

Taiwan Watch

January export growth jumped against a low base

Jan export growth rebounded; imports beat expectations

Taiwan's export growth improved further to 18.1% yoy in Jan (vs. 11.8% in Dec), higher than our forecast of 16.0% but lower than the BBG consensus of 19.5%. The higher yoy growth rate was partly helped by a low year-ago base due to the different timing of the Lunar New Year holiday (Feb 2024, vs. Jan 2023) and thus more working days in this month. Import growth rebounded sharply to 19.0% yoy in Jan (vs. -6.5% in Dec), beating the consensus forecast of -4.8% by a wide margin. Trade balance declined unexpectedly to US\$2.5bn from a record high surplus of US\$11.1bn in the previous month (Exhibit 1).

Info & comm. exports doubled yoy; tech imports picked up

The export growth of tech products rose notably to 30.1% (vs. 19.5% in Dec) against a very low base. In particular, electronic parts (mostly semis) witnessed a 7.5% yoy gain (vs. -1.2% in Dec), helped by such base effect. Info & comm products increased by 100.6% yoy (vs. +94.7% in Dec), boosted by display cards, servers and storage devices etc. amid continued artificial intelligence (AI) demand. On the other hand, the yoy growth of non-tech exports (e.g., plastics & rubber, chemicals, base metals and machinery; >40% of total exports) turned positive to 0.9% yoy. By destination, exports to the US and ASEAN outperformed (+56.5% and +36.6% yoy, respectively; Exhibit 5).

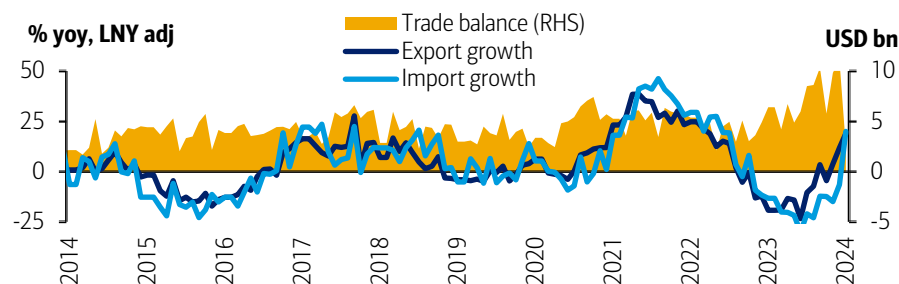
Imports of capital goods saw a smaller contraction (-4.6% yoy) on base effect, though purchases of semi equipment were still down 49.9% yoy. Imports of raw materials improved (+13.1%). Notably, the continued pick-up in imports of electronics parts (+31.8% yoy) and info & comm products (+26.0%) points to better tech export outlook.

Export growth to improve after temporary LNY effect

The set of solid Jan trade data reaffirm our view that Taiwan's exports will likely recover further in the coming quarters, especially given the structural tailwinds from AI related demand. In the near term, the yoy export growth could slide sharply in Feb, as the comparison base rose due to the LNY distortion effect. Yet, we continue to expect an uptrend from late 1Q24 and further improvement by mid-2024.

Exhibit 1: Exports, imports and trade balance

Export and import growth jumped to 18.1% and 19% yoy, respectively; trade surplus narrowed



Source: BofA Global Research, CEIC

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Abbreviations:

yoy: year-over-year

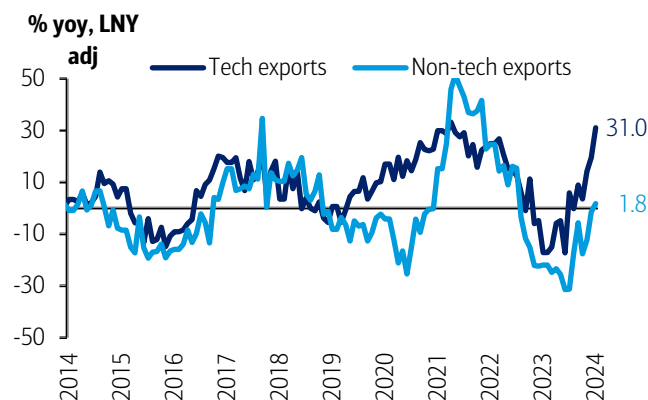
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Exhibit 2: Tech exports vs. non-tech exports

In Jan, tech export growth surged on LNY effect and strong shipments of information & comm products; non-tech export growth also improved

