

Taiwan Watch

February export growth moderated on LNY base effect

Feb export growth eased; imports weaker than expected

Taiwan's export growth moderated to 1.3% yoy in Feb from 18.1% in Jan, roughly in line with our forecast and BBG consensus (both at 2.0%). The lower yoy growth rate vs. last month was mainly due to the calendar shift of Lunar New Year (LNY) holiday (Feb 2024, vs. Jan 2023) and therefore fewer working days in the month. Import growth surprised on the downside, plunging by 17.8% yoy in Feb after a 19.0% gain in Jan, well below the consensus estimate of -2.5%. Trade surplus rose to US\$7.9bn from US\$2.5bn previously (Exhibit 1). Combining Jan-Feb data to remove the LNY distortion effect, exports/imports increased by 9.7%/0.7% (vs. +11.7%/-6.8% in Dec).

Tech exports boosted by AI; non-tech exports dragged

Exports of tech products rose by 14.5% yoy (vs. 30.2% in Jan), with both electronic parts (mostly semis, +36.9%) and info & comm products (+104.6%) seeing strong growth against a low base. The latter was boosted by continued strong demand related to artificial intelligence (AI). On the other hand, non-tech exports (e.g., plastics & rubber, chemicals, base metals and machinery; >40% of total exports) declined by 17.5% yoy, after seeing a tiny gain in Jan. By destination, exports to the US and ASEAN outperformed (+53.6% and +25.7% yoy in Jan-Feb, respectively; Exhibit 5).

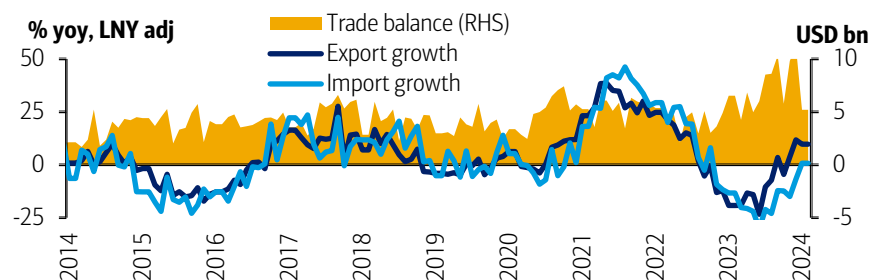
The main drag on Feb imports was semiconductor equipment (-67% yoy) and fossil fuel, according to the official press release. Imports of capital goods contracted by 26.1% yoy in Jan-Feb (vs. -23.2% in Dec). Raw material imports declined slightly by 0.4% in Jan-Feb (vs. -3.2% in Dec). Notably, the continued pick-up in imports of electronics parts (+16.7% yoy in Jan-Feb) suggests better tech export outlook in the coming months.

Export growth to pick up in March as base normalizes

The solid export growth figures year-to-date are consistent with our view that Taiwan's exports will likely see a modest recovery this year, especially given the structural tailwinds from AI related demand. We expect the headline export growth to improve in March as the LNY distortion effect subsides, followed by an uptrend in 2Q.

Exhibit 1: Exports, imports and trade balance

Jan-Feb export growth remained strong at 9.7% yoy, while import growth improved to 0.7%



Source: BofA Global Research, CEIC

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08 March 2024

GEM Economics
Asia | Taiwan

Miao Ouyang
China & Asia Economist
Merrill Lynch (Hong Kong)
+852 3508 6745
miao.ouyang@bofa.com

Helen Qiao
China & Asia Economist
Merrill Lynch (Hong Kong)
+852 3508 3961
helen.qiao@bofa.com

Abbreviations:

yoy: year-over-year
AI: Artificial Intelligence

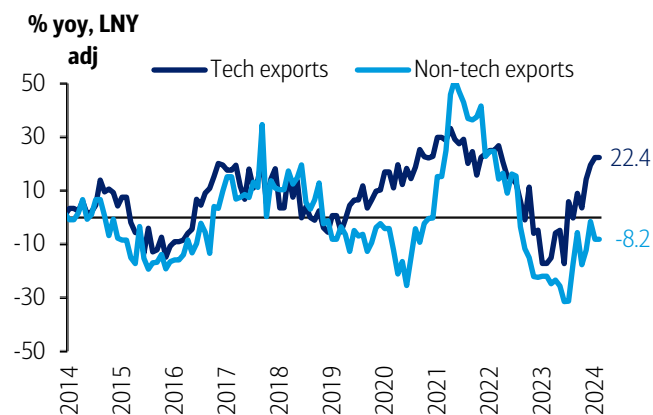
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Exhibit 2: Tech exports vs. non-tech exports

In Jan-Feb, tech export growth improved further, helped by strong shipments of information & comm products; non-tech export growth fell

