Kaohsiung (9.2%), or Tainan (4.6%). Taoyuan is the third most important location (11.9%), Hsinchu was placed fourth (10.1%). Other cities such as Changhua only play minor roles.

Taipei & New Taipei continue to be the main hub for German companies

Years of Operation

The results of the Business Confidence Surveys of the past few years have all shown that German companies stand out due to their long-term commitment to the Taiwanese market. The results of 2021 confirm this finding as well: Over 84 percent have been active in Taiwan for more than 6 years and almost two thirds (61.8%) have set up their business more than 15 years ago.

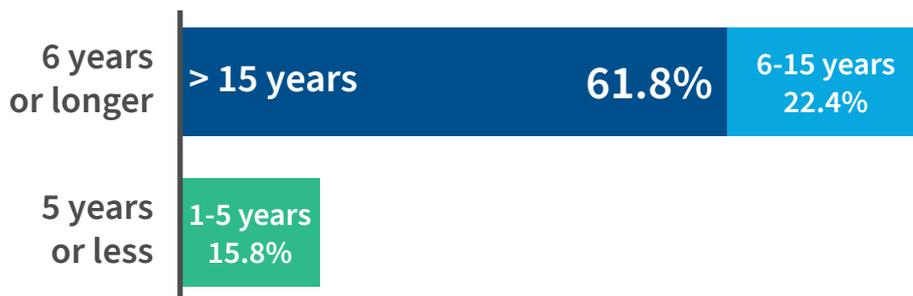
However, there is also a non-negligible part of newcomers, which have started their business operations within the past five years (15.8%).

Long-Term Commitment

62%

have been operating in Taiwan for more than 15 years

Long-Term Commitment of German Companies



Main Fields of Business

Fields of business generally show a high continuity over the past ten years. In 2021, sales and marketing activities (28.0%) as well as services (27.3%) remained the main fields of business that over half of German companies engage in. However, the proportion has changed significantly compared to 2012. While sales/marketing had a share of over 55 percent about ten years ago, this value has been halved during this period. In contrast, services gained around 10 percentage points compared to 2012, indicating that providing services has become increasingly important for German companies. Trading remained third with 16.1 percent, while sourcing / procurement was placed fourth (13.0%). A small proportion conducts research and development (8.1%) or even has manufacturing facilities (7.5%).

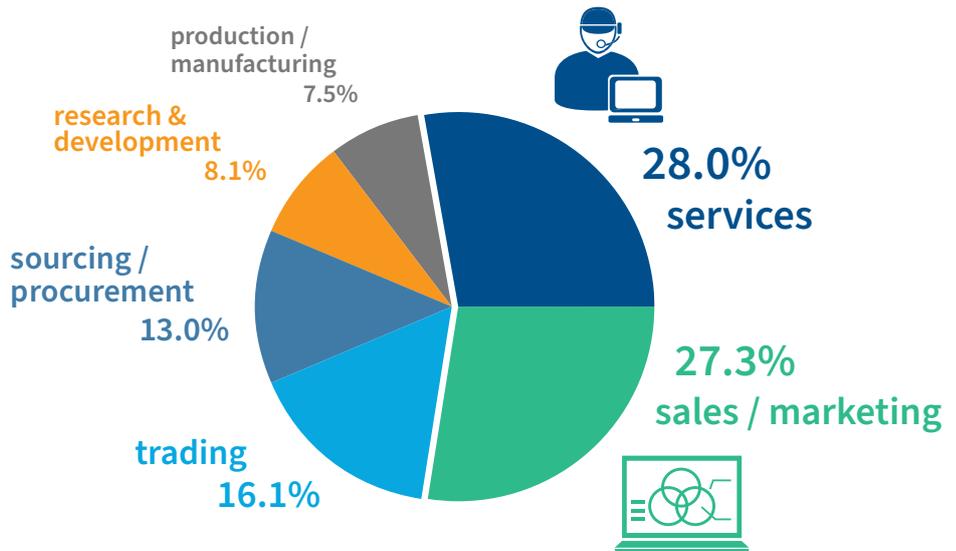
Industry Sectors

German companies are predominantly active in the machinery / industrial equipment industry (27.1%) and the electronics / computer sector (17.8%), constituting almost half of the overall result. As in the previous three years, energy was placed third (11.2%), indicating that German energy companies are actively involved in the development of Taiwan's energy sector. The automotive (8.4%) and chemical (7.5%) industry ranked fourth and fifth, the same as last year. Legal services / consulting and pharmaceuticals / health care products accounted for 7.5% and 6.5%, respectively.

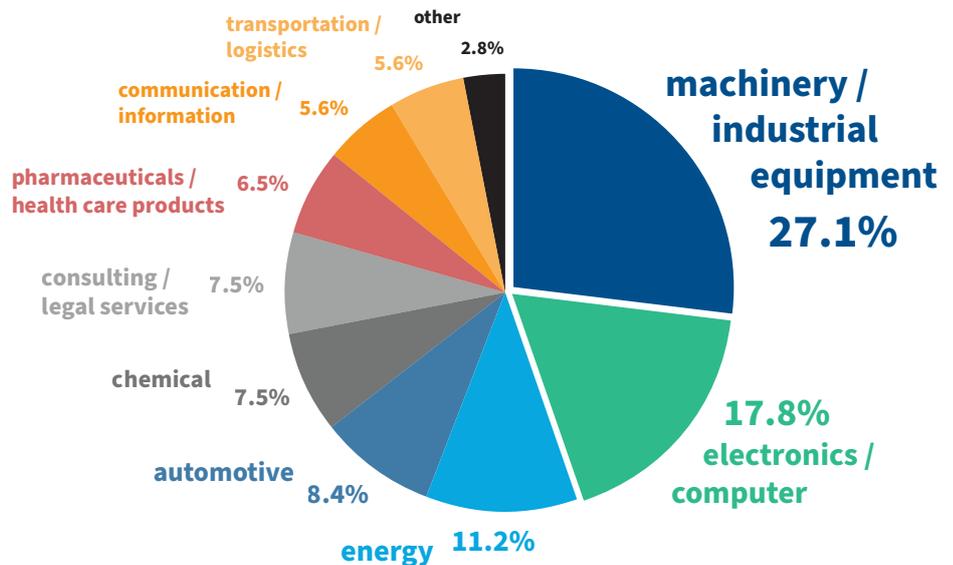
Company Size

The BCS 2021/2022 results also confirmed the results of the previous issues in terms of company size: Over two-thirds of the German companies in Taiwan are small or medium-sized entities employing up to 50 people (67.6%). Of the remaining one-third, 15.6 percent employ between 100 to 500 people, while very large enterprises with a staff headcount of over 500 employees account for 5.2 percent.

