

## Taiwan's trade surprises despite Covid-19

Taiwan saw double-digit growth for both imports and exports in February thanks to electronics and a low base effect, but this might not be the case in March



Source: ING, Bloomberg

Taiwan's exports surged 24.9% year on year while imports were even better at 44.7%YoY in February. We think this is because of strong trade in electronics and also the low base effect in the same month last year. Due to the strong import growth, the trade balance was reduced to \$3.3bn in February, lower than \$3.46bn in January.

Electronics took the lead, which is probably the result of 5G demand. Exports of electronic parts and products rose 46.2%YoY, while imports recorded a jump of 54.1%YoY.

Taiwan did not have an enforced extended Chinese New Year due to the coronavirus, which led to the suspension of factory production across Mainland China. Electronics product continued to be shipped to Mainland China and production levels do not, therefore, appear to have been dented.

But, in March, we think trade growth is likely to subside as the base effect will not be as pronounced.

### 5G leads the way

The strong growth in electronics shows that 5G production is looking robust in 2020.

Not only is 5G infrastructure being produced in Mainland China, but 5G phones are in the pipeline too, and the two will increase demand further for 5G products and services such as 5G coffee machines, 5G speakers etc.

Therefore, it is likely that electronics production and trade will continue to be robust for the rest of the year.

### **Unchanged GDP and USD/TWD forecasts**

As the trade balance was only slightly lower than our forecast, we think electronics production should offset this loss of economic growth.

For now, we maintain our GDP forecasts at 1.0%YoY for 1Q20 and 1.8% for 2020. Our USD/TWD for end - 1Q20 remains at 30.20.