

## Taiwan's trade surplus falls short of forecasts in September

A larger-than-expected pullback in exports combined with an uptick in imports caused Taiwan's trade balance to fall to US\$7.1bn



The recovery of semiconductor exports bodes well for fourth-quarter export growth

# USD 7.1bn

 Taiwan's September trade balance

Lower than expected

### Taiwan's exports slowed by more than expected in September

Taiwan's export growth slowed from last month's 16.8% year-on-year growth to just 4.5% YoY, coming in quite a bit weaker than consensus forecasts, and perhaps normalising a little after the significant beat in August's data. The acceleration of August export orders did not appear to translate to the September export numbers.

By destination, Taiwan's exports to the US continued to see strong growth at 27.3% YoY, but this was a significant deceleration from the above 70% YoY levels seen in the previous three months. Exports to South Korea grew at the fastest YoY pace in September, up 35.0% YoY which was also the highest level of the year. In contrast, exports to other areas remained quite weak, continuing the trend of the previous months; exports to China and Hong Kong (1.7%), Japan (0.4%), and

Europe (-19.3%) continued to drag the overall export growth.

By export product, a bright spot was semiconductors, which recovered to 5.2% YoY, breaking a two-month streak of contraction. Computer exports cooled to 49.9% YoY which is still obviously a strong read but was still well below the triple-digit YoY levels of earlier months. Many other product categories continued to be in year-on-year contraction.

After a strong August which gave hope for a more rounded recovery of exports, it looks like September data is signalling a return to the trend of the previous months, where exports are heavily concentrated in a few pockets of strength.

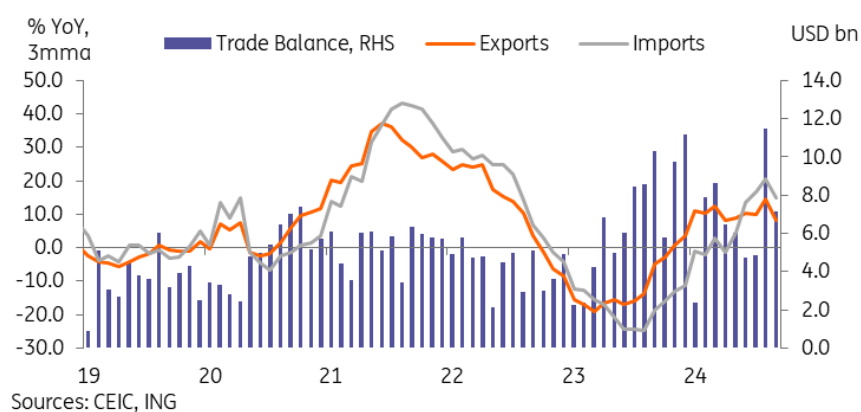
## Import growth bucked expectations with another acceleration

Import growth on the other hand exceeded expectations, accelerating to a three-month high of 17.3% YoY. This was surprising given a less supportive base effect compared to August, and beat both our forecasts and the market's.

By origin, imports from South Korea (79.2% YoY) grew the fastest in September, while imports from ASEAN (36.4%), Japan (21.3%) and the US (19.3%) also saw rapid growth over the month. Imports from China (7.5%) and Europe (2.6%) were the main drags.

By category, we saw capital equipment imports leading the way with 38.4% YoY growth, though this was also mostly a base effect story. Raw material imports, which have been the main driver of import growth so far this year, continued to grow at a brisk 15.5% YoY pace, while consumer product imports lagged with just a 5.4% YoY growth rate. Semiconductor equipment imports and integrated circuits also saw strong growth of 55.7% YoY and 35.5% YoY respectively as Taiwan continues to play a major role in the global AI race.

## Trade surplus narrowed in September



## Smaller than expected trade surplus to contribute less to third quarter growth

The slowdown in exports and the acceleration of imports led to a smaller-than-expected trade surplus of \$7.1bn, which falls short of forecasts. Despite August's record high trade surplus, the third quarter trade surplus stands at \$23.5bn, down from \$27.3bn in 2023. The data suggests that the contribution of external demand to third quarter GDP is likely to be lower than in previous

quarters this year.

Moving forward, a heavy concentration of export strength does add some risk to the outlook, but the recovery of semiconductor exports bodes well for fourth-quarter export growth. We see room for export growth to return to high single-digit growth in the coming months, while import growth will continue to look robust due to a favourable base effect.

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