Main Fields of Business



Main Industry Sectors



2/3 of the German business units are small entities employing between 1 to 50 people



- 15.6% employ between 101 and 500 persons
- 11.7% employ between 51 and 100 employees
- 5.2% operate large scale companies with more than 500 employees

II. Business Performance

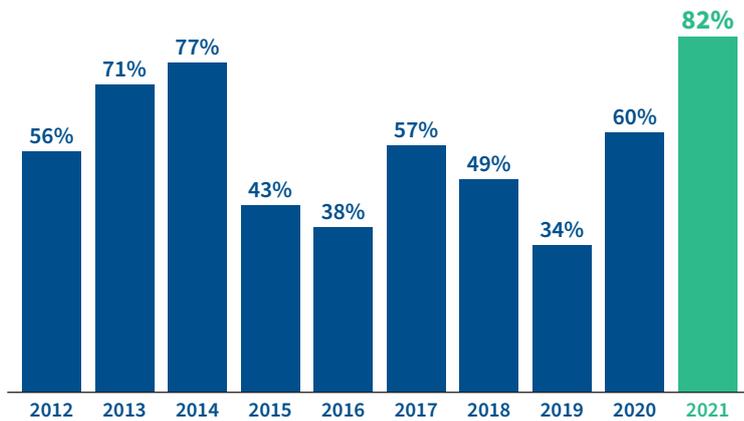


“The development of the business continues to be favorable in Taiwan. While shortage of supply or lack of products remain the biggest challenge during the pandemic, companies have been largely able to increase revenues and profitability. Despite the earlier lockdown the business is coming back and the confidence level therefore remains high.

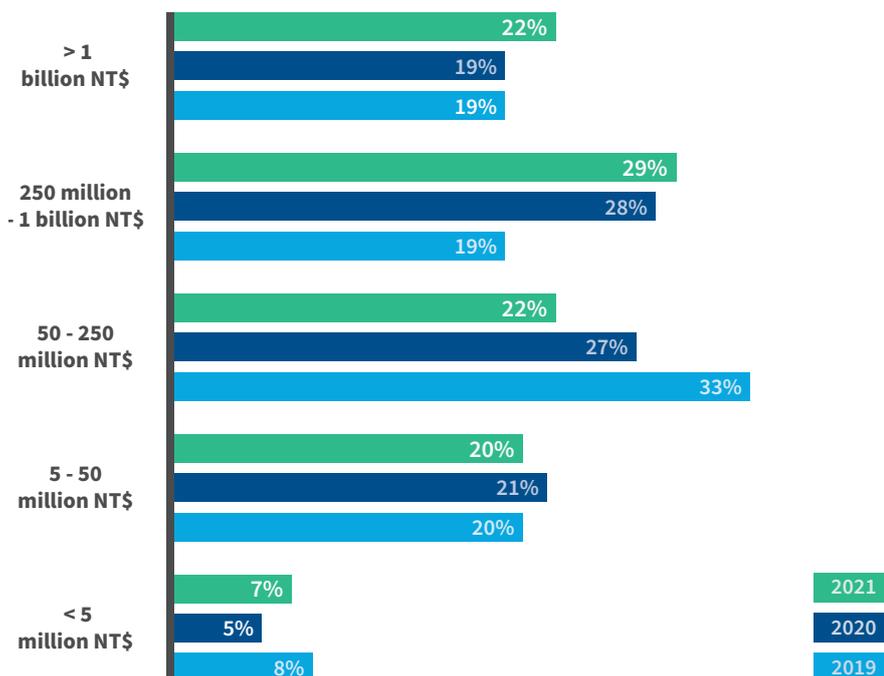
Rahil Ansari

Group Managing Director, Audi Volkswagen Taiwan Co., Ltd.

Achievement of Business Targets



Revenues 2019 - 2021



Business Targets

A record high of 81.6 percent of the companies stated to have fulfilled or even exceeded their business targets in 2021. This is an increase of 22.1 percentage points compared to last year's result (59.5%) and even surpassed the original record set in 2014 (77%). However, this result could also be a consequence of re-adjusted business target due to the impacts of the COVID-19 pandemic in 2020.

Revenues

As in previous years, revenues generated by German companies cover a wide range and remain highly divers. From small-scale companies with revenues of less than NT\$ 5 million (6.8%) to large-scale enterprises with revenues of more than NT\$ 1 billion (21.9%), all are present in Taiwan, albeit most companies generate revenues somewhere in between.

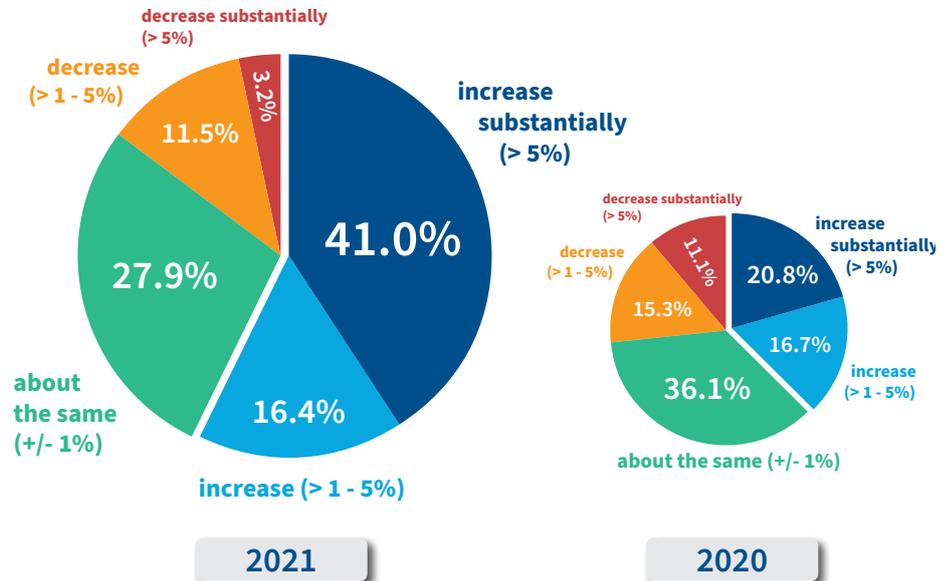
A slight shift can be identified at the upper end of the scale: Revenues above NT\$ 250 million saw an increase over the past three years, while those between NT\$ 50 million and NT\$ 250 million decreased, indicating that German companies were able to generate significantly more revenues compared to 2019.

EBIT Margin

EBIT margins developed positively in 2021 compared to 2020. Of those companies willing to reveal their EBIT (earnings before taxes) margins (79.2%), 57.4 percent reported an increase of their EBIT margin compared to last year's result, which is a substantial increase of almost 20 percentage points (result 2020: 37.5%). 41 percent were even able to increase it significantly (i.e., increase of over 5%).

Likewise, the number of companies reporting a decrease of their EBIT margin dropped from 26.4 percent in 2020 to 14.8 percent in 2021. This could indicate that the majority of German companies were able to recover from setbacks endured in 2020.

Development of EBIT Margins 2021 Compared to 2020



>50% of the German companies reported an increase of their EBIT margin

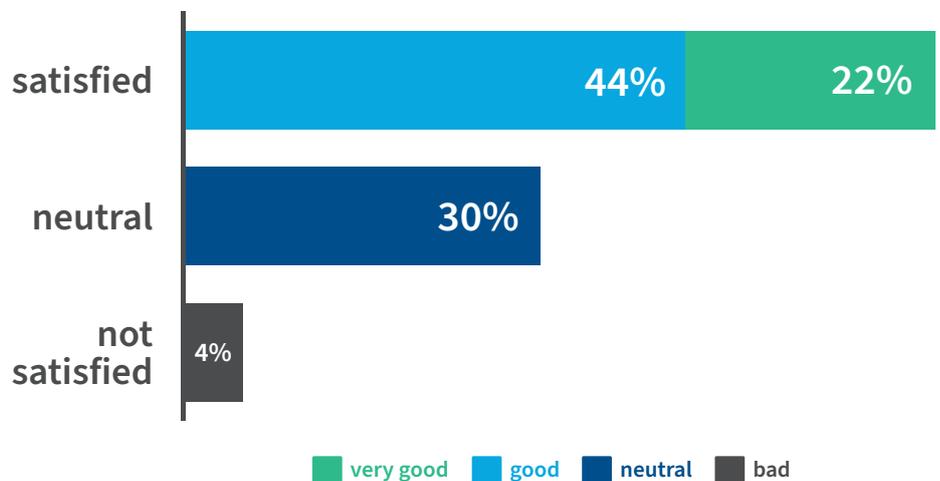


Business Satisfaction

German companies remain very satisfied with their overall business performance in Taiwan. As in previous years, approximately two-thirds (66.3%) consider their performance as good or even very good. Only a minor proportion of 3.9% is not satisfied with their performance.

