

AFSA Country Report

TAIWAN

1. Taiwan's Economic Review

1.1 Major Economic Indicators in 2017

	Year 2017	Unit	Change %
◆ Economic Growth Rate	2.89	%	1.48%
◆ GDP	5,728	100 Million US\$	7.97%
◆ Per Capita GDP	24,318	US\$	7.79%
◆ GNI	5,884	100 Million US\$	7.59%
◆ Per Capita GNI	24,984	US\$	7.42%
◆ Consumer Price Index	0.62	%	-0.77%
◆ Investment Ratio (Gross domestic investment as the percent of GNI)	19.75	%	-0.44%
◆ Total Imports on Customs Basis	2,592.7	100 Million US\$	12.45%
◆ Total Export on Customs Basis	3,172.5	100 Million US\$	13.17%
◆ Unemployment Rate	3.76	%	-0.16%

Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.(Taiwan)

1.2 Economic Performance in 2017

Taiwan's economic situation in 2017 was better than expected due to the recovery of global economic growth. In 2017, Taiwan's imports, exports and export orders grew by 13.2%, 12.6%, and 10.9% respectively, and the Industrial Production Index rose 2.9%. Moreover, the unemployment rate averaged at 3.76%, representing a 0.16% decline compared to that in 2016, and the consumer price index (CPI) grew by 0.62%. Meanwhile, the monetary aggregate M2 increased by 3.75%, while the monthly average TAIEX stood at 10,208 points.

In December 2017, according to the business cycle indicators provided by the National Development Council (NDC), the trend-adjusted leading index decreased by 0.05%, while the trend-adjusted coincident index dropped by 0.09% from the previous month, and the overall monitoring indicator was "yellow-blue" signal.

Source : Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)
Department of Statistics, Ministry of Economic Affairs

1.3 Prospects for 2018

As a consequence, due to the stable recovery of global economy, the continuous trend of innovative applications, and the rising of global oil and raw material price, the Taiwan's economy is expected to improve with increasing domestic demand in 2018, thus a better economic growth rate than that in 2017. In 2018, the Taiwan Institute of Economic Research (TIER) and Directorate-General of Budget, Accounting and Statics, Executive Yuan projected a GDP growth rate of 2.49% and 2.60% respectively. Furthermore, Asian Development Bank (ADB) also estimated a GDP growth rate of 5.8% for emerging and development Asia in 2018.

Moreover, regarding the fixed capital formation, the growth of private investment in 2018 is forecasted to be 2.95%, 2.35% higher than that in 2017. TIER forecasted that the growth rate of fixed investment in 2018 will be around 3.67%.

Meanwhile, the government of Taiwan also accelerate implementing the economic development strategies including the "5+2 industrial innovation program" and the "Forward-looking Infrastructure Development Program" to reinvigorate the domestic economy. In terms of the Forward-looking Infrastructure Development Program, efforts are underway to provide industries with steady supplies of land, water, electricity, manpower, and professional talent. A superior environment for innovative startups will be established to provide more opportunities for the young generation. These initiatives should bring a vigorous and sustainable economy to Taiwan.

Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)

2. Taiwan's Leasing Industry

2.1 Market Growth

In 2009, due to the global financial turmoil, Taiwan's leasing market dropped by 8.06% compared to that in 2008. Nevertheless, The Taipei Leasing Association's statistics showed that the world economy recovered and the business increased quickly growing by 37.70% in 2010. The leasing business continued to climb from 2011 to

2017. The total contract amount of leasing and installment sales reached a peak at NT\$351,423 million in 2017, representing a 8.08% growth compared to that in 2016.

