

Group Economics

The US-China conflict and its impact on Asia/Taiwan

Taiwan Business Day 2019

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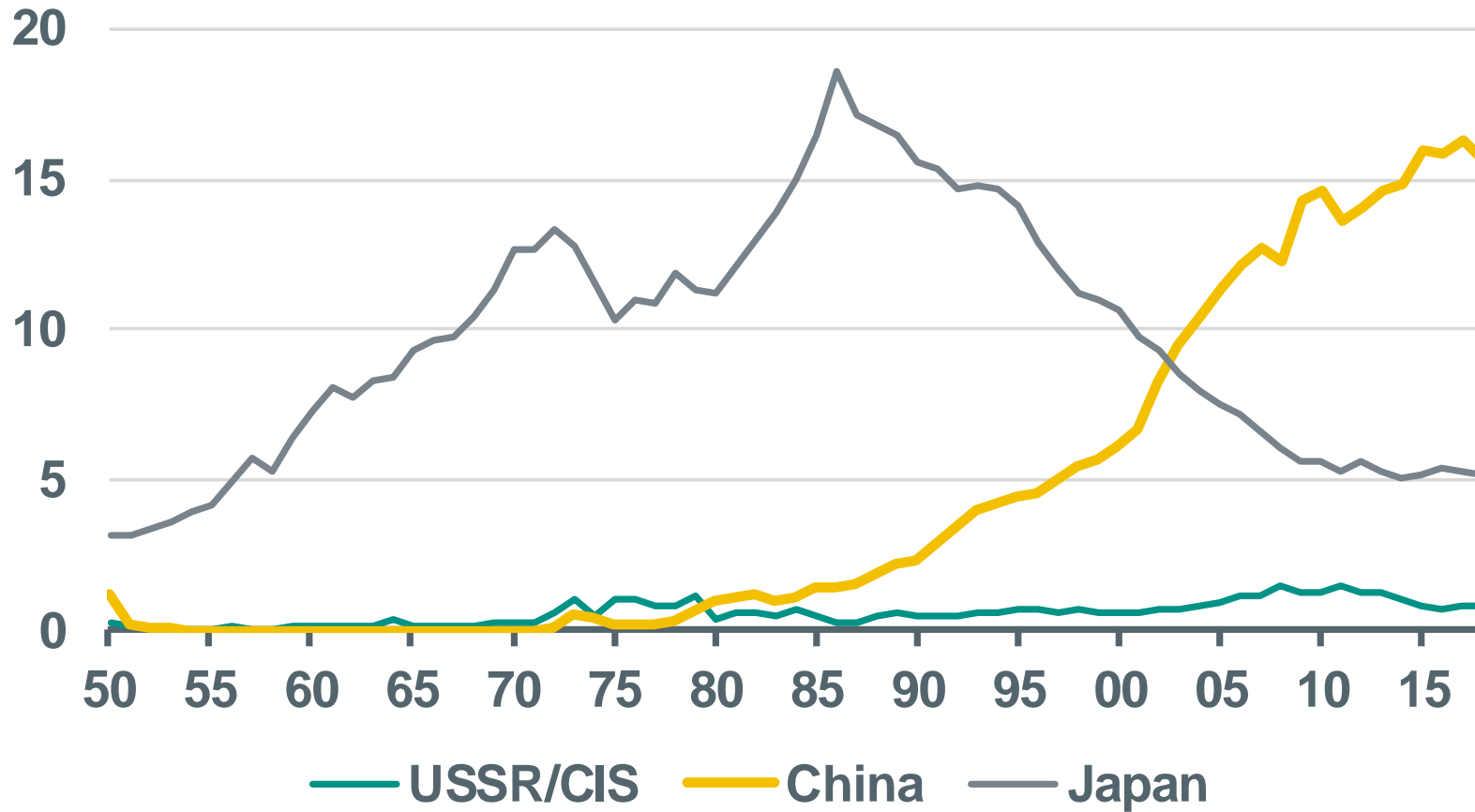


