

# Taiwan's industrial production to slow in Q4

Industrial production is likely to be softer in the second-half of the year, as telecommunication export orders peak



Source: istock

## Growth in Manufacturing activities

We are among the consensus to expect industrial production to stabilise in July, with the previous figure being 3.14%. Growth in manufacturing activities continued in July and we expect this to continue further into August, ahead of a new releases of consumer electronic goods in September.

However, we believe Taiwan's manufacturing and export activities will slow in the fourth quarter, especially after the peak in the production cycle for consumer electronic goods.

# 3.3%

Industrial production forecast

ING and consensus figure

## A hard landing

We do not expect the central bank or the government to provide any cushion for the downward seasonal cycle. The current low level of policy interest rates at 1.375% serves as a lifeline if the economy faces a severe downturn. The government is making efforts to reduce the fiscal deficit, making spending more government money to offset a downward cycle very unlikely.

### Impact on FX

After the peak of export revenue conversion in the third quarter, demand for TWD should be subdued due to the absence of positive domestic fundamentals unless the Taiwan stock market can continue to attract substantial foreign inflows, which seems less likely after strong inflows in 1H17. We keep our forecast that USDTWD will be 30.5 by the end of 2017 (Spot: 30.292).