

# Taiwan Business Climate Survey 2020 Update as at June 30

## Background

The 2020 Taiwan Business Climate study was conducted at the end of 2019 and published on January 11, 2020. This was our tenth consecutive report. For the full report please click [here](#).

On January 20, Taiwan recorded its first case of the novel coronavirus-associated pneumonia.

As news of the severity of this disease spread throughout the world, businesses started to be affected, and consequently, to review their 2020 plans.

At the end of March, we reached out to the respondents to this survey and asked them to update us in three critical areas: **Revenue and Profit forecasts**, changes in **Investment** levels, and their new **5-year Business Outlook**. We repeated this request at the end of June 2020.

The following charts summarise their responses between July 1 – 7, along with the ten-year history of these measures.

We would like to sincerely thank all those who took part for their time, insights, and comments.

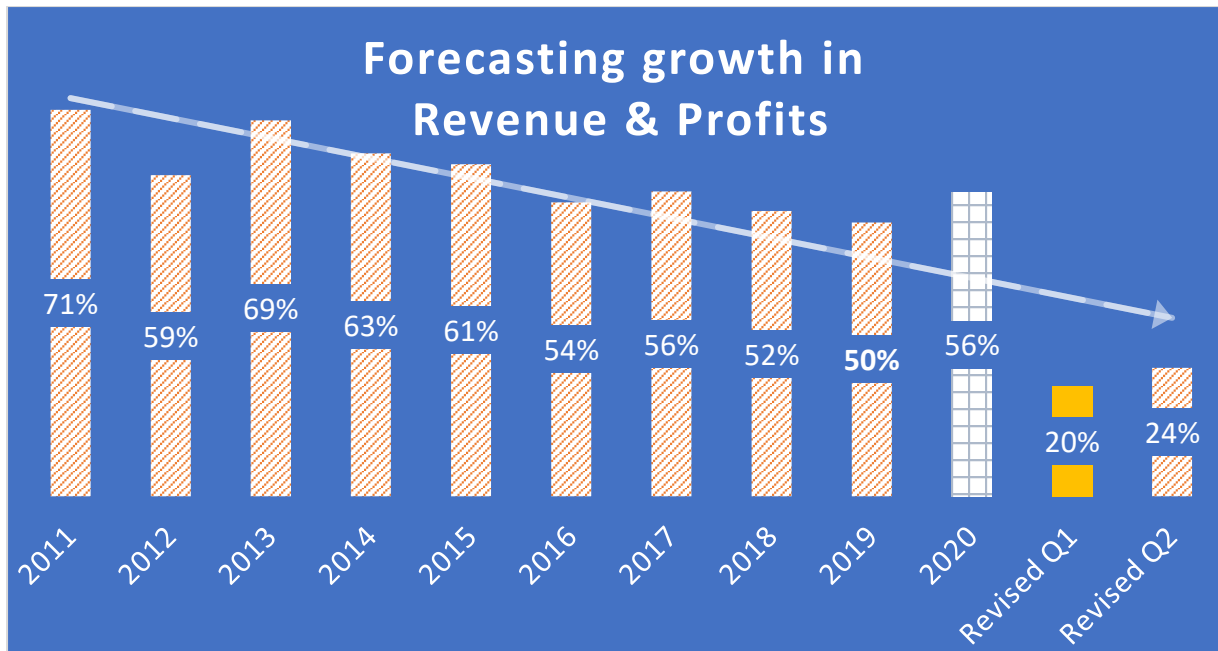
We hope you find the following updated summary report of interest and help.

Please note that some of the Q1 results at the end of March may differ slightly from those previously published, due to the inclusion of late responses.

For additional information, please [contact us](#).

