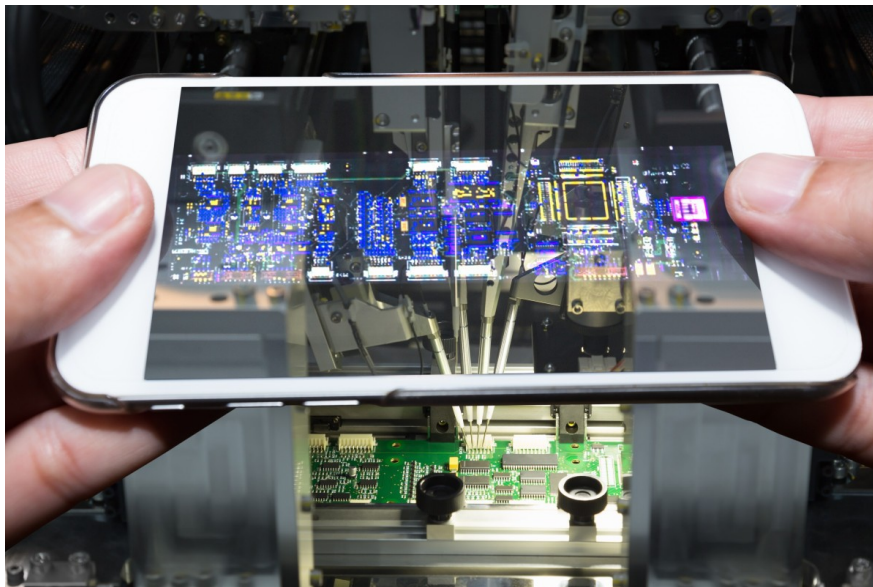


## Taiwan: Industrial production yet to feel the coronavirus impact

Taiwan's industrial production surprised on the upside even though it continued to contract. The impact of the coronavirus has yet to be fully reflected in the data. We must wait for February to see the deep damage to the supply chain



Source: Shutterstock

### Industrial production fell just a little

Taiwan's industrial production shrank by just 1.51% year-on-year, better than the consensus estimate of -4.0%.

One important factor is that 5G infrastructure has pushed up growth in the manufacturing of integrated circuits by 30% YoY. As we have pointed out on several occasions before the outbreak of Covid-19, 5G is the key area of growth for China in 2020. We still believe 5G is very important for growth this year but it will be slower than expected due to the epidemic.

### But it may not be good news for corporate profits

Even if Taiwan is not as severely affected by the coronavirus as Mainland China, disruptions to the

supply chain will still prove damaging to its economy.

While manufacturing of integrated circuits has been strong in Taiwan, these electronic parts are unlikely to become part of the final product. Instead, inventories will build up, which will add to GDP growth, but will not count as corporate profits.

## **We are not optimistic on February's number**

We are not reading too much into January's industrial production data and instead will wait for February and March's industrial production data in both Mainland China and Taiwan to gauge first and second quarter exports.

For our forecasts on GDP and the Taiwan dollar, you can read our [Taiwan quarterly report](#), which details how the economy will be hit by Covid-19 and the political situation.