Two-Thirds
are content with their
company's overall business
performance

Satisfaction with Business Performance



II. Business Performance

Impacts of COVID-19 Pandemic

2021 was still marked by the pandemic and the resulting prevention-and-control measures. However, compared to the results of the previous survey, the percentage of negatively affected companies decreased by 17.4 percentage points. While over half of the German companies (57.7%) recorded a decrease of their revenues in 2020, this value decreased to 40.1 percent in 2021. Likewise, the number of companies reporting not to be impacted by the pandemic rose from 22.8 percent in

Travel Restrictions and quarantine measures continue to pose significant challenges

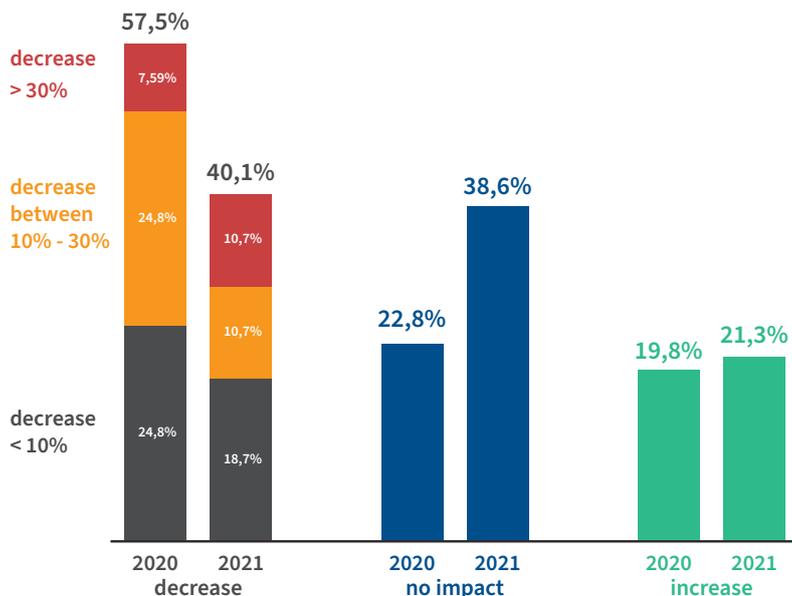
2020 to 38.6 percent in 2021. Every fifth company (21.3%) was even able to increase their revenues during the pandemic. This value is virtually the same as in the previous year (19.8%), indicating that some of the originally negatively impacted companies were able to turn the tide in 2021.

Detailed Effects of COVID-19

Close inspection reveals that of those companies negatively affected by the pandemic, decreased demand of products and services continued to be the most critical factor in 2021 (48.3%). Cancellation of events / trade fair participation was placed second (44.8%).

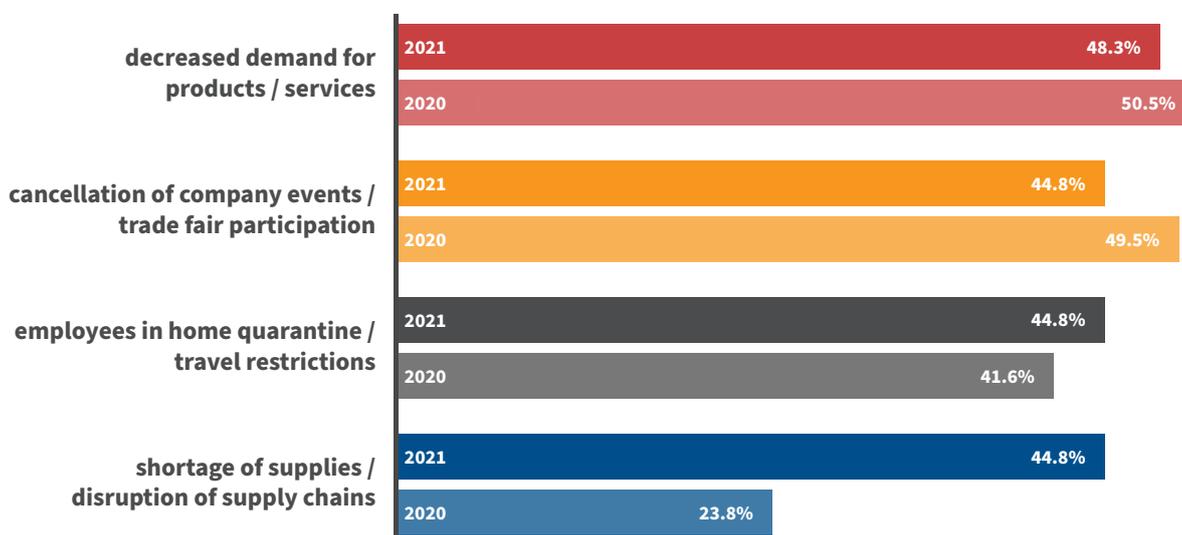
While both values decreased in 2021 compared to 2020, employees in quarantine and travel restrictions rose from 41.6 percent in 2020 to 44.8 percent in 2021, indicating that entry rules and prevention measures continue to pose significant challenges to a substantial number of German companies. The survey results also revealed that shortage of supplies and disruptions of supply chains caused by the pandemic affected significantly more companies than in 2020. The value increased by 21 percentage points from 23.8 percent in 2020 to 44.8 percent in 2021. Section IV "Special Topics" of this report will discuss the supply chain issues in more detail (see page 12).

Impact of COVID-19 on Business Results: 2021 Compared to 2020



87%
did not dismiss any employees in 2021 because of the COVID-19 pandemic

Detailed View on Impact of COVID-19 on Business



III. Presence in Taiwan



” Taiwan is at the heart of the supply chain in Asia, from semi-conductors to offshore wind. With a stable economy and qualified workforce, this has led to many companies locating core business functions here. We see presence in Taiwan as being important to success both domestically and the wider region.

