

Taiwan's net exports surged to record high in August

A surge in exports and a slowdown of imports led to a record high trade surplus of USD\$11.5bn last month



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USD 11.5bn

Taiwan's August trade surplus

Higher than expected

Exports surged as an unexpected recovery in Asia added to existing strength of exports to the US

Taiwan's exports grew by 16.8% year-on-year in August to USD\$43.6 bn, nearly doubling the consensus forecast of 8.5% YoY growth.

By export destination, North America continued to see the fastest growth by far, with 75.3% YoY growth in August. Although very small in terms of the total proportion, exports to Central America (39.3%) and the Middle East (11.8%) also continued to boast robust double-digit growth. However,

the big catalyst behind this month's export boost was a recovery of exports to Asia, which represents 58% of Taiwan's total exports. Exports to Asia recovered to 3.3% YoY, up from -8.3% YoY in July, largely thanks to a recovery of exports to Mainland China and Hong Kong, which rose to 1.0% YoY after a -13.5% YoY decline in July.

By product, the majority of Taiwan's exports are in the machinery and electrical equipment category, representing around two-thirds of total exports. Unsurprisingly, the stronger-than-anticipated August data reflected a recovery in this category, which grew 22.0% YoY in August, up sharply from July's 6.6% YoY level and outpacing the year-to-date growth of 18.6% YoY. Similar to last month, however, growth remains heavily concentrated in the information, communications, and audio-video products subcategory, which grew by a staggering 71.3% YoY. After various categories fell into negative territory last month, most other export products recovered in August.

The closely-watched semiconductor exports remained in negative growth at -0.5% YoY but the contraction was significantly smaller than July's -12.8% YoY read.

A supportive base effect should keep export growth in the double digits over the next few months, but with the current reliance on computer exports to the US, if this category starts to slow, Taiwan's exports could face an outsized impact.

Import growth missed forecasts

Import growth also surprised forecasts but in the opposite direction, with August's import growth slowing to 11.8% YoY from 16.2% YoY. While double-digit import growth looks robust at first glance, there was a very supportive base effect and consensus forecasts were looking for import growth of around 21.3% YoY.

We continued to see negative import growth in various categories, including vehicles (-5.0%), mineral products (-6.9%), textiles (-4.2%), as well as animal (-11.7%) and vegetable (-16.1%) products. One factor is generally falling prices for these categories.

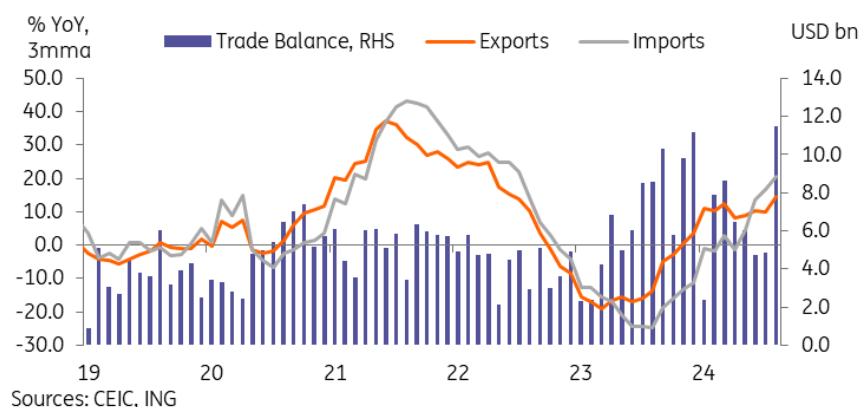
Other categories showed generally more resilient import growth. The largest subcategory, machinery and electrical equipment, grew by 20.1% YoY, driven by imports of electronics parts. Base metals (26.4%) imports slowed compared to July, but it still comfortably outpaced the headline growth.

August trade surplus of \$11.5bn marked record high

As a result of the stronger-than-expected recovery of exports but weaker-than-expected imports, we saw August's trade surplus more than double July's \$4.8bn to hit a record high of \$11.5bn. This beat December 2023's \$11.2bn level to mark a new monthly record high.

The stronger-than-anticipated trade surplus should offer some support to Taiwan's third-quarter GDP.

Upside surprise in exports and downside surprise in imports led to record trade surplus in August



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