

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



The majority of Taiwan's exports are in the machinery and electrical equipment category

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.

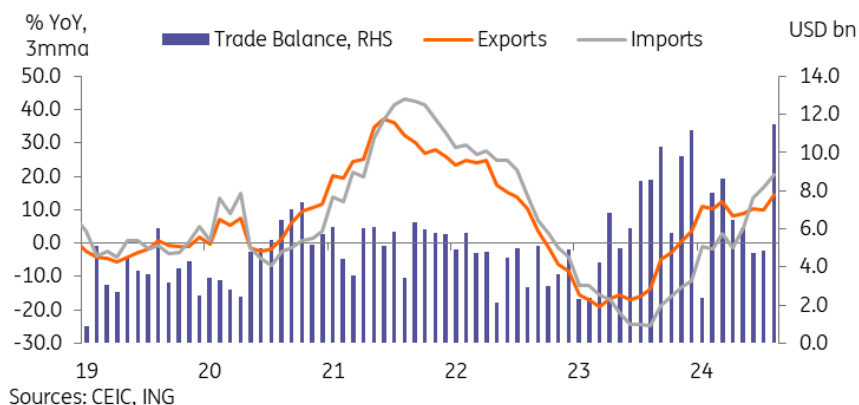
Other categories showed generally more resilient import growth. The largest subcategory, machinery and electrical equipment, grew by 20.1% YoY, driven by imports of electronics parts. Base metals (26.4%) imports slowed compared to July, but it still comfortably outpaced the headline growth.

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



Author

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.