

## **Taiwan to Spend NT\$181 Billion on Economy, Stocks**

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Taiwan announced a NT\$180.9 billion (\$5.6 billion) package of spending and tax cuts that investors said were inadequate to bolster economic growth and revive the stock market after a 26 percent slump this year.

The benchmark Taiex index fell 3.3 percent today, close to a three-year low, after Premier Liu Chao-shiuan said the government will cut the tax on stock transactions in half to 0.15 percent and provide a NT\$13.5 billion subsidy to low-income families.

Taiwan's economy grew at the slowest pace in more than a year last quarter after slower demand for its electronics from China and the U.S. cut export demand. The expansion may moderate further after export orders in July grew at the slowest pace in five years and inflation close to a 14-year high discourages consumers from spending.

The measures "will not succeed since they are not altering corporate or economic fundamentals in a meaningful way," said Howard Wang, who oversees \$10 billion at JF Asset Management Ltd. in Hong Kong.

Declines in Taiwan's benchmark Taiex index today were led by Taiwan Semiconductor Manufacturing Co., the world's largest custom-chipmaker, which fell 2.6 percent. The 35-member Financials and Insurance sub-index slid 3.3 percent. Three days ago, it marked its biggest advance since 1994, when investors said they expected government action to stem declines.

'Don't See Bottom'

"As long as overseas demand for Taiwan's electronics goods isn't picking up and foreign investors aren't buying local tech stocks, I don't see the bottom of the stock market," said Eric Yao, who helps manage \$152 million funds at Truswell Securities Investment Trust Co. in Taipei.

The benchmark index has lost more than a quarter of its value this year and is headed for its first annual decline in six years. Hynix Semiconductor Inc., world's second-largest computer memory chipmaker, has lost 21 percent of its value this year.

The island's currency fell as much as 0.6 percent to NT\$32.054 against the U.S. dollar, the weakest since Feb. 12, according to Taipei Forex Inc. It has fallen 2.7 percent in the past month.

The income subsidies will be implemented in October and are aimed at helping 450,000 low-income families cope with higher energy prices, the government said. Taiwan is also offering a five-year tax waiver to manufacturers and related technology service providers for new investments.

Taiwan's economy grew 4.32 percent in the second quarter, the weakest expansion in more than a year. Export orders in July grew at the slowest pace in five years as Chinese demand faltered. Inflation rose 5.78 percent in August, easing from an almost 14-year high.

## Export Forecasts

The government expects exports to rise 14 percent this year, up from a previous forecast of 11.73 percent, according to Chen Tain-jy, the island's top economic planner. Shipments in the second half of the year may grow by more than 10 percent, up from a previous estimate of 6.29 percent.

Taiwan wants to boost exports to regions including the Middle East, Brazil, Russia and China, Chen said.

The government is also considering plans to cut inheritance tax and gift tax, as well as corporate income tax and personal income tax rates, Finance Minister Lee Sush-Der said today. He declined to give details.

**Source: Bloomberg**