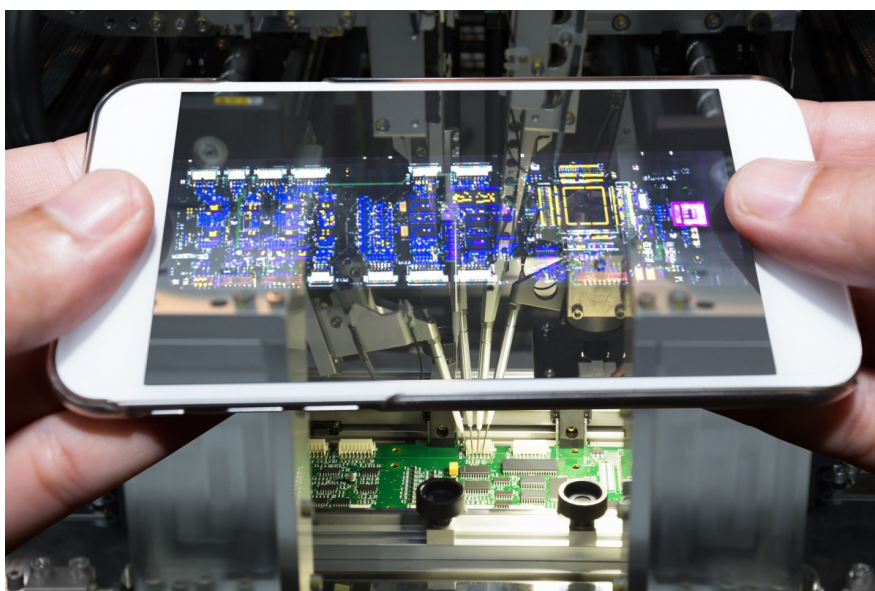


## Taiwan's industrial production remains strong

Taiwan's industrial production slowed in September but mostly due to base effects. Semiconductors continued to play a key role. Going forward, it's not clear that we'll see faster growth rates as capacity has reached its limit. Chip shortages for the world should continue into 2022



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### Industrial production remains strong

The growth rate of industrial production was 12.24% year-on-year in September, down from 13.43% YoY a month ago. The main reason for the slower growth was a high base effect from last year. Most of the growth came from production of semiconductors (+20.5% YoY) and machinery (+24.55% YoY). As we have pointed out, industrial production has limits as each factory has capacity restraints. Semiconductor factories located in Taiwan have now reached their limit. Further year-on-year growth should be minimal, and it will take time for factories to expand capacity. This is why we see machinery also rising at a fast speed.

## Export orders should continue to support economic growth

Export orders taken by Taiwanese semiconductor companies have been rising for production handsets and laptops as well as semiconductors.

These orders can be filled by companies allocating orders to factories located outside Taiwan, which still have some room for growth, e.g. Mainland China. As Mainland China is trying to assure enough electricity supply for this winter, production from Mainland China should be on schedule.

But even with this, the world's production capacity for semiconductor chips is approaching its limit. As such, chip shortages will continue for some time into 2022.

We therefore believe that revenue from Taiwan's semiconductor industry should continue to grow, although it may not benefit the economy in terms of an increase in production and exports in 2022.

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