Yu-Foong Chong

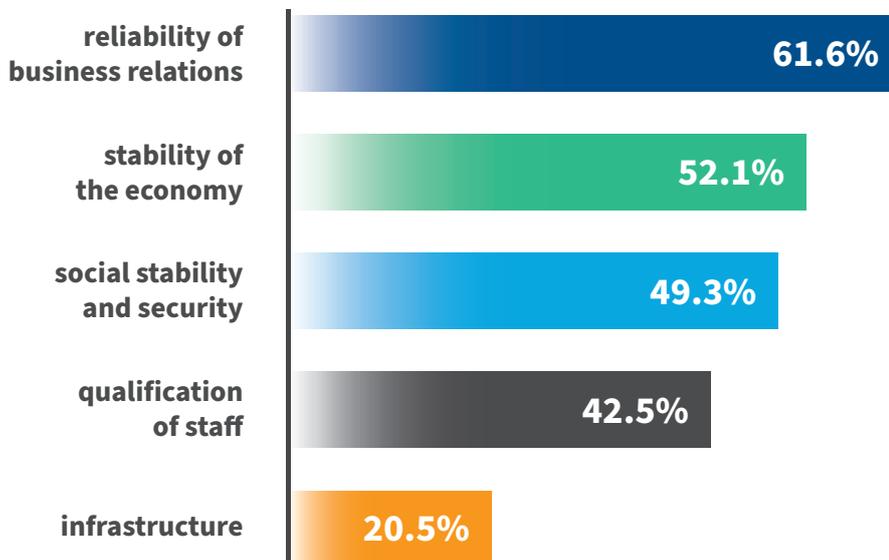
Country Manager - Offshore Wind, Taiwan RWE Renewables

Stepping-Stone to Other Asian Markets

43%
consider
Taiwan as an
important
stepping-stone
to other
Asian markets



Most Valued Aspects in Taiwan



Stepping-Stone in Asia

The Business Confidence Survey 2021/2022 asked for the first time whether Taiwan served as a stepping-stone for entering other Asian markets in the company’s global strategy. 42.7 percent responded in the affirmative, while 57.3 percent replied in the negative.

Valued Aspects

According to this year’s BCS results, German companies considered the reliability of business relations in Taiwan as most valuable (61.6%) in 2021. In the previous edition, this aspect was ranked fourth (44.4% in 2020), while last year’s number one “stability of Taiwan’s economy” was ranked second in 2021 (52.1%). Other highly valued aspects include social stability and security (49.3%), qualification of staff (42.5%), and infrastructure (20.5%).

One-Third
has set up core business
sectors other than sales and
services in Taiwan

31.6 percent of the companies stated to have set up core business sectors (such as manufacturing and R&D facilities, or administrative and management functions etc.) in Taiwan. This means that for about one-third of the companies Taiwan also plays an important role in areas other than sales and services.

IV. Special Topics

Procurement and Sourcing

Asked for the first time how important Taiwan is as a procurement and sourcing market, 60.8 percent of the German companies responded that Taiwan is at least a relatively important market. Over one-third (37.8%) even considers it to be quite or even extremely important. In contrast, only 18.9 percent do not engage in procurement activities in Taiwan.

61%
regard Taiwan as an important sourcing and procurement market

Tender Bidding Imbalances

A topic that may occur in any market is an unbalanced treatment between local and foreign businesses during tenders. One question regarding this issue was asked to evaluate the perception of this topic among German companies. According to the result, about one-fourth (24%) has experienced imbalanced treatment, while approximately three-fourths (76%) did not.

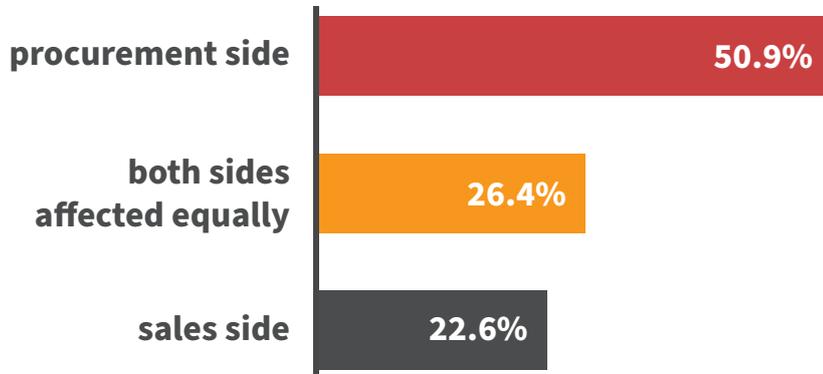


Supply Chain Challenges

The COVID-19 pandemic has disrupted supply chains all over the world. In the Business Confidence Survey 2021/2022, several questions about supply chain issues were asked to assess the extent to which German companies operating in Taiwan had been affected by them. The results reveal that about one-third (30.3%) was unaffected, while two-thirds (69.7%) were faced with bottlenecks.

70%
faced bottlenecks in supply chains in 2021

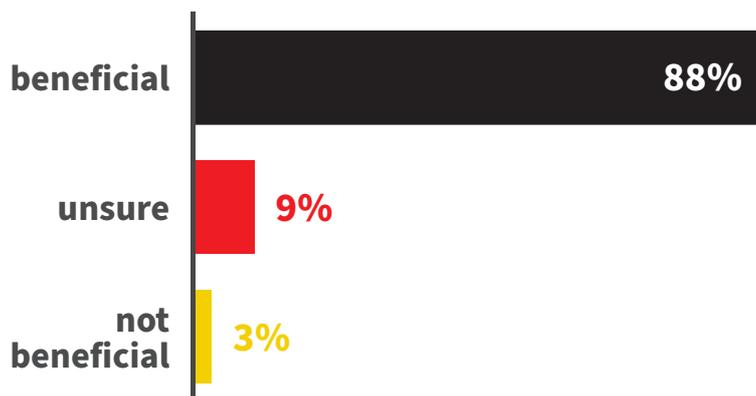
Negative Effects of Supply Chain Issues



A follow-up question inquired whether those companies which had encountered difficulties were more negatively affected on the procurement or on the sales side. The results clearly show that the procurement side was hit the hardest (50.9%). 26.4 percent reported that both sides were equally affected. About one-fifth (22.6%) encountered more issues on the sales side.

Another question touched upon was the “Supply Chain Due Diligence Act” passed by the German parliament in 2021. When asked how relevant this act will be within the next three years, over half of the German companies (58.7%) reported that it will be relatively important to the business operations in Taiwan. 13.3 percent regard it as somewhat relevant; 28 percent consider it irrelevant.