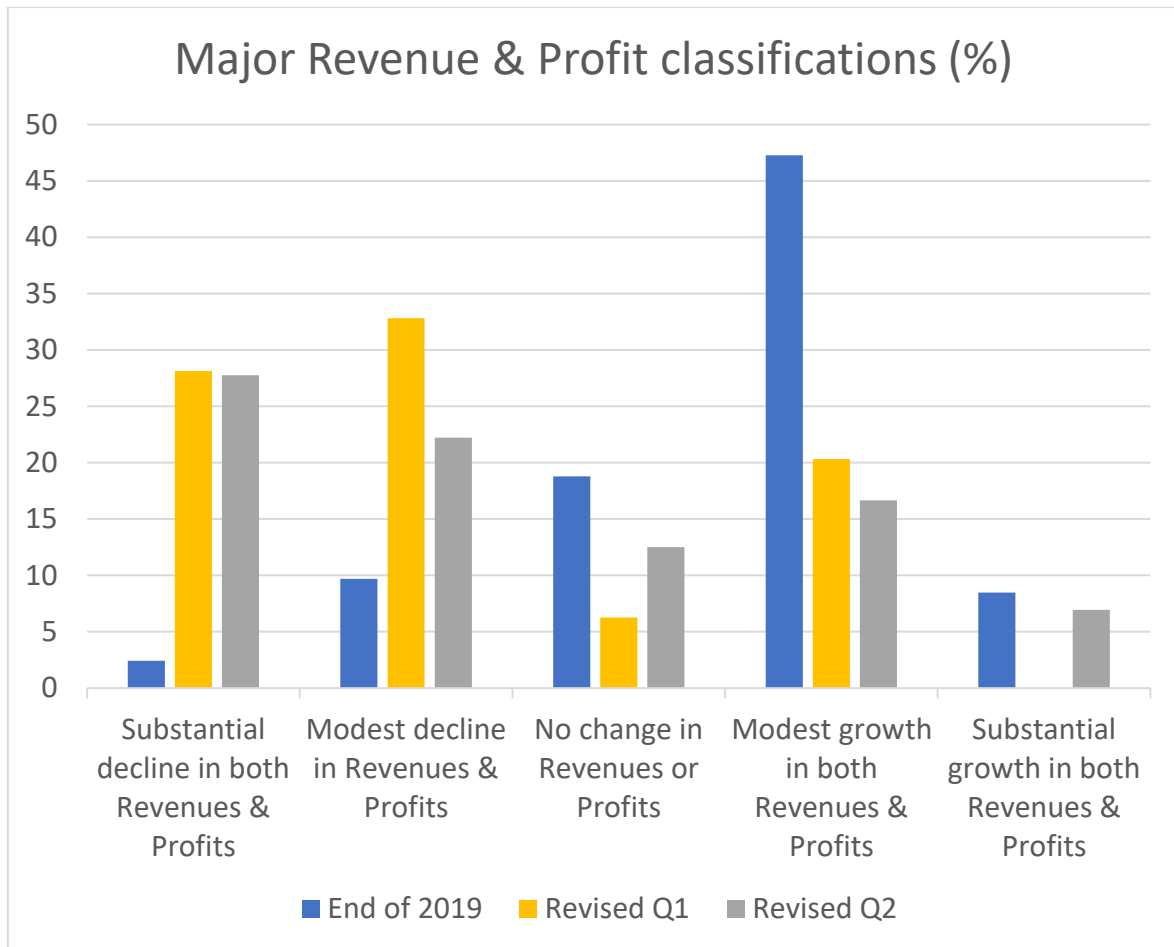
## Revenues and Profits: *Major decline in 2020 growth forecast*

The long-term trend had already been heading downward. However, at the end of last year, we saw most business leaders (56%) forecasting revenue and profitability growth in 2020. That all changed in the first quarter of 2020.



Only 20% of leaders were forecasting growth in revenue and profits at the end of March. This has now improved to 24% at the end of June 2020. However, this change is not statistically significant.

