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Good MornING Asia - 24 April 2018

Central banks spend all their efforts trying to raise inflation, then when it looks as if it is happening, anxiety spikes. Stories about global recession looming are in our view hugely overdone. But there are interesting things happening in semiconductor space that Asia ought to be concerned about

In this bundle

Snap | 23 April 2018

Taiwan

Taiwan’s industrial production misses estimate for important items

Despite the rise in industrial production, some electronic parts failed to hold up healthy growth

Source: Shutterstock

Semiconductors grew but panels and optics shrank

In general, production of electronics grew 6.62% year on year, which was above the average industrial production of 3.09% for Taiwan in March. The strongest growth came from integrated circuits, and semiconductors grew at a solid 11%.

However, this may not be as upbeat as it looks. Production of display panels and optic-related parts shrank by 1.67%YoY and 1.4%YoY, respectively.

This makes us thinks that the whole value chain of smart-device production could be slower than last year.

Trade tension might not be positive

As trade tensions in the telecoms and IT production sector between Mainland China and the US grow, the whole supply chain of electronic products could be affected. Some players will get hurt immediately, while some may benefit as they have alternative substitutes for the "banned" Chinese products in the US.

We hesitate to jump to the conclusion that this is positive for Taiwanese products because of its closely linked production chain with Mainland China as many electronic products made in Mainland China have parts imported from Taiwan.

This, in fact, could be negative for Taiwan unless it has a substitute for the Mainland products affected.

The asset market has suggested that Taiwan could be affected negatively by the ongoing US-China trade tensions.

USD/TWD has weakened from 29.08 at the beginning of April to 29.531, weakening 1.55% so far in the month. The Taiwan stock market index (TWSE) has also fallen with the currency, which is why we are monitoring the economy closely to consider revision of forecasts.

Article | 23 April 2018 Thailand

Thailand: Above-expected trade surplus in March

2018 remains on course to be the second year of a narrowing trade surplus. Re-pricing for a narrower external surplus and political uncertainty associated...

Source: Shutterstock

$1.3bn Trade surplus in March

Higher than expected

Above-expected exports, weak imports in March

Thailand's exports grew a greater-than-expected 7.1% year-on-year in March, but import growth was slower than expected, at 9.5%. The consensus forecasts were 6.0% and 11.6%, respectively. The result was a trade surplus of almost $1.3bn - double the $660m consensus forecast. Nevertheless, the year-to-date trade surplus of $2bn has almost halved from a year ago.

$40bn

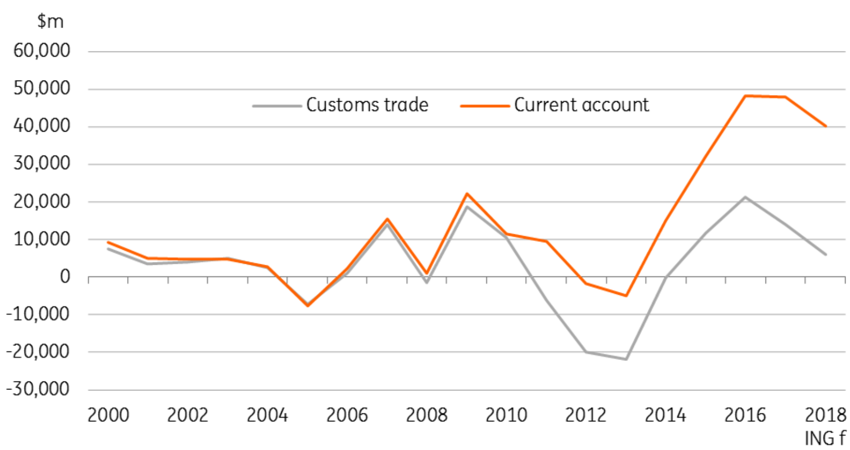
ING forecast of 2018 current account surplus

8% of GDP

Narrowing trade surplus

2017 was the first year in the last four years that Thailand's trade surplus narrowed; at $13.9bn, the 2017 annual surplus was down from $21.2bn in 2016. Our forecasts of 7% export growth and 11% import growth in all of 2018, imply a further narrowing of the surplus to $6bn this year. If all of this narrowing gets carried over to the current account surplus, the latter will come in close to $40bn or about 8% of GDP in 2018. That cannot be taken for granted, however. Despite a $7.3bn YoY narrowing of the trade surplus in 2017, the current account held steady at $48bn (10.5% of GDP).

Trade balance drives current account balance



Source: CEIC, ING

THB re-pricing

We view the persistent wide current account surplus more as a sign of weakness than a strength of the economy, signifying anaemic domestic spending. Yet this is the main source of the currency appreciation underway since last year. The Thai baht's (THB) 4% year-to-date appreciation against the US dollar, the most among Asian currencies, comes on top of 10% appreciation in 2017 when it was the third-best performer (after the Korean Won and the Malaysian ringgit).

However, THB appreciation has almost stalled since March this year. We believe re-pricing for a narrower external surplus and political uncertainty associated with delayed general elections will weigh on THB performance in 2018. We forecast a tight range trading of USD/THB around 31 through the rest of the year.

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