

Taiwan: Export orders shrink and the outlook is worrying

Taiwan's export orders continue to shrink. And it's not because of the trade conflict. A lack of creativity in new smart device models suggests the outlook for exports won't get better anytime soon



Lack of value add in new smart device models hurt Taiwan

Export orders fell 6.0% year-on-year in January 2019. Taiwan is the hub of manufacturing smart devices. When there is no value add from new models, demand shrinks, which explains the trend of shrinking export orders in Taiwan.

Raw materials and parts to make smart devices were hit hard

Among all the export order items, materials and parts that are used for manufacturing smart devices were hit hard.

Optical parts fell 11.4% YoY, plastics fell 10.4% YoY and telecommunication parts fell 5.8% YoY.

Don't blame the trade war

The lack of value add of smart device products is not related to the trade war. Even if a truce in the

trade dispute is extended, product creativity will not just come back.

5G is a source of hope for the smart device product life cycle. But this comes at the earliest by mid-2019. Until then, export orders will probably continue to be at risk, and so will exports and GDP growth.

Our GDP forecast at 1.8% has already taken this factor into account. We hope that 5G can come to rescue by mid-2019. Otherwise, we'll need to revise downward our GDP growth forecast.