US-China tensions: multifaceted dragon



‘Cold war’ 2.0: US much more integrated with China than with former USSR

Share in total US trade (imports + exports), %



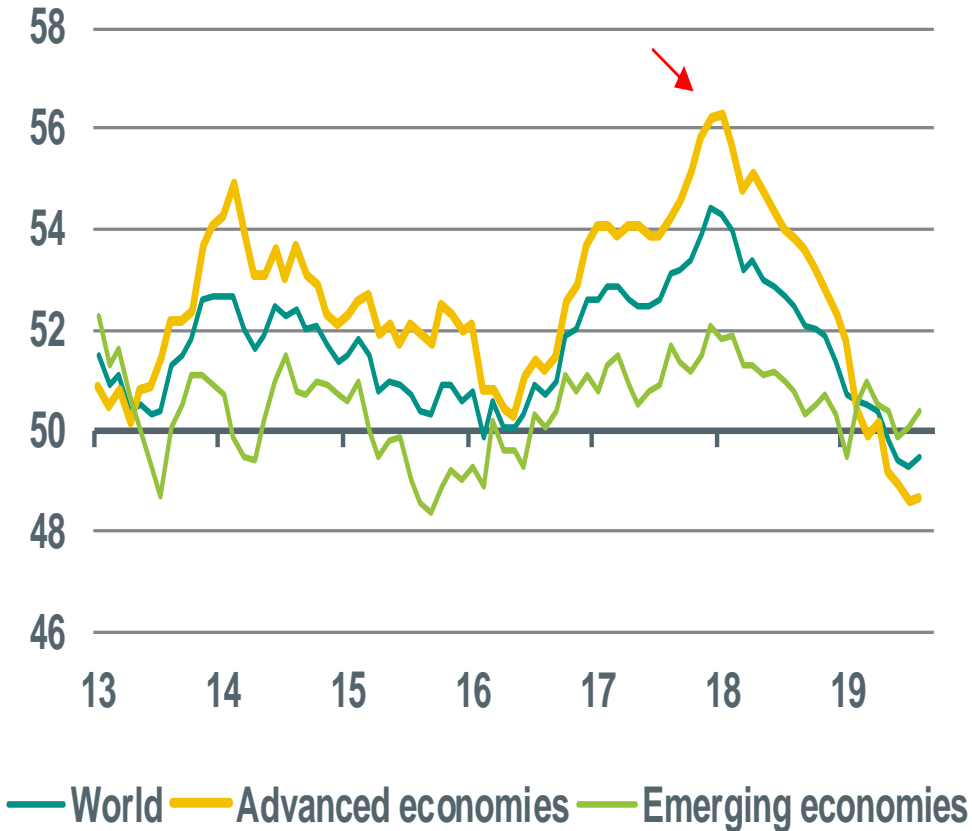
Trade/tech war has caused uncertainty ...