Table 1 : Year 2013~2017 Contract Amount of Leasing & Installment Sales

Unit: NTD Million

Business	2013	2014	2015	2016	2017
Leasing	38,454	54,495	61,860	67,660	67,018
Installment Sales	216,694	238,994	260,391	257,486	284,406
Total	255,148	293,489	322,251	325,146	351,423
Growth Rate %	12.61%	15.03%	9.80%	0.90%	8.08%

Source: The Taipei Leasing Association, R.O.C. (Taiwan)

2.2 Market Penetration

After the global financial crisis in 2009, the gross amount of domestic investment and leasing contract both climbed significantly in 2010. However, from 2011 to 2017, despite of the leasing contract amount, there was a slight decline in the domestic investment gross amount in 2015 and 2017 respectively. Finally, the ratio of the climbing leasing amount expressed a 9.93% of total domestic investment gross amount in 2017, which was improved compared to that in 2016.

The penetration rate of leasing in Taiwan is comparatively lower than the mature markets in the United States and UK, implying a huge growth potential in the leasing market of Taiwan.

Table 2 : Year 2013~2017 Market Penetration of Leasing

Unit: NTD Million

Item	2013	2014	2015	2016	2017
Contract Amount of Leasing and Installment Sales	255,148	293,489	322,251	325,146	351,423
Gross Domestic Investment	3,360,196	3,521,157	3,513,112	3,569,704	3,537,799
Penetration %	7.59%	8.34%	9.17%	9.11%	9.93%

Source: The Taipei Leasing Association, R.O.C. (Taiwan)

Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)

2.3 Major Market Players

According to The Taipei Leasing Association, as of April, 2018, there were 38 members who were among major market players in the leasing market of Taiwan. The members can be divided into four different categories in terms of the structure of shareholders, including banking affiliates, independent finance company, captive finance company, and foreign finance company as shown in Table 3. It is apparent from the information supplied that the majority is the group of bank affiliates with fourteen members.

Table 3 : Categories of members of The Taipei Leasing Association in 2018

Category	Characteristics of business	No. of Member	%
◆ Bank Affiliate	Sufficient funding source supported by the parent company. Heavily rely on the customer list for marketing provided by the banking parent companies and often focus on large-scale equipment leasing.	14	37%
◆ Captive Finance Company	Mainly established by automobile manufacturers. Provides financing services via the expertise of leasing assets, but the customer base is also constrained.	10	26%
◆ Independent Finance Company	Independent business operation. Provide diverse and customized products with flexibility and efficiency.	8	21%
◆ Foreign Finance Company	Mainly established by foreign equipment vendors or leasing companies to develop the Taiwan market.	6	16%
Total		38	100%

Source: The Taipei Leasing Association, R.O.C. (Taiwan)

However, with regard to the market share, bank affiliates did not represent the majority of the total market size. The independent leasing companies lead with more than 50% of market shares. Among the market players, the market leader in Taiwan's leasing industry was Chailease Finance Co. Ltd., which has been established for over 40 years and has also been the market leaders for a long period of time. Chailease

Finance Co., Ltd delivered the new contract amount of NT\$157,801 million in 2017, representing 44.90% of total contract value reported by The Taipei Leasing Association members. It has also remained the leading position in Taiwan leasing and installment sales industry.

2.4 Business Brief

■ Business Types

There are two categories of business type in Taiwan's leasing industry, which are the leasing and installment sales. From NT\$216,694 million in 2013, the contract amount of installment sales grew steadily to NT\$284,406 million in 2017 and only fell slightly in 2016. Furthermore, the contract amount of leasing kept climbing between 2013 and 2016, but there was a negligible fall in 2017. It is apparent from the information supplied that the business ratio of installment sales was generally more than that of leasing business. The Table 4 shows the leasing and installment sales accounted for 19.07% and 80.93% of total contract value in 2017 respectively.

