

## Taiwan: Another month of weak exports

It's been another month of weak Taiwan exports. There should be temporary support from handset sales in September but Taiwan's dependence on this industry means the economy is vulnerable to external risks



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### Another month of weak export growth

Exports grew 1.9% year on year in August, down from 4.7% in July, while imports grew moderately at 7.9% YoY in August, down from 26.12% YoY in July.

Exports of electric parts grew only 1.3% YoY, which is very slow growth, and integrated circuit exports grew at a mere 0.4% YoY in August from 7.0% YoY in July.

We expect September to be a better month for Taiwan exports because of the scheduled handset sales in the month.

### Taiwan's export and manufacturing sector depends too much on handsets

Taiwan's export growth depends too much on the handset industry, and there won't be new

handset releases every month, which means the sector is vulnerable to external risks. This underlines our worry on the Taiwan economy that if the US imposes tariffs on \$200 billion worth of goods and China retaliates, Taiwan's manufacturers would be hurt via the supply chain, although handsets are still excluded from the tariff lists so far.

## **A weaker currency won't make exports shine**

With this backdrop, a weaker Taiwan dollar won't particularly help Taiwan's exports.

The spot price is now at 30.77, and we expect USD/TWD to reach 31.00 by the end of 2018, which is largely a result of a strong dollar due to risk-off sentiment from the escalation of trade tensions.