

Taiwan's industrial production misses estimate for important items

Despite the rise in industrial production, some electronic parts failed to hold up healthy growth



Source: Shutterstock

Semiconductors grew but panels and optics shrank

In general, production of electronics grew 6.62% year on year, which was above the average industrial production of 3.09% for Taiwan in March. The strongest growth came from integrated circuits, and semiconductors grew at a solid 11%.

However, this may not be as upbeat as it looks. Production of display panels and optic-related parts shrank by 1.67%YoY and 1.4%YoY, respectively.

This makes us think that the whole value chain of smart-device production could be slower than last year.

Trade tension might not be positive

As trade tensions in the telecoms and IT production sector between Mainland China and the US grow, the whole supply chain of electronic products could be affected. Some players will get hurt

immediately, while some may benefit as they have alternative substitutes for the "banned" Chinese products in the US.

We hesitate to jump to the conclusion that this is positive for Taiwanese products because of its closely linked production chain with Mainland China as many electronic products made in Mainland China have parts imported from Taiwan.

This, in fact, could be negative for Taiwan unless it has a substitute for the Mainland products affected.

The asset market has suggested that Taiwan could be affected negatively by the ongoing US-China trade tensions.

USD/TWD has weakened from 29.08 at the beginning of April to 29.531, weakening 1.55% so far in the month. The Taiwan stock market index (TWSE) has also fallen with the currency, which is why we are monitoring the economy closely to consider revision of forecasts.

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