Effect of “Made in Germany” on Business Results

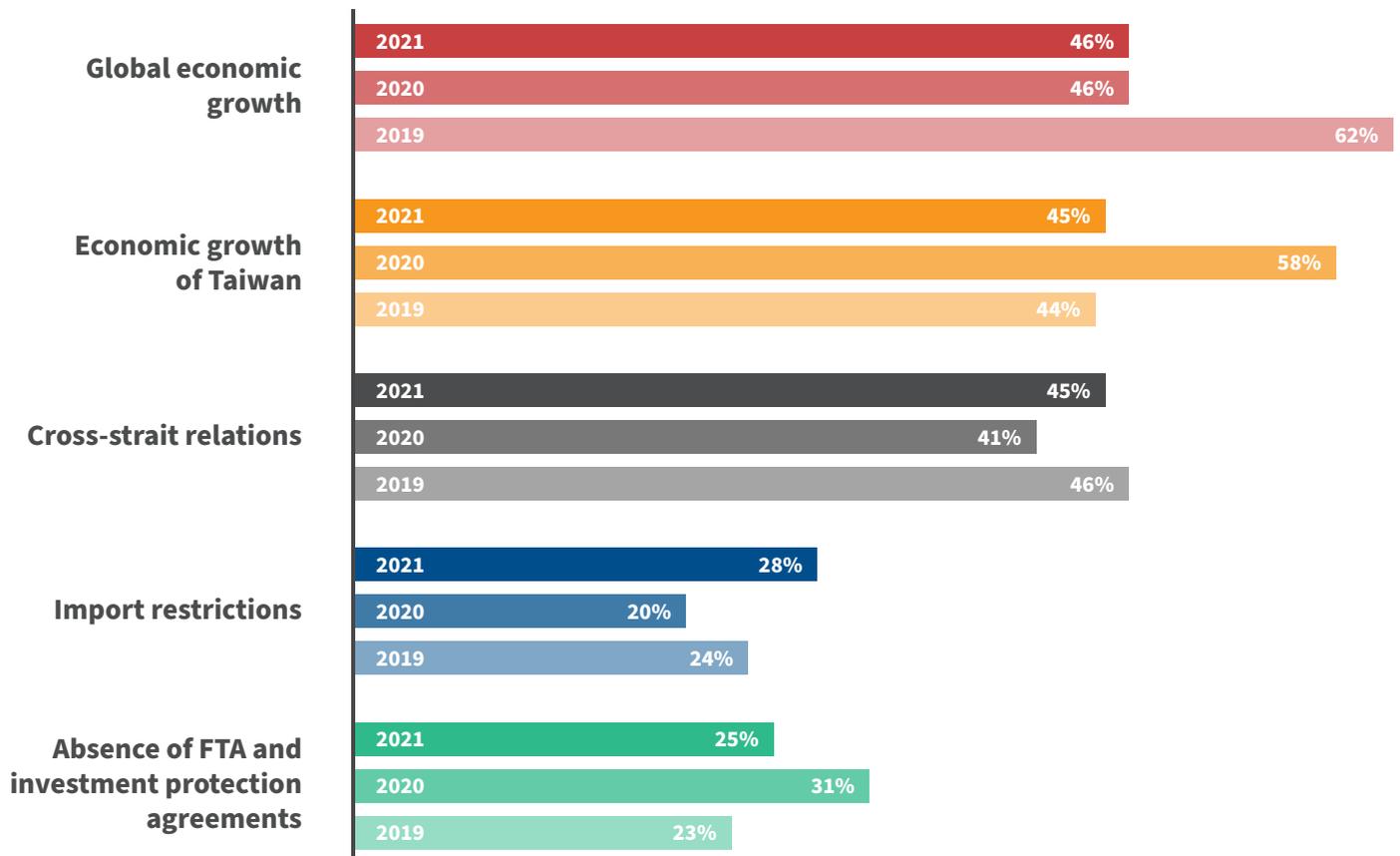


Branding “Made in Germany”

The branding “Made in Germany” is still well-received by Taiwanese consumers and customers. When asked whether the famous “Made in Germany” branding has a positive effect on the company’s business results, every ninth company (88.2%) responded positively. Only a very small proportion of 2.6% percent denied a positive effect of the branding. 9.2% were unsure about the direct effects on their business results.

V. Business Challenges

Business Challenges



Business Challenges

The results of the BCS 2021/2022 indicate that global economic growth continues to pose the biggest business challenge (46.1%) for German companies operating in Taiwan. Last year's number one challenge—economic growth of Taiwan—was placed second with a substantial drop of 13.7 percentage points in 2021 (44.7%). This result could imply that German companies have become more confident in the future development of Taiwan's economic growth than they were one year ago. Another major business challenge continues to be the further development of the cross-strait relations (44.7%), which increased by 4.1 percentage points.

The largest percentage increase was recorded in import restrictions.

While last year every fifth company (19.8%) reported issues with them, this value increased significantly, now affecting every fourth company (27.6%). As in previous years, another noteworthy business challenge remains the absence of FTA and investment protection agreements (25.0%).

Import Restrictions

recorded the largest percentage increase

27.6%

consider them a significant business challenge

However, it is also important to note that out of the 17 possible choices,

many were considered to pose only minor challenges at all to German companies operating in Taiwan. Just to name a few examples, customs procedures (10.5%), legal certainty/transparency (10.5%), slow decision-making processes (7.9%), and tax rates (6.6%) all were considered minor challenges. Surprisingly, despite Taiwan's demographic change to an aging society, an aging workforce seems to pose no challenge at all.

Aging-Workforce

poses no business challenge at all

VI. Business Expansion

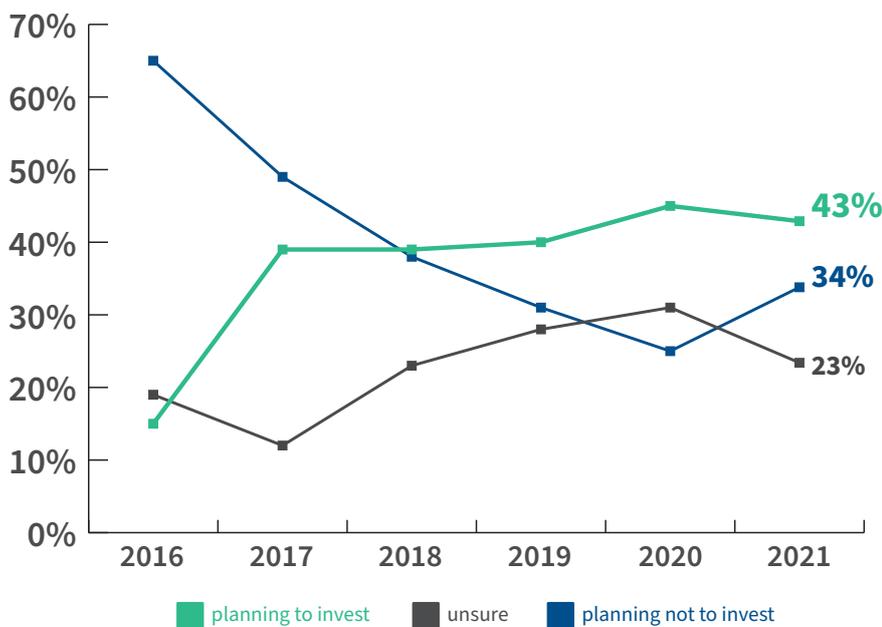


“Taiwan plays an integral role in the global technology industry growth. We are committed to supporting our Taiwanese and global customers to tap into these growing opportunities. In 2021, Merck announced our largest ever investment in Taiwan of € 500 million to significantly expand our Electronics manufacturing and R&D capability.

Dr. John Lee

Managing Director, Merck Group in Taiwan

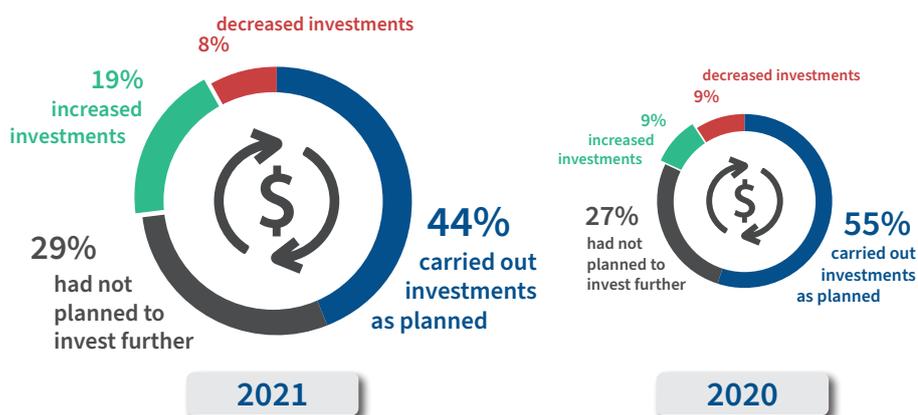
Investment Plans Within Next Two Years (2016-2021)



Investment Plans

The BCS 2021/2022 results indicate that German companies remain committed to their investment plans. Since 2017, willingness to invest in Taiwan has constantly hovered around the 40 percent mark. In 2021, 42.9 percent reported to further invest in Taiwan within the next two years, which is almost the same as last year’s 44.6 percent. The number of companies planning not to invest rose by nine percentage points from 24.8 percent in 2020 to 33.8 percent in 2021. Even though this development can probably be attributed to the impacts of the COVID-19 pandemic, it still is relatively low value compared to the years prior to 2019.