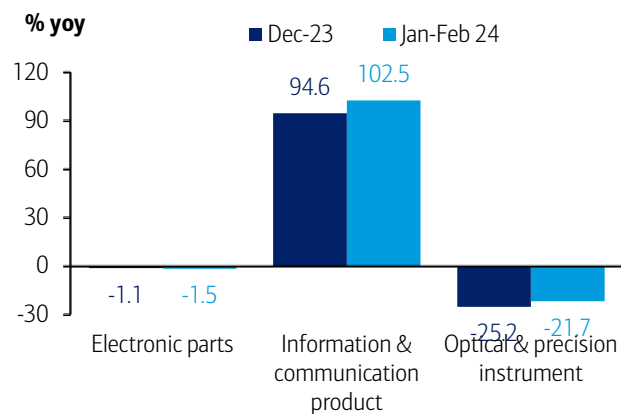


Source: BofA Global Research, CEIC

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Exhibit 3: Tech exports: major categories

In Jan-Feb, exports of info & comm products still outperformed

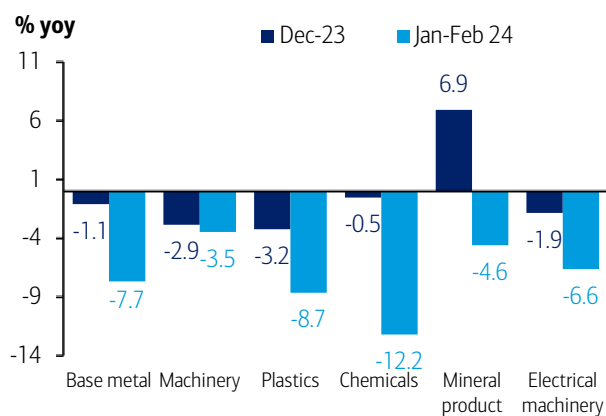


Source: BofA Global Research, CEIC

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Exhibit 4: Non-tech exports: major categories

Jan-Feb export growth of non-tech products fell across the board

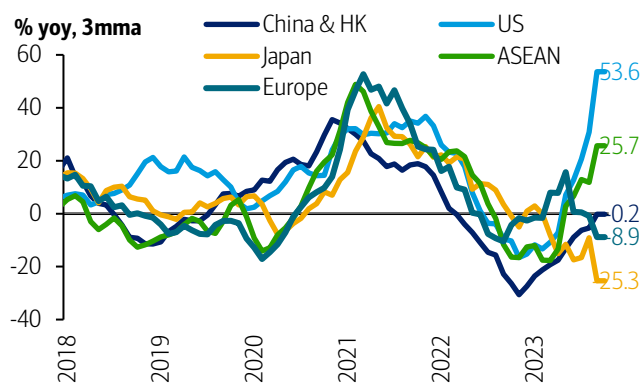


Source: BofA Global Research, CEIC

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Exhibit 5: Export by destination

In Jan-Feb, export growth to the US and ASEAN surged, while that to Europe and Japan fell further

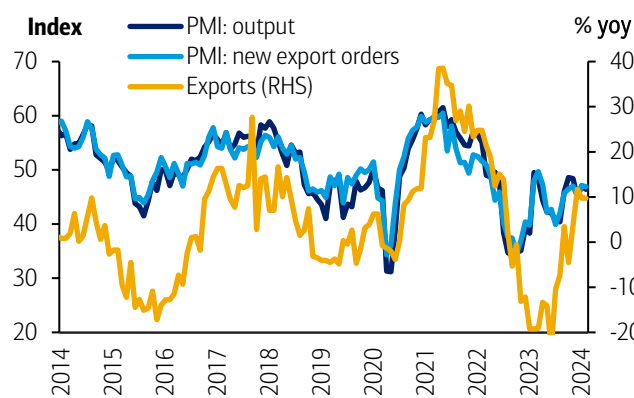


Source: BofA Global Research, CEIC Note: Original monthly figures for 2024 series, adjusted for LNY effect

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Exhibit 6: PMI vs exports

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

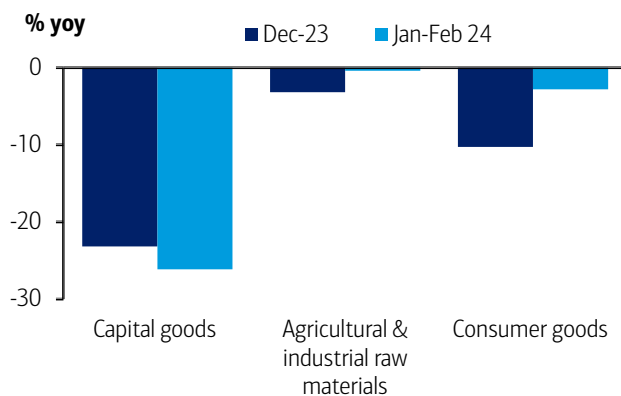


Source: BofA Global Research, CEIC, Bloomberg

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Exhibit 6: Imports: major categories

In Jan-Feb, imports of capital goods remained in deep contraction



Source: BofA Global Research, CEIC

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