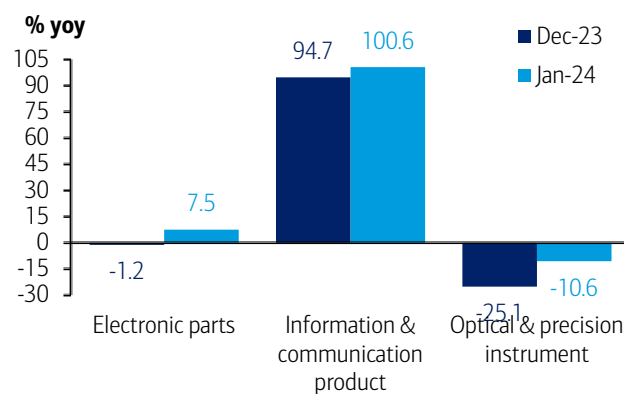


Source: BofA Global Research, CEIC

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Exhibit 3: Tech exports: major categories

Exports of optical & precision instruments fell less, while growth of electronic parts turned positive; exports of info & comm products still strong

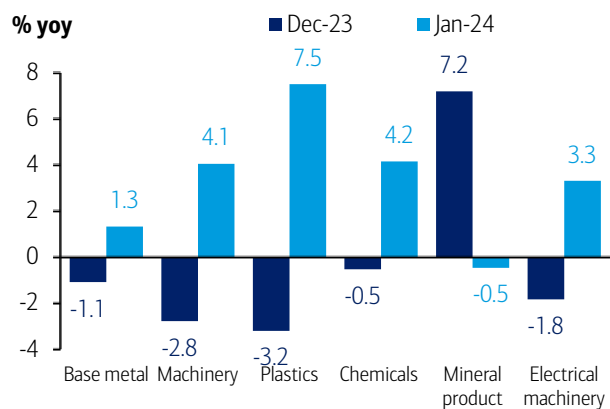


Source: BofA Global Research, CEIC

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Exhibit 4: Non-tech exports: major categories

Export growth of mineral products fell in Jan, while that of other categories improved notably on LNY effect

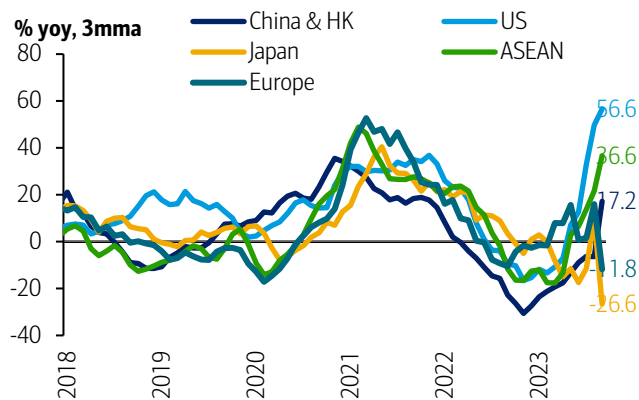


Source: BofA Global Research, CEIC

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Exhibit 5: Export by destination

Export growth to the US and ASEAN surged, while that to Europe and Japan fell negative; export growth to China/HK picked up notably on LNY effect

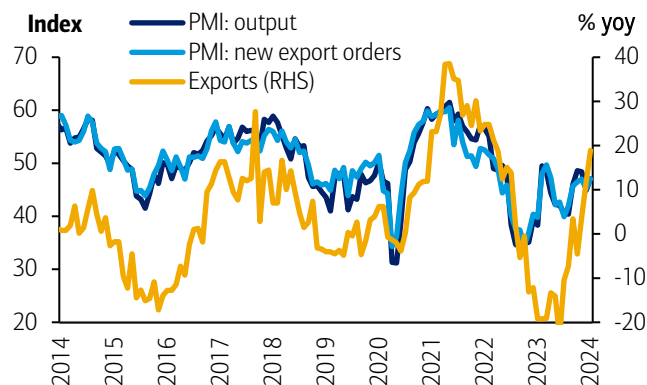


Source: BofA Global Research, CEIC Note: Original monthly figures for the most recent 3 months

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Exhibit 6: PMI vs exports

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

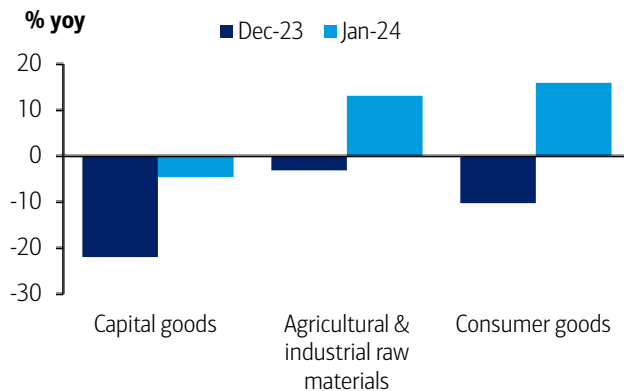


Source: BofA Global Research, CEIC, Bloomberg

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Exhibit 6: Imports: major categories

Import growth of agricultural & industrial raw materials and consumer goods turned positive in Jan



Source: BofA Global Research, CEIC

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