

Taiwan's trade growth beats forecasts but outlook hinges on tariff talks

Both Taiwan's export and import growth moderated but came in stronger than market expectations in March. Continuing stable growth in the second half of the year could hinge on success or failure to negotiate away reciprocal tariffs in the 90-day grace period



People walk past the Taipei 101 skyscraper in Taiwan,

17.5%

Higher than expected

Taiwan's export growth

1Q25, YoY

Taiwan's trade data generally outperformed market forecasts in 1Q25

After a Lunar New Year effect skewed February's growth numbers, a moderation of Year-on-Year growth in March was inevitable.

However, export and import growth both ended up beating expectations. Exports grew by 18.6% YoY and imports grew by 28.8% YoY, though in net this resulted in a smaller than forecasted USD 6.95bn trade surplus on the month.

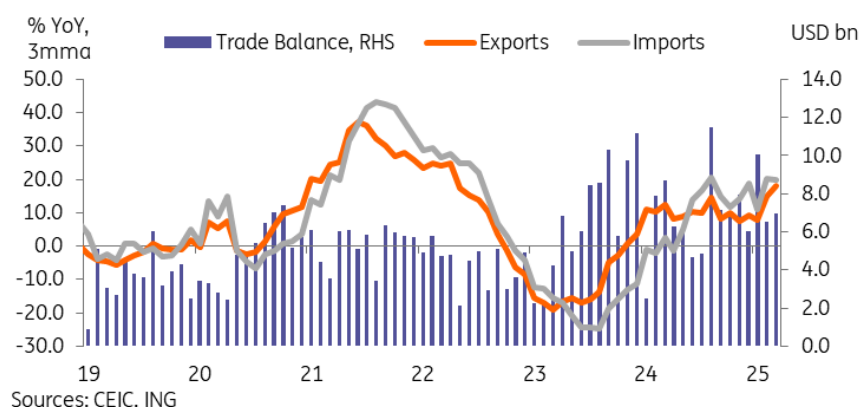
By export product, Taiwan's key exports of semiconductors (20.6%), computers (40.1%), and computer parts (50.9%) all saw robust growth, while other export categories were generally on the weak side.

By export destination, the country with the highest export growth on the month was South Korea (44.4%), with the US (39.9%) just slightly behind. Exports to ASEAN (15.8%) and Mainland China and Hong Kong (12.6%) also showed solid growth. On the weaker end, export growth to the European Union was flat, and exports to Japan contracted at a -4.0% YoY pace.

Imports once again significantly overshot market forecasts, but a closer look reveals that this was almost entirely concentrated in the tech sector as well - semiconductor equipment imports surged 189.8% YoY and integrated circuit and related raw material imports rose 50.4% YoY.

With many of the non-tech related export and import growth in negative YoY territory, Taiwan's trade is quite heavily concentrated and faces potential headwinds if tariffs and export controls come into effect.

Taiwan's trade growth continues to beat expectations in March



Reciprocal tariff plans are a rude awakening to risks

A few weeks back - but what felt like a lifetime ago - we wrote that [Taiwan could avoid the worst of the reciprocal tariffs](#) due to its cooperative attitude, the nature of Taiwan's key exports, and the high-profile USD 100bn investment commitment from TSMC into US manufacturing facilities.

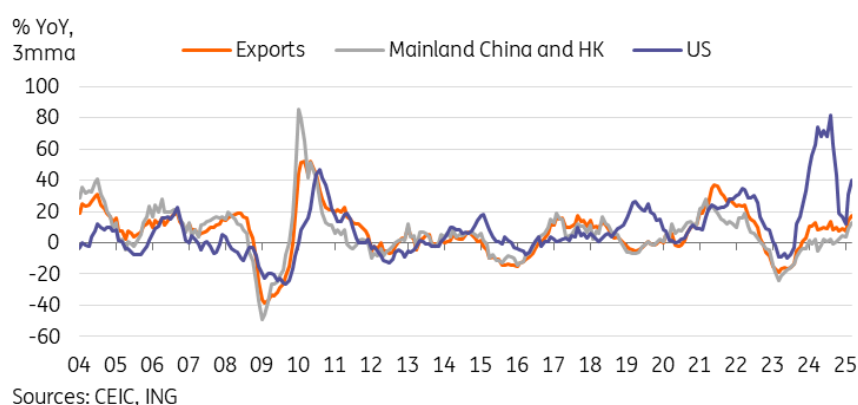
However, it turns out that we severely overestimated the amount of fine-tuning and thought that went into the reciprocal tariff decision, and Taiwan was hit with a 32% reciprocal tariff hike, though the semiconductor exports were indeed exempted.

The logic we laid out in the linked article above still holds true - to date, TSMC's investment commitment is probably still the most high-profile case of announced investment into US manufacturing recently. Semiconductors were already exempted, and given the popularity of many of Taiwan's consumer electronics, such as laptops, as well as the relatively small likelihood that US competitors would be able to fully absorb this market, it's possible that some computer

products could end up being exempted as well.

Taiwan's economy is one of the most vulnerable in Asia to US trade, only slightly behind Vietnam in its exposure to the US market, as illustrated in [Deepali Bhargava's report](#) on the potential regional impact. As such, it was no surprise that Taiwan announced it would not be retaliating against US reciprocal tariffs even before the delay. The 90-day window will be important for Taiwan to secure either a tariff reduction or waiver - failure to do so represents a notable risk to Taiwan's trade and growth outlook in the second half.

Taiwan's exposure to the US market makes it vulnerable to tariff measures



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