

## Taiwan: Upbeat industrial production may not last

Industrial production surprised on the upside in October but we doubt this will last given that orders from smartphone companies have been cut



Source: Shutterstock

### October's number doesn't reflect recent reduction in orders

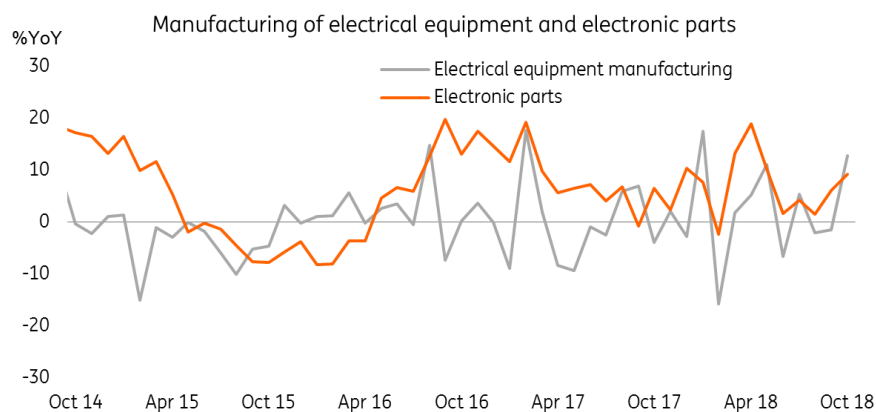
Industrial production surprised on the upside at 8.25% in October from 1.64% in September. And the subcategories are even brighter. For example, manufacturing of electrical equipment rose 12.74% year-on-year and electronic parts rose 9.22% YoY.

The data seems to show that Taiwan's economy is holding up well and may be immune to the US-China trade dispute when new smartphone models are released.

# 8.25% Industrial production (YoY)

Better than expected

## Industrial production on electronics



Source: ING, Bloomberg

## Outlook is dim, no room for rate hike

But that was the past. Smartphone orders have been cut in November and we expect that Taiwan's manufacturing, as well as trade, will be negatively affected.

This doesn't account for the fact that Taiwan's exporters and manufacturers could be hit even harder if the trade dispute between Mainland China and the US escalates. That leads us to believe that the central bank will continue to stay put, as the outlook is more uncertain and downside risks are rising from smartphone orders and the escalation of the trade conflict.

We forecast that Taiwan's GDP will grow at 2.6% in 2018 and slow down to 2.0% in 2019.