

## Despite having controlled the spread of COVID-19, Taiwan is experiencing a slow recovery of its economic activities

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21 AUGUST 2020

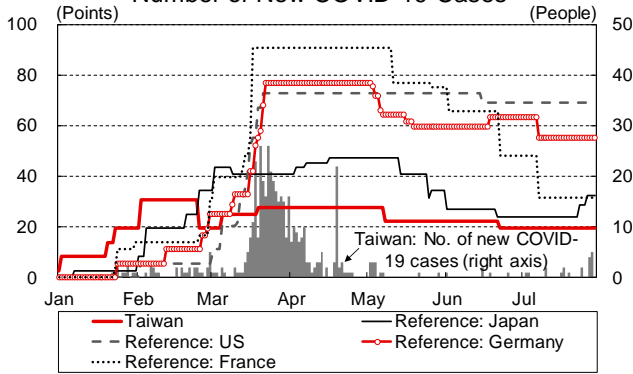
(ORIGINAL JAPANESE VERSION RELEASED ON 31 JULY 2020)

The number of COVID-19 cases did appear to have fallen for a short while in some countries and regions but then rose again as economic activities were re-started. Meanwhile, Taiwan is said to have been successful in continually controlling the spread of infection. The number of daily COVID-19 cases were at their highest around mid-March, but they remained under 30 during this time and, since May, the number of new cases in Taiwan has been zero (Chart 1). As a result, the stringency index for restrictions on movement published by the University of Oxford is also comparatively low for Taiwan.

Taiwan's economic recovery, on the other hand, is sluggish. Even in June, when the infection had been brought under control for the most part and restrictions on movement were eased, the growth of retail sales was -1.3% YoY – an improvement from the previous month but a continuation of the negative growth (Chart 2 upper). According to the breakdown by item, there was a large rise in online sales as people maintain social distance, whereas many other items, such as clothes, food and tobacco, continue to record lower sales than the previous year. In addition, compared with developed countries, the lowest point in the fall of sales was small in Taiwan owing to the fact that it did not adopt strict public health measures. Nevertheless, there does not appear to be any great difference between the recovery of Taiwan and that of the US and Europe, where it is still difficult to say the infection has been controlled. The recovery of mobility trends for public transport in Taiwan is also sluggish. Currently, mobility has not returned to pre-pandemic levels and remains in double-digit negative figures compared with the baseline, as is the case in developed countries (Chart 2 lower).

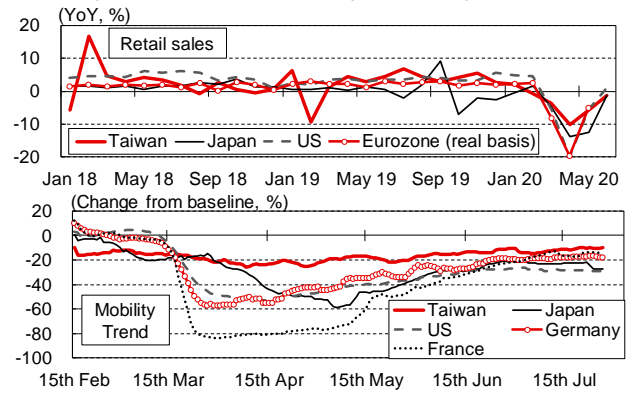
Despite its success at controlling the infection and the relative freedom experienced by its citizens, Taiwan's economic recovery is limited, which is likely to be due to people's sense of caution about the virus and the strength of public awareness about social distancing. The impact from the time of the spread of severe acute respiratory syndrome (SARS) in 2003 is said to remain to some extent, and with no effective method of treatment or vaccine established, it is unlikely that economic activities will return to their level before COVID-19, even if the various restrictions are lifted. This is because the virus is still spreading overseas, unlike during the SARS epidemic. Given the situation in Taiwan, which is a "model student" in terms of controlling the spread of COVID-19, it appears the path to recovery from the pandemic will be even harder for the global economy.

Chart 1: Taiwan's Restrictions on Movement and Number of New COVID-19 Cases



Source: University of Oxford (Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government), MUFG Bank Economic Research Office

Chart 2: Retail Sales and Mobility Trends for Public Transport for Taiwan and Major Developed Countries



Note: Baseline is calculated using data from 3rd Jan to 6th Feb. All data is one-week moving average  
Source: Google, MUFG Bank Economic Research Office

(Translated by Elizabeth Foster)

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