

Where are the jobs?

Written by Taipei Times Editorial
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The Directorate-General of Budget, Accounting and Statistics (DGBAS) reported on Monday that Taiwan's GDP expanded by 9.22 percent in the fourth quarter of last year from a year ago. This was higher than the previous forecast of 6.89 percent issued in November and much stronger than the market had estimated.

On a seasonally adjusted, annualized quarter-on-quarter basis, the momentum of GDP growth was strong, too, as the figure surged by 18.02 percent in the fourth quarter, following a revised growth rate of 10.18 percent in the third quarter and 18.10 percent in the second quarter.

While the economy contracted by a record 1.87 percent for the whole of last year, the revised fourth-quarter GDP growth figure confirmed that the nation emerged from a year-long recession after five consecutive quarterly contractions.

Now the statistics bureau is predicting this year's GDP will grow 4.72 percent and buoyant Premier Wu Den-yih (吳登益) said he even expected the economy to grow 4.9 percent this year, but there are some stumbling blocks to be overcome before the economy can reach the government's high target.

According to DGBAS' analysis, the impressive fourth-quarter economic growth had to do with fast growth in both external trade (such as rising triangular trade and revenues from Chinese tourists) and domestic demand (including private investment and private consumption).

However, the problem with Chinese tourists is that the number of Chinese visitors to Taiwan is under the control of the Chinese authorities, while the issue with triangular trade — in which manufacturers receive orders in Taiwan but produce the goods at their offshore plants — is whether it can boost domestic manufacturing and commerce.

For export-reliant Taiwan, external risks also include the pace and timing developed economies use as they wind down massive stimulus programs and make adjustments to their monetary policies. Potential asset bubbles in some emerging economies also pose a risk.

As for domestic demand, even though private investment is likely to sustain its growth momentum this year thanks to big corporate spending, the weakness in private consumption could spell problems for the economy's ability to sustain its strength.

This is because a lack of government stimulus measures this year — like the consumer vouchers and tax cuts on auto sales last year — may discourage consumers from big spending, especially as long as the unemployment rate — though dropping for the fifth straight month to 5.68 percent last month — remains elevated compared with pre-recession levels.

That's why most people do not seem to share the government's cheerful economic outlook. Stagnating wages and still-limited job opportunities will continue to be a big issue for them.

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For Taiwan, stagnant wage growth could put a burden on household spending and drag on economic growth. Last year, the nation's average monthly wage was NT\$42,509 per person, down 4.31 percent from a year earlier, and the DGBAS predicted wages may increase by only about 1 percent this year.

One dark question about the apparent economic recovery in Taiwan is how small and medium-sized enterprises — which form the backbone of the nation's economy — would be able to hire people and stimulate the labor market, because currently new jobs are mainly limited to the technology sector and a few big corporations.

The economic recovery is not likely to reduce the unemployment rate to pre-recession levels any time soon, while problems for unemployed older and middle-aged people remain and the number of long-term unemployed is still rising.

Even though we have seen pretty growth figures, it does not mean that people are satisfied with the status of this jobless recovery.

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