

Taiwan Watch

December export growth jumped on AI boost

Dec export growth beat estimates; imports declined less

Taiwan's Dec export growth surprised on the upside, accelerating to 11.8% yoy (vs. 3.8% in Nov). This beat our forecast of 6.0% and Bloomberg consensus of 5.6% by a wide margin. Imports witnessed a smaller contraction in Dec (-6.5% yoy, vs. -14.8% in Nov), largely in line with market consensus (-7.0%). Trade surplus hit a record high of US\$11.1bn (vs. US\$9.8bn previously; Exhibit 1). For 2023 as a whole, total exports declined by 9.8% while imports plunged by 17.8%.

AI tech exports strengthened; semi exports picked up

The export growth of tech products improved further (+19.5%, vs. +14.2% in Nov). Info & comm products hit a single-month record high level of US\$10.1bn, with a stronger yoy growth rate of 94.7% (vs. +74.0% in Nov). This was likely continued to be boosted by rising demand for artificial intelligence (AI) and high-performance computing (HPC) applications, such as AI servers. Exports of electronic parts (mostly semis) saw a smaller yoy contraction (-1.2%, vs. -3.6% in Nov). On the other hand, non-tech export growth (e.g., plastics & rubber, chemicals, base metals and machinery; >40% of total exports) picked up notably to -1.5% yoy from -12.2% previously.

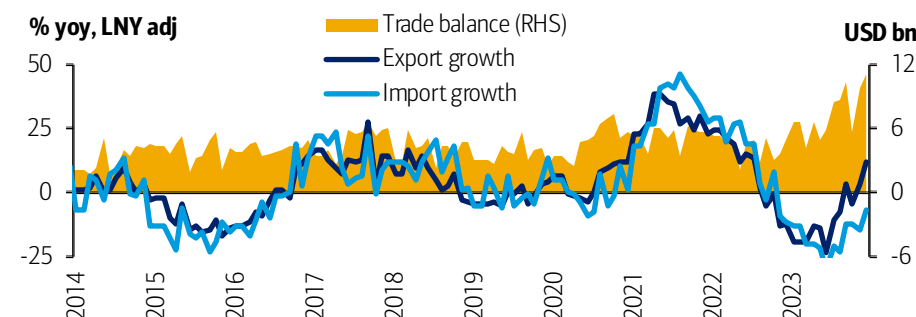
Imports of capital goods remained in deep contraction (-22.0% yoy), with purchases of semiconductor equipment down by 45.2% yoy (vs. -55.6% in Nov). Imports of raw materials improved in Dec (-3.1%), while consumer goods imports softened (-10.3%).

Exports to witness a recovery in 2024

The strength in Dec tech exports reaffirms our view that Taiwan is well positioned to benefit from a structural AI boost. Meanwhile, it is encouraging to see a continued pick-up in semi exports, as well as a rebound in non-tech exports after quarters of significant contraction. We expect exports to pick up further and register a modest growth in 2024, despite lingering external demand headwinds.

Exhibit 1: Exports, imports and trade balance

Dec export growth rose to 11.8% yoy; leading to a higher trade surplus pf US\$11.1bn



Source: BofA Global Research, CEIC

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Abbreviations:

yoy: year-over-year

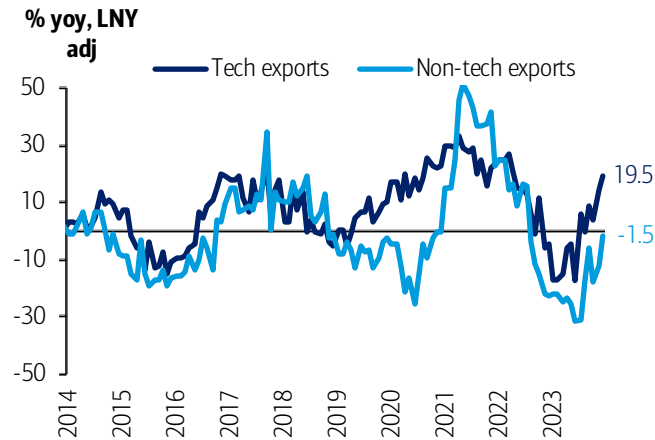
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Exhibit 2: Tech exports vs. non-tech exports

In Dec, tech export growth surged, driven by strong shipments of information & communication products; non-tech exports improved notably

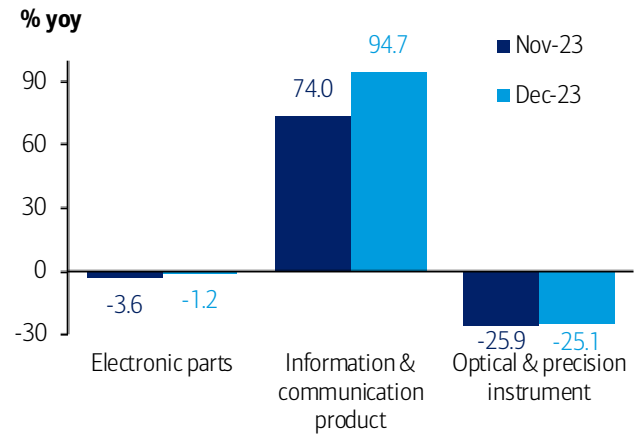


Source: BofA Global Research, CEIC

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Exhibit 3: Tech exports: major categories

