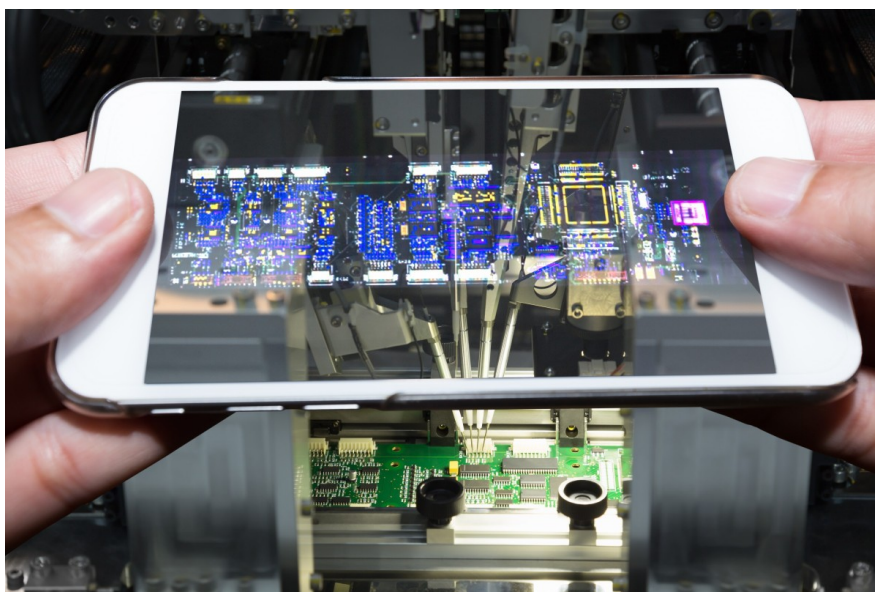


Taiwan: exports keep falling

Taiwan's exports and imports continue to shrink on a yearly basis despite growth in electronics trade



Source: Shutterstock

Electronics can't help overall exports contraction

Headline exports shrank 3.8% year-on-year in June even though the biggest export item, electronic parts, grew 23.9% YoY. The overall contraction in exports signals that global demand has continued to be weak.

Growth in exports of electronic parts was mostly attributable to demand from Mainland China (+34.3% YoY). 5G infrastructure in Mainland China continues to be the engine of Taiwan's growth in electronic parts production and exports.

Imports show weak domestic demand

Overall imports contracted 8.6% YoY. Imports of capital goods, raw materials for the agricultural and manufacturing sectors, as well as consumer goods all shrank in June on a yearly basis.

This should continue into July as an increase in Covid-19 cases should keep global demand for manufacturing goods at a low level, which would affect Taiwan's imports of parts for manufacturing into semi-products. This, in turn, will put pressure on Taiwan's job market and therefore consumption for imported goods.

The widening trade balance should help GDP

As imports contracted more than exports, the trade balance increased for two months in a row. This will give some support to economic growth in 2Q20, which is still within our expected range. Our GDP forecast for 2Q20 is -0.5% YoY.