

Taiwan: Remarkably strong external trade

Trade data shows that Taiwan has strong exports and imports, but stagnating imports of electric parts may point to a slowdown of electronics exports in the coming months



Trade data surprised on the upside

Taiwan released external trade data for December, which showed surprisingly strong growth in both exports and imports. Exports rose 14.8% year-on-year to a record \$29.51bn in December, beating the consensus of 10.9% and our 7.3% growth forecast. Imports grew by 12.6% YoY to \$23.38bn, also better than consensus of 8.3% and our forecast of 10.5% growth.

Stagnating imports of electric parts may point to a slowdown of exports in the coming months

Electric parts, which made up 35% of total exports, grew 20.5% YoY in December, an acceleration from 16.0% in the prior month. While imports of electric parts grew by a mere 2.8% YoY, minerals and communication and visual products imports were strong, with more than 20% YoY growth. The data shows that Taiwan has still relied a lot on production of electric parts, which could be mostly semi-conductors. Imports of goods therefore largely support the production of exports. The

stagnation in imports of electric parts may be a sign of a slowdown of electronics exports in the coming months.

There would be data distortion from the Chinese New Year next month

The Chinese New Year holiday typically weighs on trade growth in the first quarter of the year. And the timing of the Lunar New Year holiday imparts a greater volatility to trade growth. The distortion to the year-over-year growth this year comes from the Chinese New Year holiday being in January of the last year but in February of this year.

Strong TWD may not dampen trade growth in 2018

The recent strengthening of the Taiwan dollar against the US dollar from a flat 30 in December to near 29.5 as of 8th Jan 2018 may reflect exporters' conversion of export receipts into local currency. This has become a seasonal pattern since 2014. Our end-2018 USD/TWD forecast is 29.0.

The stronger TWD may not be the main factor to affect trade but global demand for electronic goods could be. As long as global demand is rising, and there are more products that use semi-conductors, we are not particularly worried about Taiwan trade growth in 2018. We expect year-on-year growth of both exports and imports to be in the mid-teens.