

International Business Report 2007

Country focus

Grant Thornton 

Taiwan



The Grant Thornton International Business Report (IBR) 2007 examines the attitudes, plans and trends of 7,200 businesses in 32 countries across six continents. IBR builds on data collected in previous surveys* and boasts 15-year trend data for EU countries and 5-year trend data for international participants.

This year's survey reveals that businesses in most countries remain optimistic about economic prospects for the year ahead. For the fourth consecutive year, India tops the league table as the most optimistic country with an optimism/pessimism balance** of +97%, whilst Japan is at the bottom this year with a balance of -5%. Meanwhile, businesses in the UK are significantly more optimistic about 2007 (+43%) than they were about 2006 (+8%).

Businesses in East Asia*** are more optimistic than in any other global region, and although levels of optimism do vary throughout the East Asian countries/territories, overall optimism has risen significantly. This year over half of all East Asian businesses are positive about their country's economy (+54%) compared to a balance of +42% in 2006. East Asia continues to present a very mixed picture however, with optimism/pessimism balances ranging from +88% in the Philippines to -5% in Japan.

Taiwan's economy posted healthy growth at 4.7% in 2006 despite an abrupt slowdown in consumer spending. Restrictive lending by banks (owing to a sharp rise in bad loans related to credit-cards from the final quarter of 2005 and the first quarter of 2006) constrained private consumption growth to 1.4%. Investment was also muted, posting growth of just 1%. But a strong external performance underpinned the economy's healthy growth rate, with exports surging for much of the year, while imports were depressed by weak domestic demand.

* the European Business Survey (EBS) charted the views and trends of privately held businesses in Europe between 1993 and 2002. This was followed by the International Business Owners Survey (IBOS) which ran from 2003 to 2006.

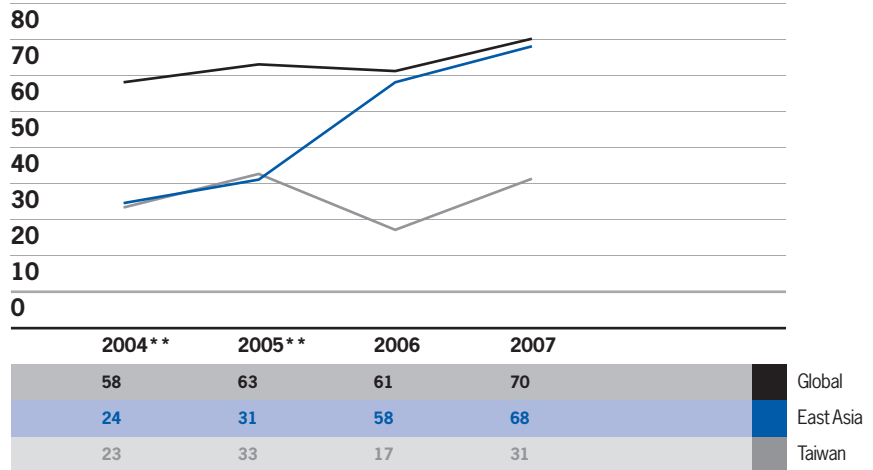
** the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

*** for the purposes of IBR, the term 'East Asia' refers to those East Asian economies covered by IBR – mainland China, Hong Kong, Japan, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

Business expectations/turnover

- Businesses in Taiwan are more optimistic about turnover prospects (+31%) than they were a year ago (+17%).
- Despite this increase, their levels of optimism regarding turnover performance remain the lowest in East Asia, and the world.
- Taiwan is also one of the least optimistic countries globally regarding profitability for the coming year (+6% compared to a global average of +52%).

Turnover expectations (% balance *)