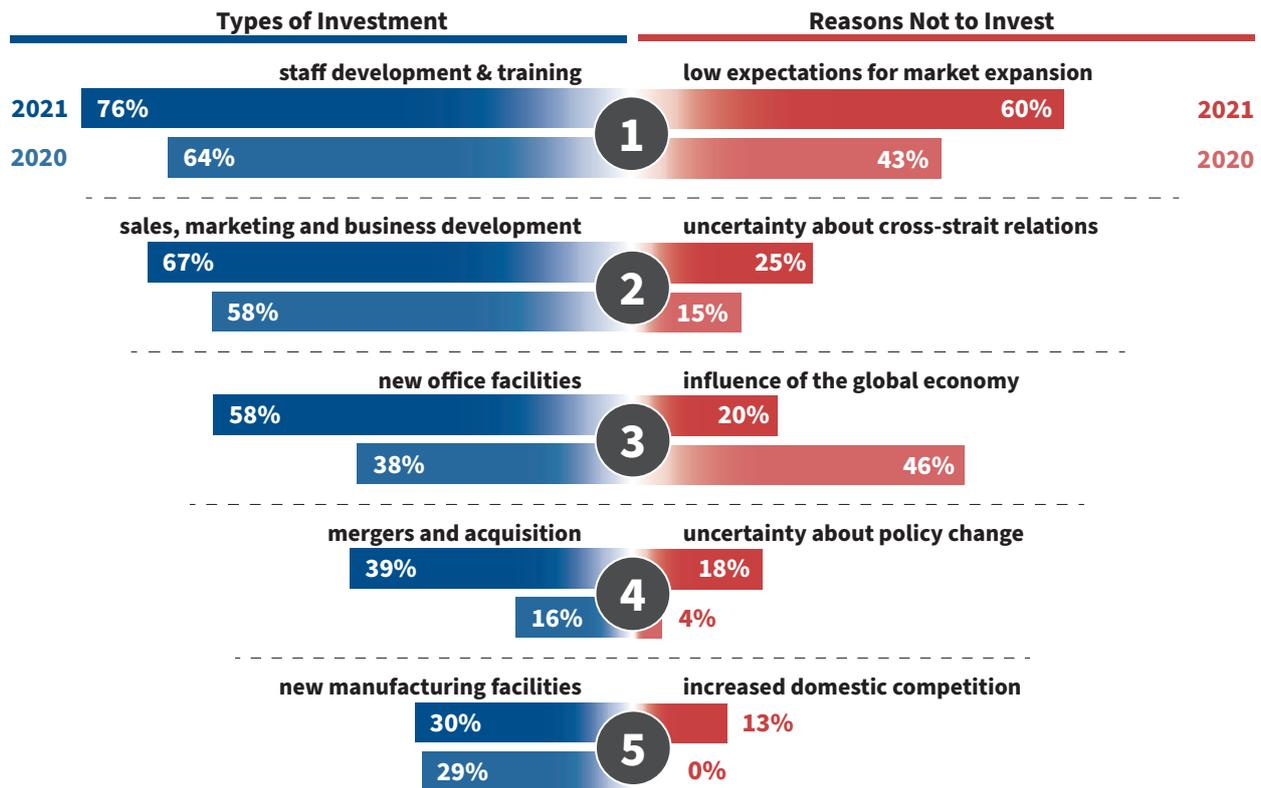
Realization of Investments 2021 Compared to 2020



Realization of Investments

As in previous years, German companies remain highly reliable in terms of implementing their investment plans. Only 8.0 percent decreased or stopped their investments during 2021, while the largest portion of 44.0 percent carried out their investments as originally planned. 29.3 percent had not planned to further invest. 18.7 percent were even able to increase their investments, which is an increase of 9.7 percentage points compared to the result of 2020 (9.0%). Thus, the pandemic apparently did not have any significant negative impact on the implementation of investment plans.

Investment Plans



Types of Investments

Those companies that are planning to invest within the next two years stated to mainly invest in staff development & training (75.8%), sales, marketing and business development (66.7%), as well as new office facilities (57.6%). Mergers and acquisition (39.4%) saw a substantial increase of almost 24 percentage points, placing it fourth in 2021 compared to being ranked eighth in 2020. Plans to invest in new manufacturing facilities remained almost unchanged at 30.3 percent compared to 2020 (28.9%).

Reasons Not to Invest

Because of the COVID-19 pandemic, most German companies in 2020 stated the influence of the global economy to be the main reason for refraining from investing in Taiwan within the next two years. In 2021, low expectations for market expansions (60.0%) were the main factor for not investing, as it was already in 2019. Uncertainty about the future development of the cross-strait relations rose by 10.2 percentage points,

now placing it second with 25 percent. Influences of the global economy ranked third (20.0%). Other major reasons included uncertainty about policy changes by the government (17.5%) as well as increased domestic competition (12.5%).

Relocation to Another Location

Almost none of the German companies considers leaving Taiwan. 94.7% stated to remain in Taiwan and not shift any investments to another location. 2.6 percent are currently considering shifting their investments to another location within Taiwan.

Relocation of Investments



Overall Satisfaction

When asked whether they would restart their business in Taiwan right now if they were facing such a decision, the overwhelming majority of 90.6 percent stated that it was at least likely to do so. However, this is a slight decrease of 7.4 percentage points from last year's 98.0 percent. Nonetheless, despite a difficult year, the results show that German companies remain highly content with Taiwan as a business location.

91%
would restart their business in Taiwan again

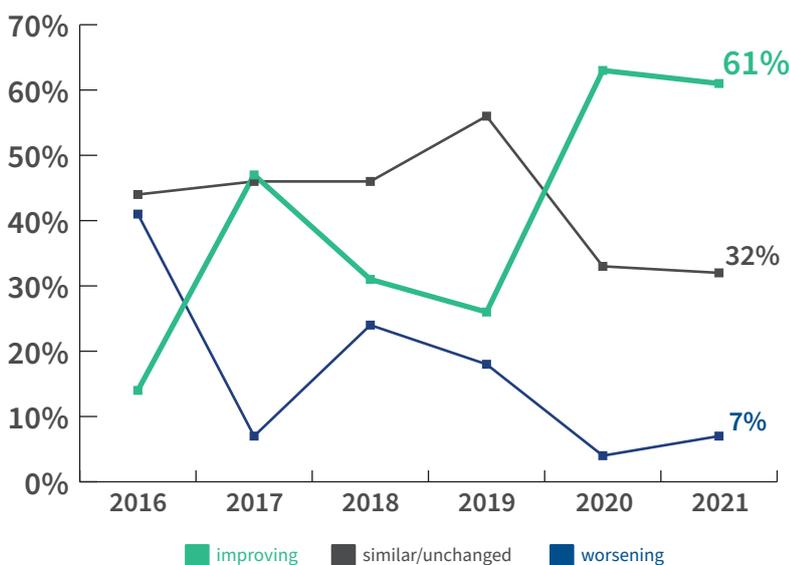
VII. Outlook



“We expect Taiwan to continue its above-trend growth. The expansion will moderate due to a higher comparison base and demand saturation from parts of ICT sector as well as higher commodity prices. Still, there is strong demand for 5G, AI, and Cloud, and machinery exports also maintain a positive outlook.”

