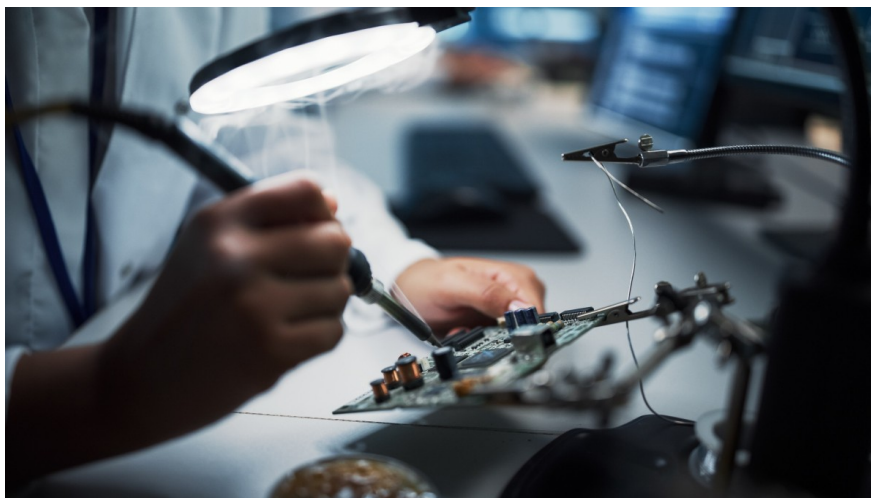


Are Taiwan exports moving away from mainland China to the US?

With political tension between mainland China and Taiwan escalating, there are signs that Taiwan exports are gradually moving away from mainland China



The global semiconductor shortage is an opportunity for Taiwan's electronic manufacturing

Taiwan trade growth accelerated

Exports and imports in Taiwan rose 34.8% year-on-year and 35.3% year-on-year in February, respectively. This resulted in a trade surplus of \$5.8bn last month.

The growth of exports was mainly down to integrated circuits, which increased 48.9% year-on-year. Exports of optical parts fell 3.7% year-on-year, and within this category cameras in smart devices decreased 10.7% year-on-year. The rise in exports led to an increase in imports of the materials needed for export orders. Imports of electronic parts increased 37.4% year-on-year.

The global semiconductor shortage is an opportunity for Taiwan's electronic manufacturing. Taiwan has started to increase semiconductor production capacity, which should be positive for exports and economic growth in three to five years' time.

Taiwan exports might be starting to move away from mainland China

Exports to mainland China in 2021 contributed 42.3% of Taiwan's total exports and grew 24.8%. So

far in 2022, mainland China's contribution to Taiwan exports has fallen slightly to 40.6%. In contrast, exports to the US increased from 14.7% in 2021 to 15.2% of total Taiwan exports. This could be a seasonal pattern due to the Chinese New Year, but it could also be due to the fact that Taiwan has got more export orders from the US.

When we look at the trade of electronics, we found that the most exported item to mainland China has been electronic parts, which increased 24.4% in 2021 and was even stronger at 34.7% year-on-year in February year-to-date. So we cannot conclude yet that Taiwan's trade partner structure is indeed changing. We will continue to monitor whether Taiwan trade is moving away from mainland China.

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