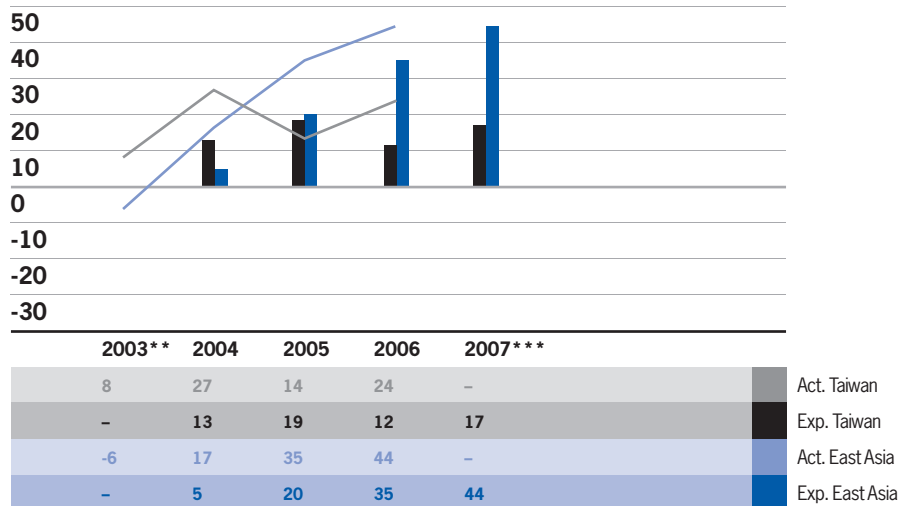


* the balance is the proportion of companies reporting that they are optimistic less those reporting that they are pessimistic
 ** East Asia and global figures exclude mainland China for these years
 Source: Grant Thornton International Business Report 2007

Employment

- 17% of Taiwanese businesses expect employment to increase in 2007, 5% more businesses than in 2006.
- Companies in East Asia overall, however, are still considerably more optimistic about employment growth (+44%) than Taiwanese businesses.
- Actual reported employment growth in Taiwan has risen from a balance of +14% in 2005 to a balance of +24% in 2006, twice the proportion expecting employment growth that year.

Employment history (% balance *)

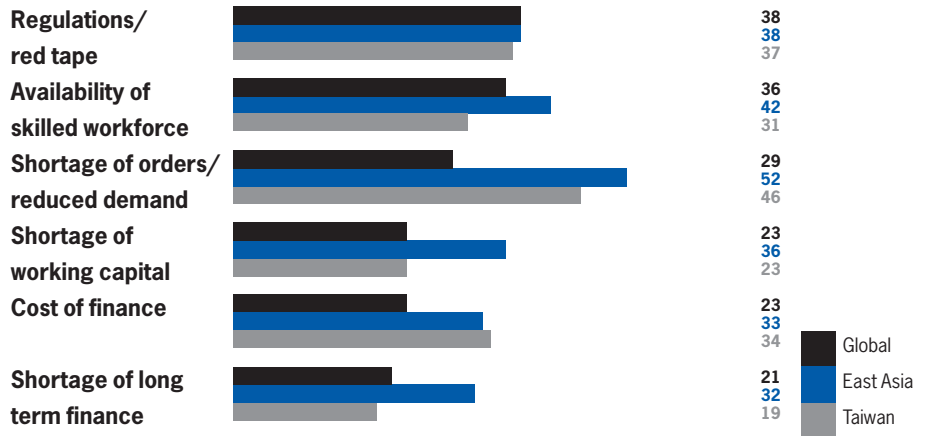


* the balance is the difference between the proportion of businesses indicating an increase and those indicating a decrease
 ** 2002 expected data not available
 *** 2007 actual data will be documented in IBR 2008
 Source: Grant Thornton International Business Report 2007

Constraints

- Shortage of orders/reduced demand is the most restricting constraint on expansion for businesses in Taiwan (46%), although this is still below the average for East Asia (52%).
- With the exception of cost of finance, all these factors are far more of an issue for businesses across East Asia than for Taiwanese businesses.
- 34% of business owners in Taiwan consider the cost of finance a constraint on expansion, compared to 33% in East Asia and 23% globally.

Constraints (%*)



* % companies rating constraint 4 or 5 on a scale of 1 to 5, when 1 is not a constraint and 5 is a major constraint
Source: Grant Thornton International Business Report 2007

Stress levels

- This year, the proportion of business owners in Taiwan reporting an increase in stress levels has fallen from 2006.
- 82% report that they have experienced a rise in stress levels, the highest globally with the exception of mainland China.
- In order to gain insight into how business owners manage stress, we also asked about how many hours they work a week. On average, business owners in Taiwan work 53 hours per week, the same as the global average.