Exports of electronic parts fell less, while optical & precision instruments remained sluggish

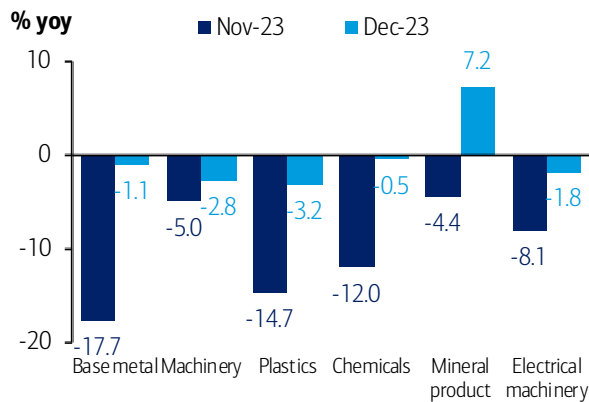


Source: BofA Global Research, CEIC

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Exhibit 4: Non-tech exports: major categories

Export growth of mineral products turned positive, while other categories also improved notably

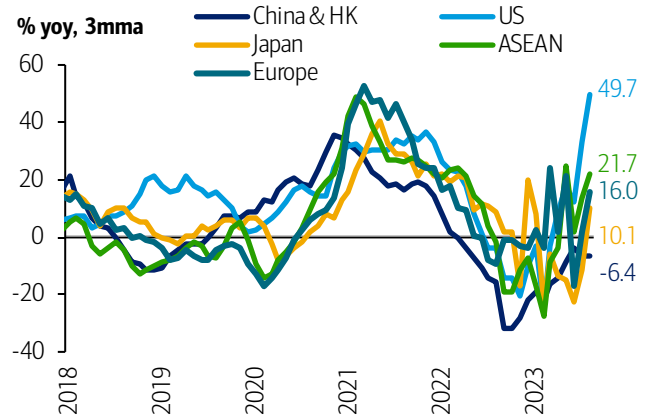


Source: BofA Global Research, CEIC

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Exhibit 5: Export by destination

Export growth to the US surged, while that to Europe, Japan and ASEAN picked up. Exports to China/HK remained in contraction.

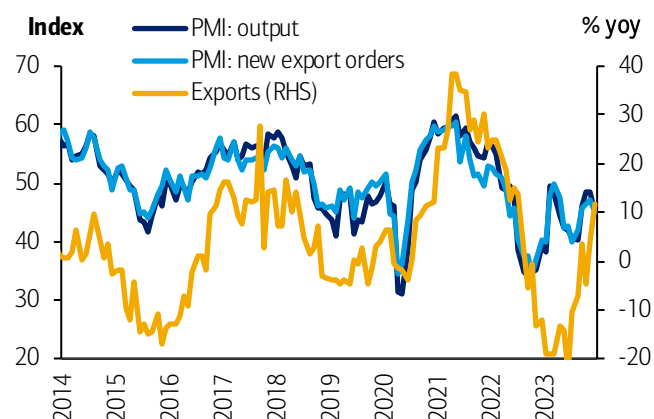


Source: BofA Global Research, CEIC Note: Original monthly figures for 2023

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Exhibit 6: PMI vs exports

New export orders underlying the manufacturing PMI still below the 50-mark in Dec

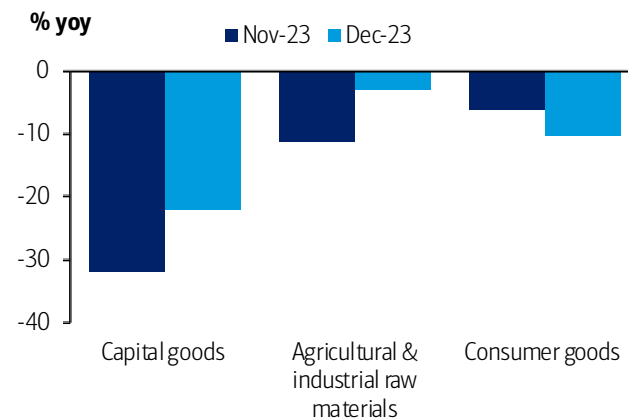


Source: BofA Global Research, CEIC, Bloomberg

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Exhibit 6: Imports: major categories

Imports of capital goods remained in double-digit contraction, while agricultural & industrial raw material imports improved



Source: BofA Global Research, CEIC

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