

Taiwan: Exports shrink but 5G brings hope

Taiwan's exports have shrunk for five straight months amid weak demand for smart devices. But there is a silver lining from imports, which returned to positive growth thanks to stronger demand for semiconductor equipment. 5G is helping and will be the growth engine of Taiwan's economy in the coming year



Exports show Taiwan's economy still suffers from weak demand for smart devices

Exports shrank 4.4% year-on-year in March to \$28.68 billion. Electronic parts led the fall, down 13.3%YoY to \$9.14 billion.

The data confirms that the smart devices' product cycle has slipped into a downward trend.

But 5G is a new force bringing hope to the Taiwan economy

Imports showed that 5G is helping Taiwan. Electronic equipment imports rose 83.1%YoY to \$254 million, out of \$25.56 billion of total imports, which rose 6.6%YoY in March.

This suggests that 5G is creating demand for new electronic equipment. The production of equipment is just the beginning of the 5G supply chain. In the coming year, this latest generation

of cellular mobile communications will create demand for end products, namely, smart devices, from which Taiwan's manufacturing sector will benefit the most.

GDP will suffer in the short term

Though imports rose amid a solid fundamental backdrop, the increase means that net exports will shrink even more. GDP growth will experience a short-term shock if imports continue to rise at this pace. As such, our forecast for 2Q19 GDP growth, at 1.4%YoY, and the whole of 2019, at 1.8%, could be at risk of downward revision. We will monitor future net exports to gauge if there is a need for a forecast revision.

But our 1Q19 GDP growth estimate at 1.4%YoY is still intact.