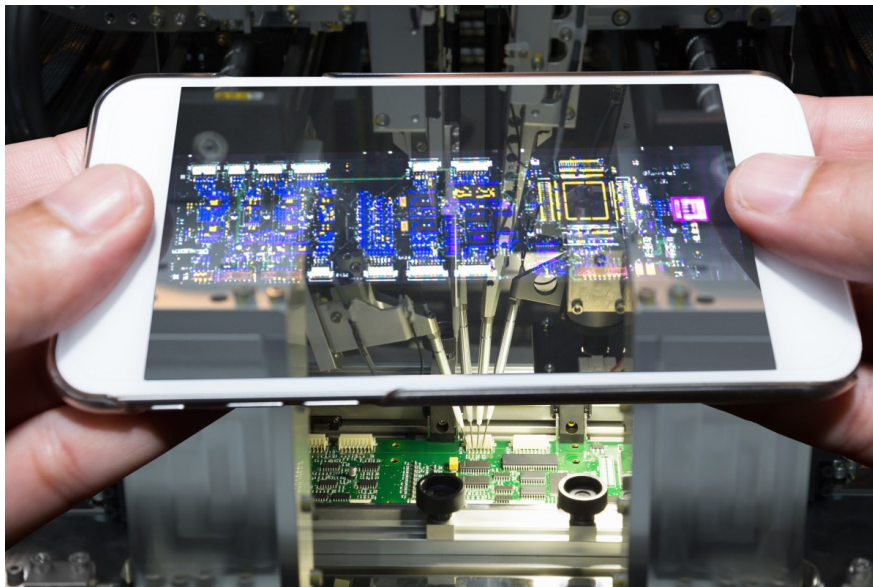


## Taiwan's falling imports suggest weak domestic demand

Taiwan exports and imports are both shrinking. Both display weak demand, globally and domestically. If things don't improve after the government stimulus, we may have to revise our GDP forecasts for 3Q20 lower



Source: Shutterstock

### Unexpected fall in imports

Taiwan's imports fell surprisingly by 3.5% year on year in May after rising by 0.5%YoY a month ago, while exports contracted 2%YoY after the contraction of 1.3%YoY in April.

In our view, exports were expected to be poor due to the initial stages of recovery in some economies, but the fall in imports is concerning.

### Weak domestic demand

Even though Taiwan has done a good job of dealing with the pandemic, the economy can't escape from weak demand.

The speed of the contractions doesn't suggest that imports are in incredibly poor shape but the imported amount - just US\$ 22.28 billion in May 2020, was the worst month for imports, with the exception of Chinese new year months and September 2017 when imports were US\$ 22.21 billion.

Though low oil price can drag import amounts lower, imports of goods that serve domestic consumption, which contributed to more than 12% of total imports, fell by 5.6%YoY.

This contraction strikes us as quite strange as the [consumption coupon](#) and other consumption stimuli will start on 1 July. Importers of consumer goods should prepare for a spending spree unless they are pessimistic about the effectiveness of the stimulus.

## GDP forecasts

We may revise our GDP forecasts for 3Q20 downwards if consumption isn't as strong as expected by the government after the stimulus in August.

For now, we forecast Taiwan GDP to be at -0.5%YoY, -1.0%YoY and -1.5%YoY for 2Q20, 3Q20 and 4Q20, respectively.

Our full-year GDP forecast is now at -0.4%.