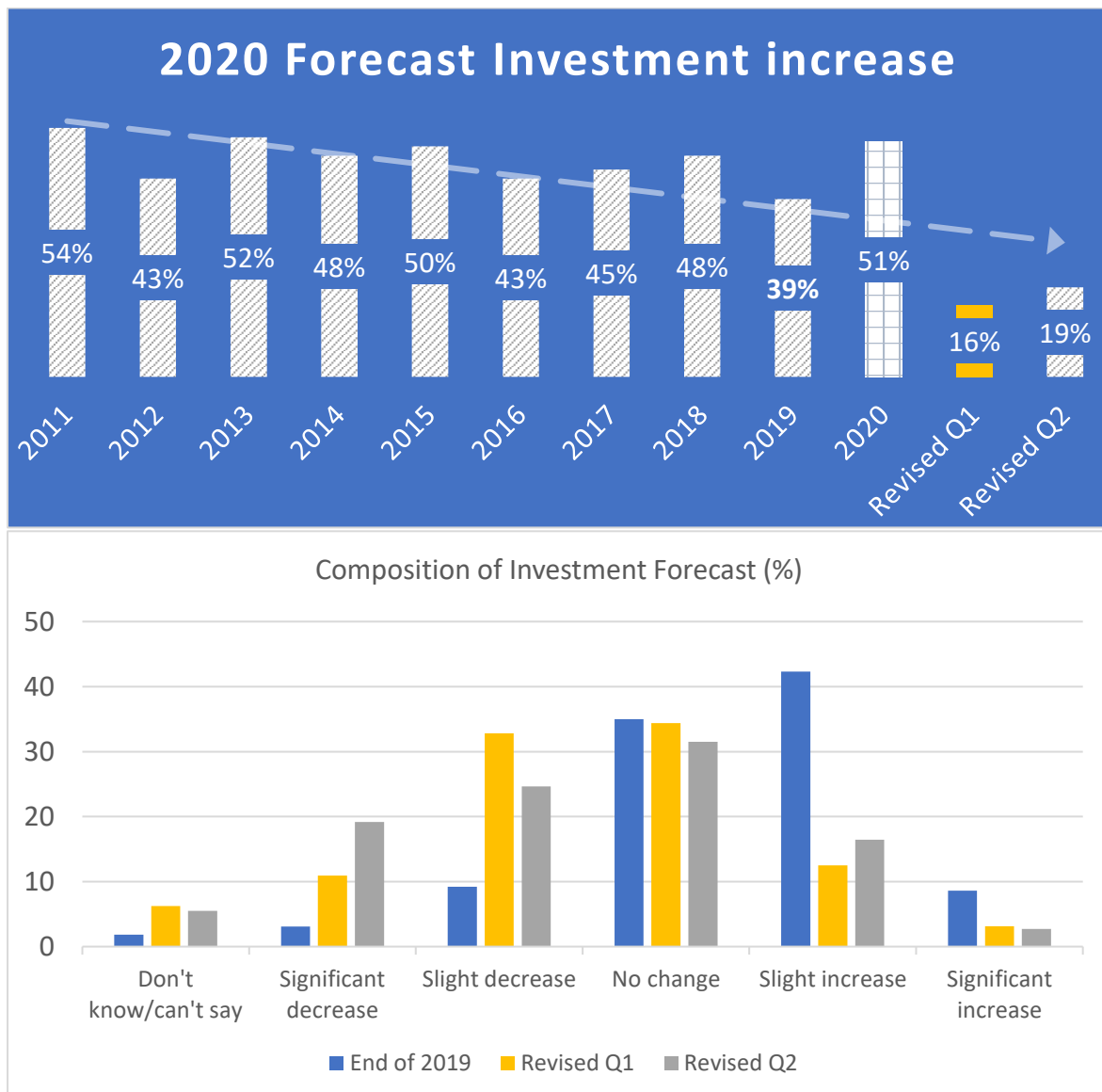
The breakdown of the forecast is shown on the next page.



Most of the Q1 declines in both revenues and profits were described by business leaders as “Modest” followed by “Substantial”. It appears as if the ‘substantial’ group has remained virtually unchanged with improvements made in most other categories.