Erdal Elver
President and CEO, Siemens Taiwan

Prediction of Taiwan’s Economic Development for the Following Year



Taiwan’s Economic Outlook

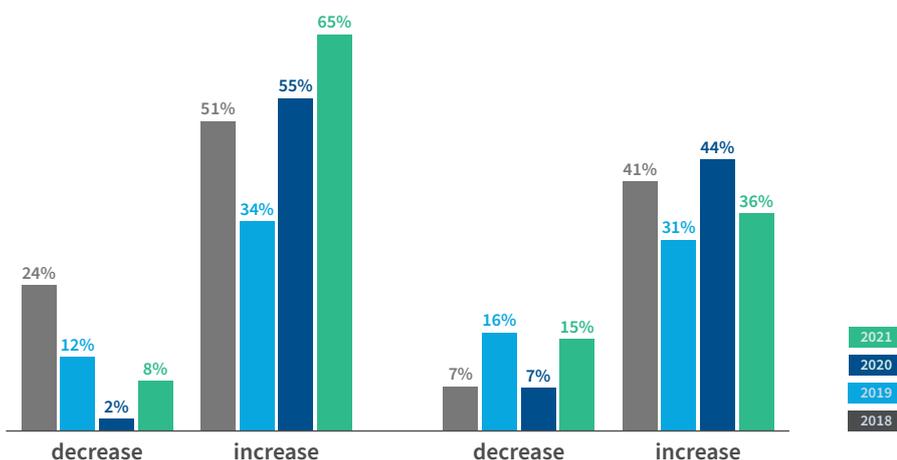
Optimism in Taiwan’s economic development remains very high. When asked about the development of Taiwan’s economy in 2022, 61.3 percent predict an improvement, 32.0 percent predict a similar/unchanged outcome, and 6.7 percent expect the economy to worsen. The value slightly dropped compared to last year’s record high of 63.3 percent, but it is still the second highest percentage recorded in the past six years. 6.7 percent expect the economy to worsen, which is a slight increase compared to 4.0 percent in 2020. The percentage of those companies predicting that there will not be any significant changes in the economic development is virtually the same as last year (32.0%).

Very similar results were given for the outlook over the next three years. 62.7 percent expect the economy to improve further, while only a small portion of 6.6 percent assume it to worsen.

Turnover and Profit Expectations for the Following Year

Turnover

Profit



Financial Key Indicators

This year’s Business Confidence survey shows a record high for turnover expectations: Almost two-thirds (64.9%) expect their turnover to increase or even increase substantially in 2022, which is an increase of 10.4 percentage points compared to last year. Expectations for a decrease in turnover rose slightly from 2.0 percent in 2020 to 8.2 percent in 2021, however, it is still the second lowest value within the past four years.

Even though turnover expectations reached a new record high, profit forecasts dropped by 8.8 percentage points from last year's 44.4 percent to 35.6 percent. An increased number of companies also predict their profit to decrease. This value doubled from 7.1 percent in 2020 to 15.1 percent in 2021. The most likely explanation for this development is that German products are still in high demand from Taiwanese customers, however, supply chain

issues are expected to further drive up prices, which in turn will have a substantial impact on profits.

Two-Thirds are optimistic about their company's growth within the next two years

All in all, German companies are most optimistic about their own growth in

2022. Almost two-thirds (63.1%) are optimistic or even highly optimistic to grow within the next two years, which is slightly higher than last year's result (59.5%). Same as last year, approximately half of the companies are optimistic about their profitability (45.2%), productivity (44.0%), and competition (45.3%) within the next two years. However, every fifth company (22.7%) is concerned about the development of labor costs within the next two years.

45.3% of the German companies expect employment to increase in 2022

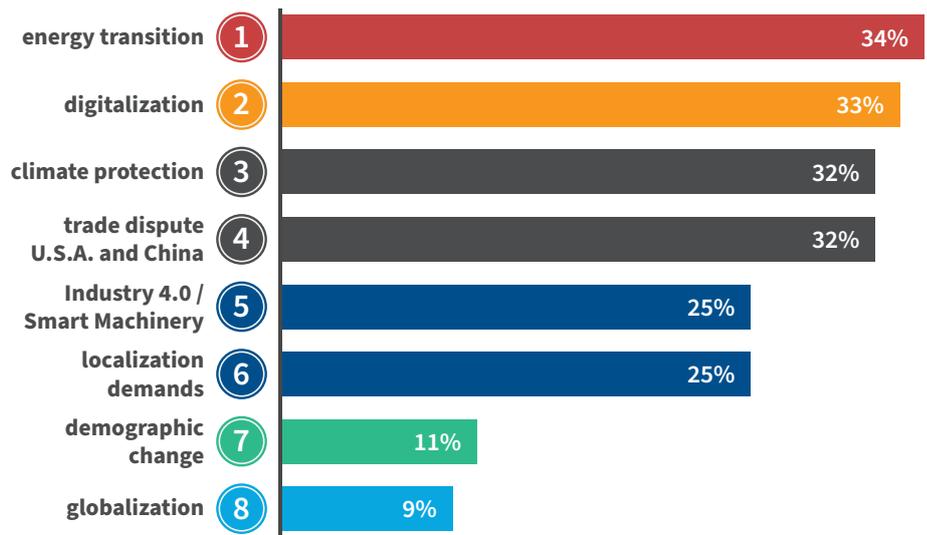


- investments are assumed to increase in 2022 by almost one-third of the companies
- about half of the companies are optimistic about their profitability, productivity, and competition within the next two years.
- every fifth company is pessimistic about labor costs

Impacting Factors

Asked for which factors may have a significant influence on their industry within the next few years, energy transition (34.2%) was predicted to have the biggest impact. Digitalization and climate protection measures were placed second and third, with 32.9 percent and 31.6 percent, respectively. Last year's number one—the trade dispute between the U.S.A. and China—became less important, its value dropped by 15.4 percentage points from 47.0 percent in 2020 to 31.6 percent in 2021. One-fourth identified Industry 4.0 / Smart Machinery and localization demands as influential factors (25.0% each).

