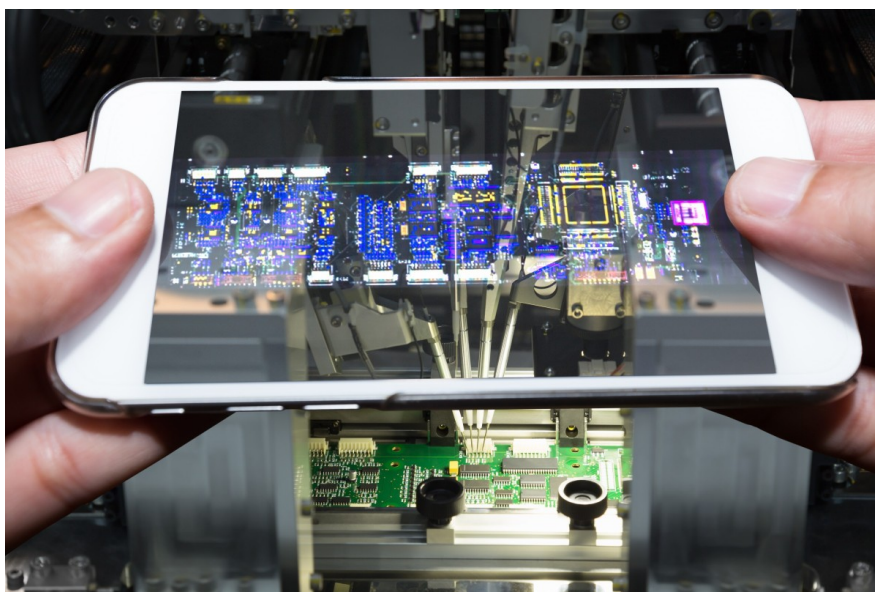


## Taiwan: exports keep falling

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.