

# Taiwan import slackness reveals long-term export weakness

Taiwan is importing less equipment for semiconductors. This could be a signal for slower export growth for the longer term future



Source: istock

## Export and import growth lower than expected

Exports in April grew 10% YoY, lower than the previous month's 16.7% and our estimate of 17.3% YoY. Similarly, imports grew 4.9% YoY, lower than the previous month's 10.4% and our estimate of 7.8%.

Looking at the details, we find that the short-term outlook for Taiwan trade is still fine, but not so for longer term growth. It could be that businesses have already planned for softer growth of trade ahead of Mainland China-US trade talks.

Moreover, the recent inconclusive trade talks could result in shifts in business strategies of the electronic sectors and related supply chain. Trade volume would also change accordingly.

### 1 Almost all export goods show a monthly fall

The first hint comes from the fact that exports fell on a monthly basis (-5.9% MoM) from electronic parts, and audiovisual products to machinery.

## 2 Imports hint exports should grow in a couple of months ...

Looking at imports, we found that imports experienced a similar situation to exports as almost all goods fell in April from March.

Not everything is bad news. Electronic parts imports grew 24% YoY, which indicates exports of electronic products in the coming quarter should still experience strong growth.

## 3 ... but not the long term

However, there was a 5.1% YoY fall in equipment imports in the January to April period. Businesses may need to prepare for a disruption in the supply chain if there were a trade war between Mainland China and the US. The result could be expanding factories in other emerging economies as well as preparing for softer growth in export volumes.

### Outlook for the Taiwan economy under review

As trade tensions between Mainland China and the US escalates, Taiwan's export-oriented economy would be affected, especially when the tension is related to Mainland China's strategy of 'Made in China 2025'. We are putting the Taiwan outlook under review.

We may need to cut our GDP growth forecast, which is currently at 3.2% for 2018, and may also need to revise our USDTWD forecast further from 29.00 by the end of 2018 if coming data show continuous weakness in the economy.

### Author

#### Iris Pang

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)