

## Highlights of the Sovereign Rating on Taiwan, PRC

### Updated Rating

Long-term Local Currency: AA<sub>i</sub>

Long-term Foreign Currency: AA<sub>i</sub>

Outlook: Stable

### Previous Rating

Long-term Local Currency: AA<sub>i</sub>

Long-term Foreign Currency: AA<sub>i</sub>

Outlook: Stable

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### Rating Opinions

United Ratings has decided to maintain the long-term local and foreign currency ratings of the Taiwan region of the People's Republic of China (hereinafter, "Taiwan") of AA<sub>i</sub>, with Stable outlook.

The Democratic Progressive Party's victory at the elections for leaders and legislature of Taiwan has increased uncertainty over the cross-strait relationship. Taiwan's economy will maintain slow growth in the near term but from a long-term perspective, there remains fairly strong growth potential. The Democratic Progressive Party's regime is committed to containing fiscal deficit and government debt is expected to stabilize at a low level. The large current account surplus is expected to continue.

### Reasons for Maintaining Ratings

- The Democratic Progressive Party's taking office is expected to improve the efficiency of policies in Taiwan, but increases the uncertainty of the cross-strait relationship at the same time.
- The government remains committed to containing fiscal budget, and government liabilities will remain at a low level.
- Monetary policy is timely adjusted and will remain loose in the current phase. The overall risk level in the banking system remains low.
- The significant current account surplus is expected to continue.

## Outlook

Cross-strait relationship will remain the biggest uncertainty facing Taiwan in the near term and is likely to generate a significant negative impact on its economy, but the likelihood of loss of control is low. Taiwan's finance will stay robust and the significant level of current account surplus

will support the region's foreign debt servicing abilities. As such, United Ratings has decided to maintain the outlook on Taiwan's local and foreign currency ratings for the coming 1-2 years.

### Key Indicators of the Sovereign Rating on Taiwan, PRC

	2011	2012	2013	2014	2015	2016 <sup>f</sup>
Nominal GDP (billion USD)	485.7	495.9	511.6	530.2	523.5	509.6
GDP per capita (USD)	20,911.1	21,269.5	21,888.2	22,624.2	22,285.2	21,690.0
Real GDP growth (%)	3.8	2.1	2.2	3.9	0.8	0.2
Inflation rate (%)	1.4	1.9	0.8	1.2	-0.3	1.1
Total lending/GDP (%)	168.9	174.0	179.9	194.1	193.0	202.3
Domestic credit growth (%)	5.6	3.3	3.5	4.8	3.4	1.3
M2 growth (%)	4.8	3.5	5.8	6.1	5.8	5.2
Budget balance of governments/GDP (%)	-2.1	-2.4	-1.4	-0.9	-0.4	-1.0
Primary balance of governments/GDP (%)	-1.3	-1.6	-0.6	-0.2	0.3	-0.3
Public debt/GDP (%)	33.2	34.1	33.8	32.8	32.7	33.1
Current-account balance/GDP (%)	7.8	8.9	10.1	11.8	14.4	13.3
Total foreign debt/GDP (%)	25.2	26.4	33.3	33.6	30.4	30.2
Total external debt/Current-account credit (%)	31.9	34.4	44.0	43.6	42.5	43.8
Short-term foreign debt/Total foreign debt (%)	88.0	89.1	91.5	91.8	91.1	93.5
International reserves/Total foreign debt (%)	318.8	312.2	248.0	238.2	271.0	287.1
Gross external financing requirement/GDP (%)	9.6	12.7	13.0	18.0	17.5	15.6

Source: Sovereign Rating Database of United Ratings.

Note: "f" stands for forecasts.