Figure 1 : Five-year Change of Contract Amount of Leasing & Installment Sales

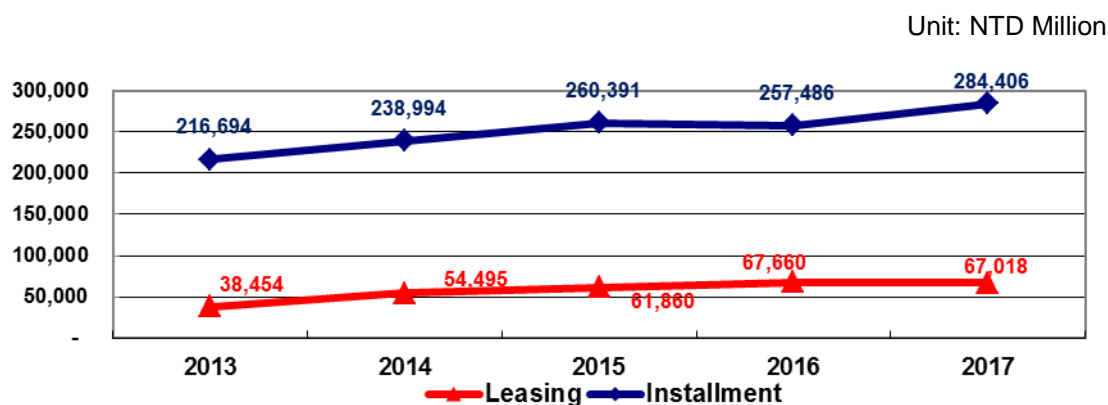


Table 4 : Year 2013~2017 Percentage of Business Type

Business Type	2013	2014	2015	2016	2017
Leasing (%)	15.07%	18.57%	19.20%	20.81%	19.07%
Installment Sales (%)	84.93%	81.43%	80.80%	79.19%	80.93%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: The Taipei Leasing Association, R.O.C. (Taiwan)

■ Type of Purchasing

According to the statistics of The Taipei Leasing Association, the contract amount of domestically purchased was NTD\$ 327,633 million and reached 93.23% in 2017, representing a 1.02% growth compared to 2016. The contract amount from domestically purchased accounted for approximately 90% of total contract amounts between 2013 and 2017.

Table 5 : Year 2013~2017 Type of Purchasing

Unit: NTD Million

Type	2013	2014	2015	2016	2017
Domestically purchased	229,579	262,292	286,708	299,813	327,633
Imported	25,569	31,197	35,543	25,333	23,790
% of Domestically purchased	89.00%	89.37%	88.97%	92.21%	93.23%

Source: The Taipei Leasing Association, R.O.C. (Taiwan)

3. Prospects for Taiwan's Leasing Industry

Most SMEs have difficulties in obtaining banks loans due to the risk consideration of banks. Consequently, in the developed countries such as the US, Europe, and Japan, in order to contribute diverse funding source, finance company has been in the part of banking system to complement the deficiency of the capital markets and banks. Nevertheless, due to the regulations in Taiwan, the non-bank finance institution can provide financing services only by leasing, installment sales, and factoring, which cannot satisfy the funding demand of enterprises and the public. Consequently, Taiwan currently promotes the legislation for leasing companies to transform into a finance company.

In addition, in order to expand product and business scopes, and accelerate the profit growth, Taiwan's leasing companies continue to utilize the strategies of extending value chain of existing products through investment and joint venture, exploiting internet technology to develop products, and further developing diversified marketing channels and digital platforms to broaden customer base and deal sources. Moreover, they apply internet technology to streamline workflow, eliminate obstacles of time and distance, and enhance productivity and organizational efficiency.

Furthermore, Taiwan's leasing companies continue the strategy of "cultivate domestic markets and expand overseas markets" to promote the cooperation of cross-border products and businesses, and also actively seeking joint venture with local partners or

merger and acquisition to explore the overseas markets.

In conclusion, one of the missions for Taiwan's leasing companies is to provide financial support to enterprises. Consequently, they continue to develop new products and services which are based on customers' needs and society's tendencies. These are the only ways for Taiwan's leasing companies to create business opportunities and become perpetual going-concern in the future.