Rise in stress levels (%*)

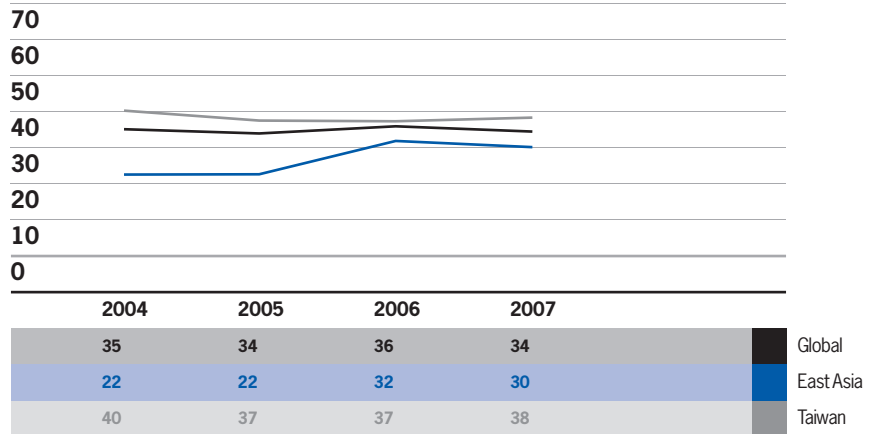


* % of respondents indicating that stress levels had increased or increased significantly over the past year
Source: Grant Thornton International Business Report 2007

International trade

- The proportion of Taiwanese companies exporting has marginally increased in the last year.
- 38% of Taiwanese companies now export compared to 37% in 2006.
- This is higher than both the East Asian average (30%) and the global average (34%), both of which have fallen slightly since 2006.

Proportion of businesses exporting (%)



Source: Grant Thornton International Business Report 2007

Globalisation

- Taiwanese businesses are much more likely to see globalisation as an opportunity than a threat to their business with 74% viewing it as an opportunity and just 13% viewing it as a threat.
- Businesses in East Asia as a whole are more likely to see globalisation as a threat (17%) and less likely to see it as an opportunity (56%) compared to Taiwanese businesses.

Impact of Globalisation (%)

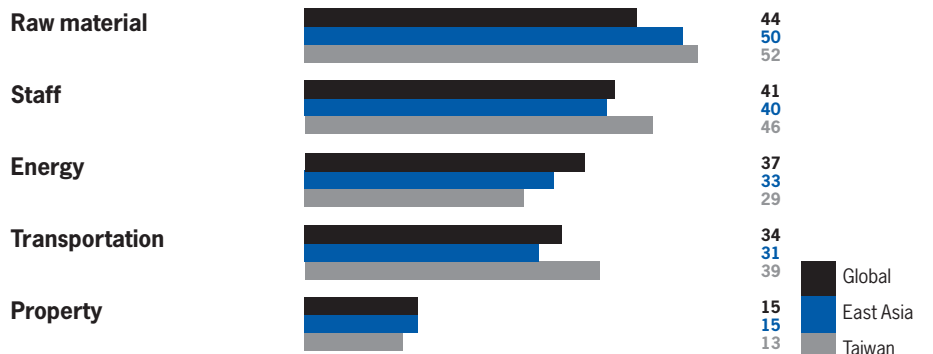


Source: Grant Thornton International Business Report 2007

Impact on cost pressures

- Over half of all Taiwanese businesses (52%) expect raw material costs to have a major impact on their cost pressures over the coming year.
- The impact on cost pressures on Taiwanese businesses is similar to that on businesses in the rest of East Asia and the world.
- A considerable proportion of Taiwanese businesses also expect staff costs (46%) to have a major impact.

Biggest impact on cost pressures



Source: Grant Thornton International Business Report 2007

For growth this year, **Taiwan's** economy remains highly dependent on the external sector, as domestic demand, though recovering from exceptional weakness last year, is exhibiting continued sluggishness. The impact of the 2005 credit card crisis is gradually fading but will still restrict growth this year to little over 2%. First quarter data show that fixed investment remains weak. However, with export demand strong, overall GDP is forecast to rise by 4.2%.

To find out more about the Grant Thornton International Business Report (IBR) and to obtain copies of topical supplements, including focuses on emerging markets, energy and environmental issues and European business, please visit www.internationalbusinessreport.com.

Summaries are also available for each of the 32 participating countries, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against those of businesses around the world.

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Participating countries/territories

Argentina	Ireland	Russia
Armenia	Italy	Singapore
Australia	Japan	South Africa
Botswana	Luxembourg	Spain
Brazil	Mainland China	Sweden
Canada	Malaysia	Taiwan
France	Mexico	Thailand
Germany	The Netherlands	Turkey
Greece	New Zealand	UK
Hong Kong	Philippines	US
India	Poland	

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