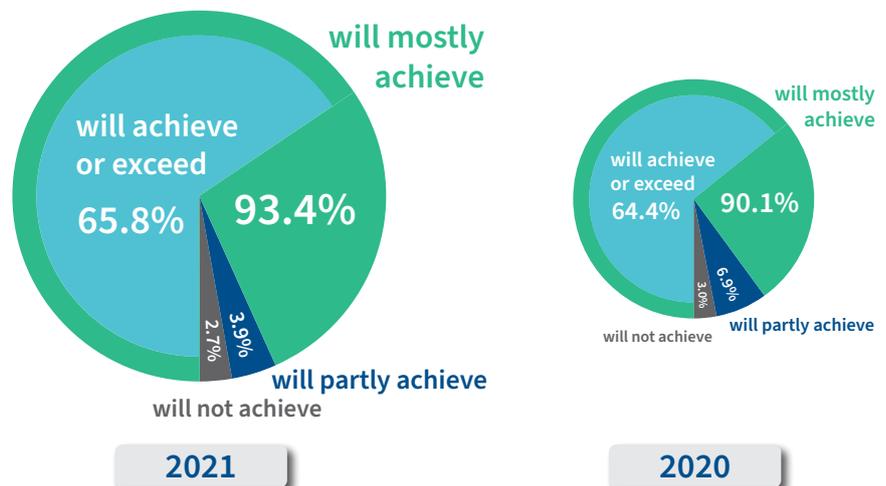
Factors Likely to Affect Business Operations



Outlook on Business Targets

German companies are very optimistic about reaching their business targets in 2022. A record high of 93.4 percent expects to reach their business targets mostly at least, while 65.8 percent are confident to fully achieve or even exceed them. Both values slightly increased compared to last year, which already broke records. Moreover, the number of companies estimating to only partially achieve their targets decreased further, from 6.9 percent to 3.9 percent. The percentage of those companies predicting to miss their targets remained virtually the same (2.7%).

Forecasts of Business Targets (2021 Predictions Compared to 2020)



VII. Outlook

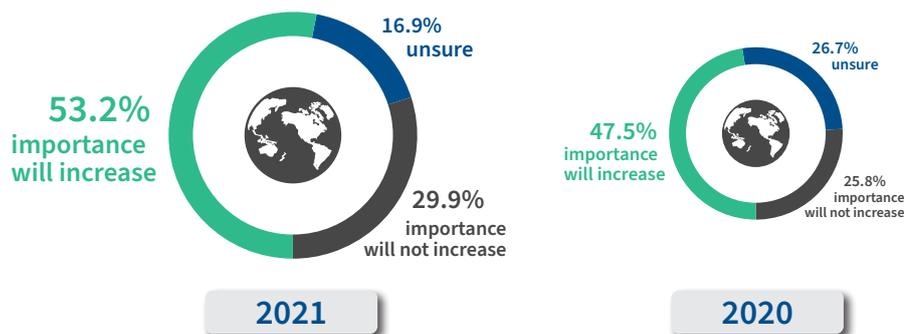


“Taiwan will take advantage in relaxing restrictions on business travels in 2022, as many businesses are eager to come to the island to develop projects that have been delayed for more than a year. Foreign investment in Taiwan is still very active, and can be further enhanced if all legal and regulatory conditions are supporting business trends in the right direction.”

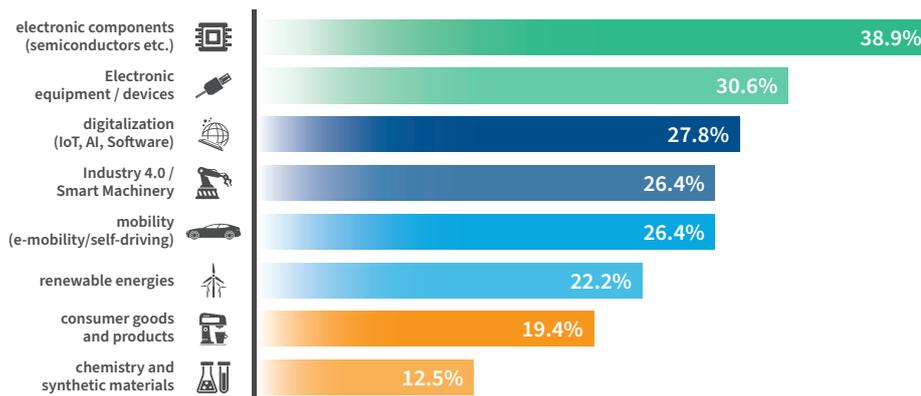
Pascal Thien-Ah-Koon

Foreign Legal Affairs Attorney, Tak Associates Taiwan

Future Importance Within Global Strategy



Future Industry Sectors



61.8% of the German companies consider sales, marketing, and trade to be the most important topic for their future business development



Global Strategy

Over half of the German companies (53.2%) expect Taiwan to be of increasing importance in their company’s overall global strategy in the medium term. This is an increase of 5.7 percentage points compared to last year’s result. About one-third (29.9%) denied this assumption, which is also a slight increase. 16.9 percent were unsure.

Relevant Future Sectors

When asked which industry or sector will have the biggest relevance in the future, electronic components such as semiconductors (38.9%) and electronic equipment / devices (30.6%) were placed first and second, respectively. Other important sectors include digitalization (27.8%), Industry 4.0 (26.4%), mobility (26.4%), and renewable energies (22.2%). These results coincide with current topics, microchip and other electronic supply shortages put German companies under pressure in 2021, and therefore will have the biggest relevance in the future.

Future Fields of Business

Sales, marketing, and trade remain by far the most important topics for the further development of almost two-thirds (61.8%) of the German companies operating in Taiwan. Services (21.1%) is in second place. Research and development (5.3%) and production (2.6%) are only of little relevance.

Key Findings

Taiwan is still a highly attractive market for German companies operating in Taiwan. However, there have been fewer newcomers entering the Taiwanese market over the past few years. Likewise, a slight shift in willingness to invest from being indecisive to not planning to invest was reported. Especially in light of rising EBIT margins reported by already well-established companies, this trend requires further investigation if market appeal is to be upheld in the future. Domestic challenges are becoming increasingly relevant, which should be tackled to maintain a favorable business environment for companies operating in Taiwan as well as companies interesting in entering the Taiwanese market.

Business Performance

- Record high of 81.6 percent fulfilled or even exceeded their business targets in 2021.
- EBIT margins developed positively: 57.4 percent reported an increase.
- Record high in turnover expectations: 64.9 percent expect their turnover to increase. However, supply chain issues are expected to further drive up prices, lowering profit forecasts.

Challenges

- The COVID-19 pandemic still puts pressure on about 40 percent of the German companies, but the percentage of negatively affected companies decreased substantially by 17.4 percentage points.
- Supply chain disruptions affected more German companies than in 2020: Over two-thirds (69.7%) were faced with bottlenecks, especially on the procurement side.
- Factors that may have a substantial impact on business operations include domestic topics such as the energy transition (34.2%) and digitalization (32.9%).

Outlook

- Optimism in Taiwan's economic development remains very high. 61.3 percent of the German companies predict the Taiwanese economy will continue to grow in 2022.
- Willingness to invest in Taiwan shows a high continuity during the past five years. Investments in staff development and training ranked highest (75.8%). The main reason not to invest is low expectations for market expansions (60%).
- Electronic components (semiconductors etc.) (38.9%) and electronic equipment (30.6%) will have the biggest relevance for German companies in the future. Other important future industry sectors include digitalization (27.8%), Industry 4.0/Smart Machinery (26.4%), and mobility (26.4%).
- 94.7 percent stated to remain in Taiwan and not shift investments, 91 percent would restart their business in Taiwan again.

Contact



Christoph Lory
Senior Manager
Media & Communications
Tel.: +886-2-7735-7509
lory.christoph@taiwan.ahk.de

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!

GTO German Business Alliance 2022

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