## Revised Investment Forecast for 2020: *From majority to minority*

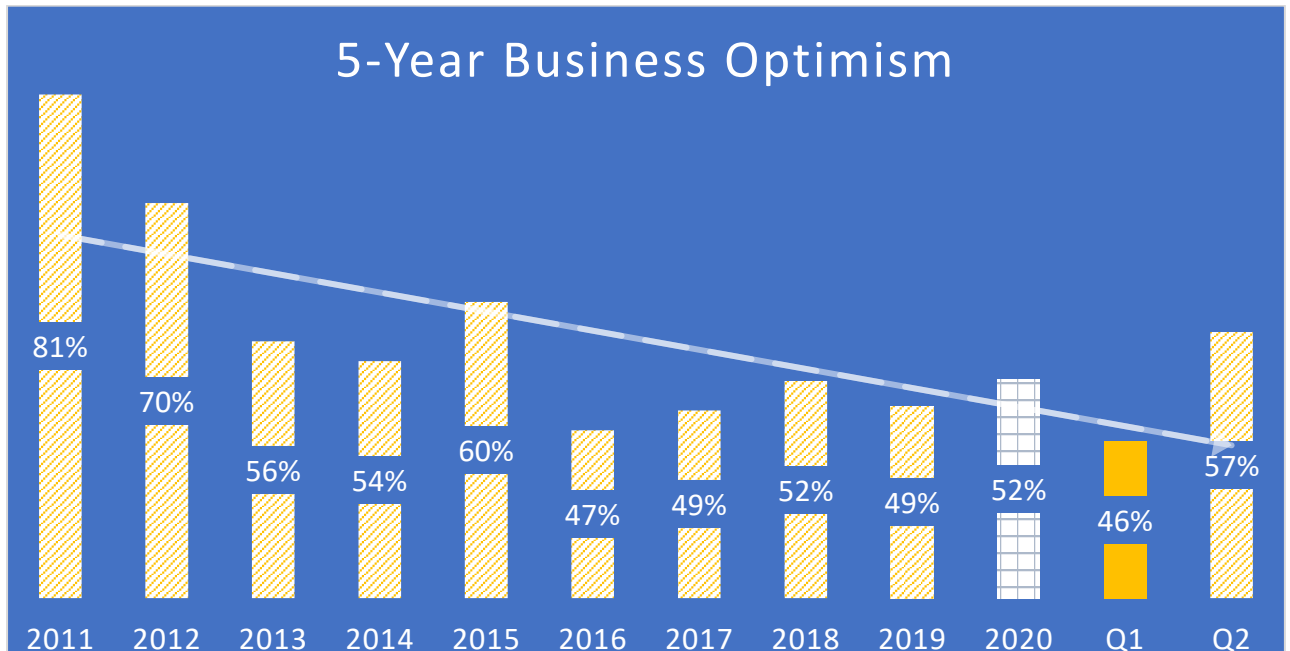
At the end of last year, most companies were planning a **slight increase** in their 2020 level of investment in Taiwan. This has now changed, dramatically, with only 16% of companies forecasting an increase in investment at the end of Q1 and a similar amount reporting the same at the half-year mark.



