

## Taiwan trade growth continues to slow

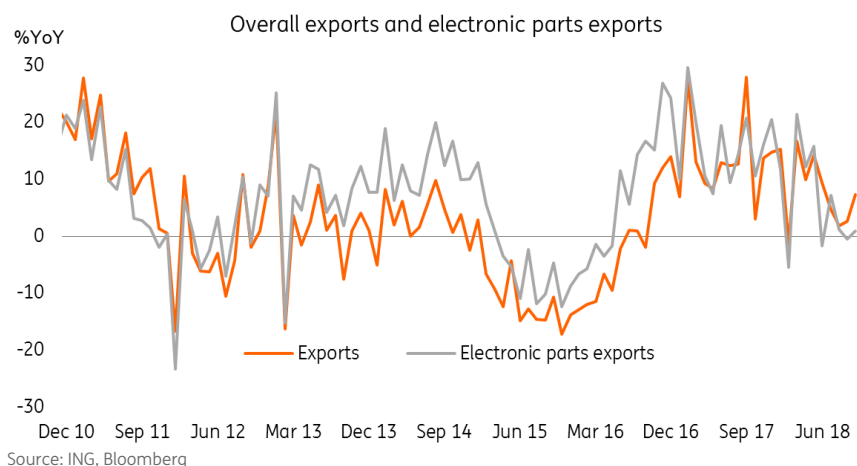
Taiwan's electronic exports grew only mildly in October, but worth noting that integrated circuit imports grew by more than 25%. Overall, we're not very optimistic about Taiwan trade in the coming quarters as we believe the tit-for-tat trade war is only going to escalate



### Exports of electronics grew by only 1%

Exports of electronic parts grew by only 1% year on year in October, of which integrated circuits grew at a mere 1.6%YoY.

Even though this is slightly better than the previous two months (0.4%YoY in August and -0.5%YoY in September), the numbers show that Taiwan's biggest export item is suffering from low demand. It is possible this could be the result of lower demand for new smartphones and the looming sentiment from the escalating trade war.



## But imports data sends mixed signals

The highlights from import data show that crude oil rose by 95.1%YoY, and integrated circuits rose by 25.4%YoY. But we want to focus on the strong growth of integrated circuit imports that sends a conflicting signal versus the exports.

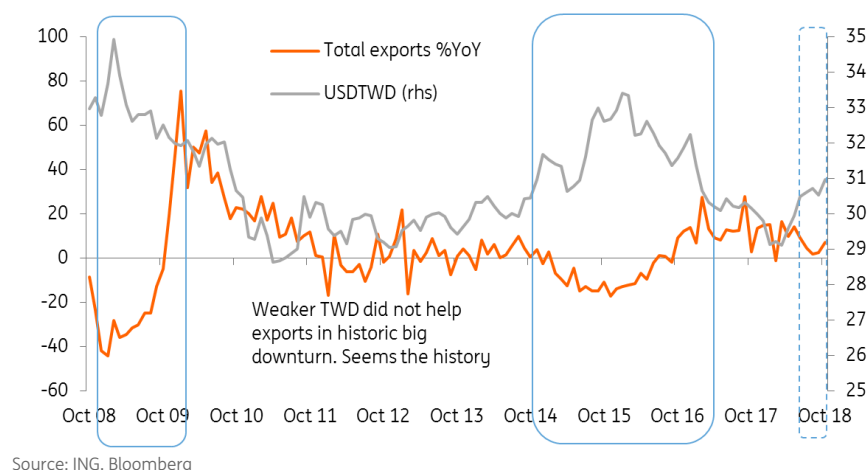
The strong growth of integrated circuit imports tells us that Taiwan's manufacturers could be storing inventories of electronic parts for the winter holiday orders. But from the export data, we doubt demand would be strong enough to absorb all the inventories.

## USDTWD has touched 31.00

USDTWD has touched 31.00 - which was our year-end forecast, but the currency pair has retreated to 30.757, at the time of writing this note.

Historical data shows a weaker Taiwanese dollar is linked to weaker export growth and we expect the same for the coming quarters. We maintain our forecast of USDTWD at 31.00 and 32.00 by the end of 2018 and the end of 2019. But we're not very optimistic about Taiwanese exports as the China-US trade war escalates.

## Weaker TWD is linked to weaker export growth



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