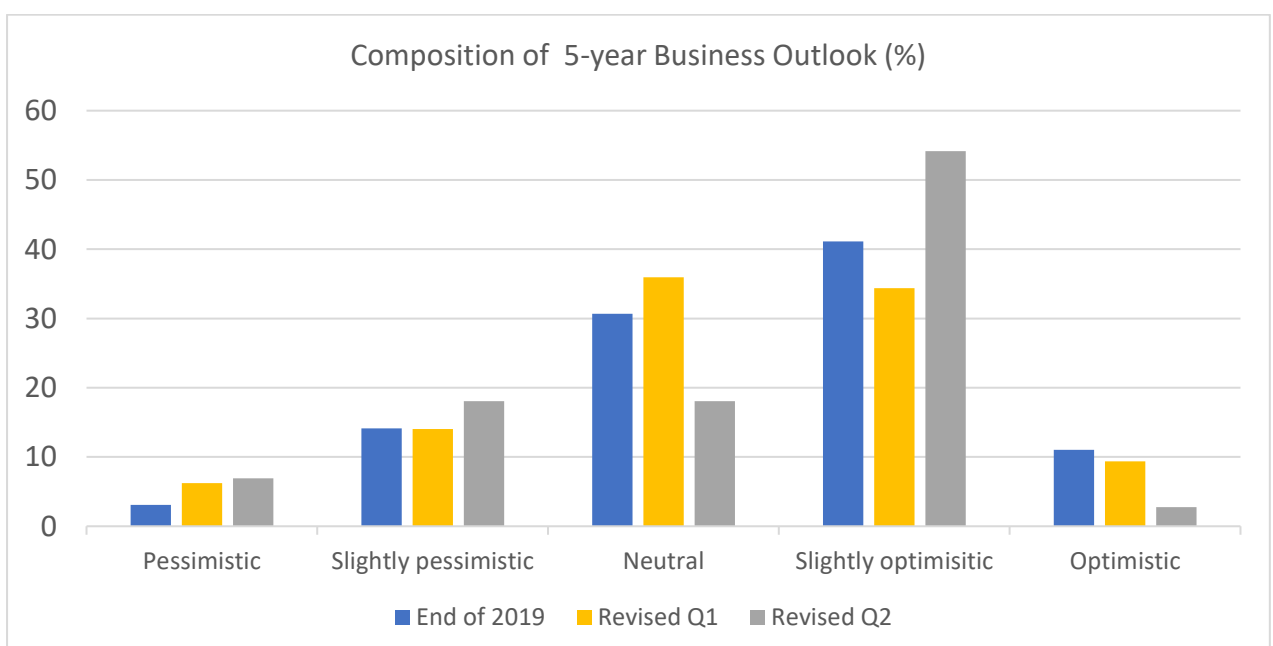
Little real change in the make-up of Investment forecasts from Q 1 to Q2 with 44% still forecasting decreases and similar proportions predicting no change (approximately one-third) or an increase (less than one fifth) - including those who "Don't know" or "Can't say".

## Business Forecast for the next 5 years: *Optimism returns*

Most businesses (57%) continue to be optimistic about their 5-year outlook.



At the end of Q1, there was a slight softening in the 5-year outlook. By Q2, optimism had returned but mostly only as “slightly optimistic”.



## Some (unprompted) quotes from Business Leaders expressing: Concern...

***“Forced, worldwide restructuring will reduce our investment in Taiwan.”***

***“Our corporate HQ is mandating global cut-backs and even if the Taiwan business is OK, we still need to cut-back.”***

***“Clients cutting budgets.”***

***“Due to the pandemic uncertainty, the future outlook is more uncertain than before.”***

***“I think the virus will continue to infect business in Taiwan for the next year, even if the public health situation here remains stable.”***

***“Forex loss significant due to NT strength.”***

***“One of the biggest concerns is the Island's relationship with Beijing. It makes planning difficult as aside from the pandemic, there is planning involved with regards to any warming of relations with China however unlikely.”***

## Messages to the government...

***“Taiwan government should create a friendly investment environment to the international company in Taiwan.”***

***“Government should have created [a] more friendly investment environment for the foreign company.”***

***“I am concerned that Taiwan government support programs, through restrictive conditions, exclude foreign businesses and foreign residents of Taiwan. These discriminatory policies are a black mark on Taiwan's otherwise stellar performance through the COVID-19 crisis.”***

***“Government procurements still favor incumbents and see innovative newcomers to the market more as a risk than an opportunity to be encouraged. This stifles the introduction of international best practice to many sectors of the Taiwanese economy which will impact long-term growth and investment.”***

## Cautious optimism...

***“The Covid-19 has delayed many business relocations but at the same time lots of families are staying on in Taiwan as only online education is being provided in other countries (US and Europe).”***

***“While badly hit by COVID in 2020, we hope to see a quick recovery in 2021.”***

***“I see things beginning to pick up, has been very slow since the COVID-19 outbreak.”***

***“Investment is a strategic long-term plan. Level of investment will not change but [the] schedule of [the] investment may be adjusted corresponding to the economic situation.”***

Please note: Business Leaders quotes are from July1-7, 2020.