Global Economic Policy Uncertainty Index

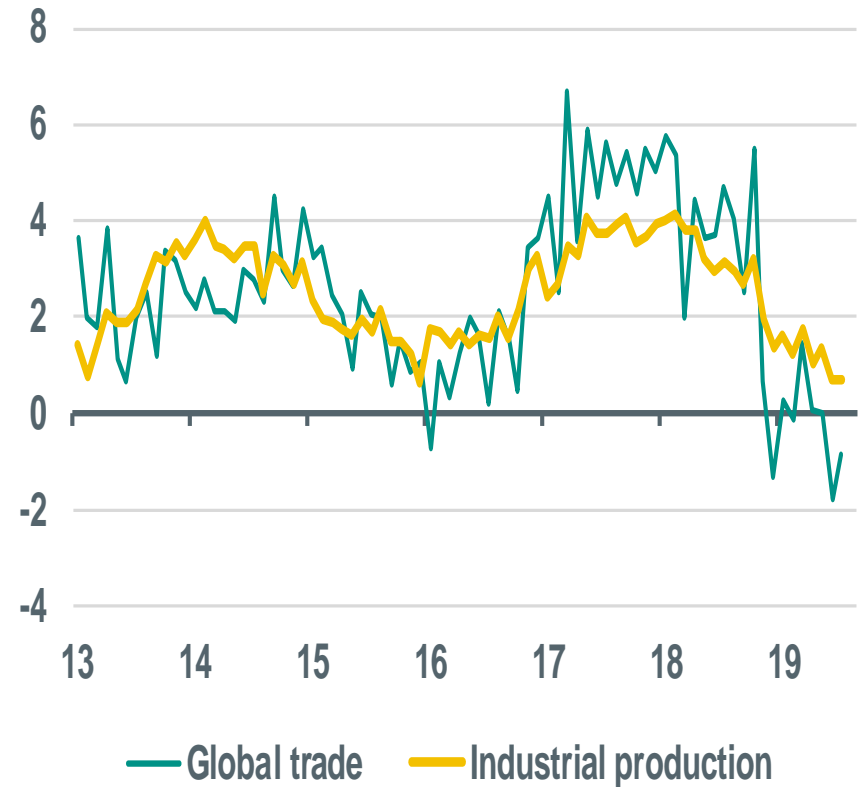


... and is key factor behind global slowdown in manufacturing

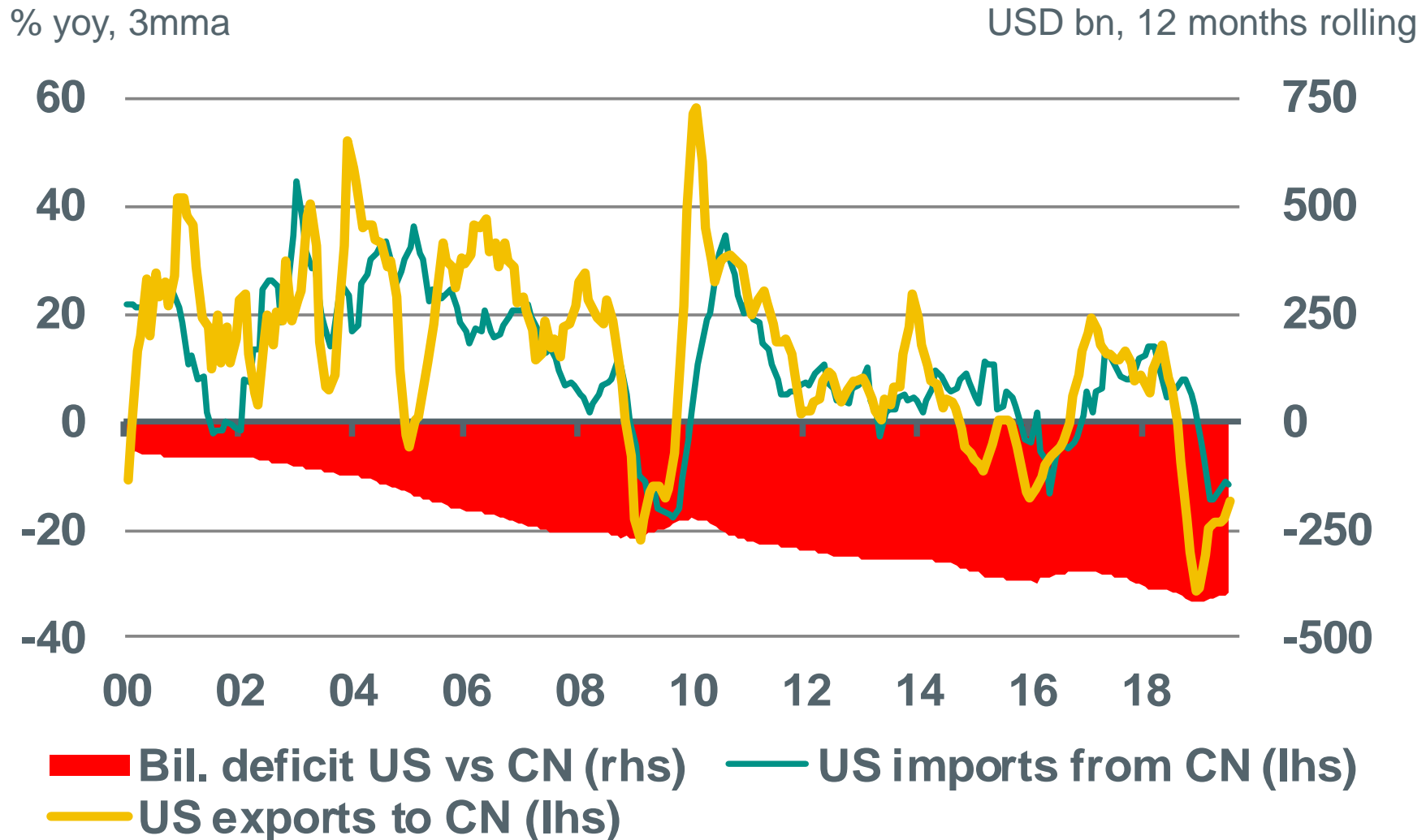
PMI's manufacturing 50 = 'neutral mark'



% yoy

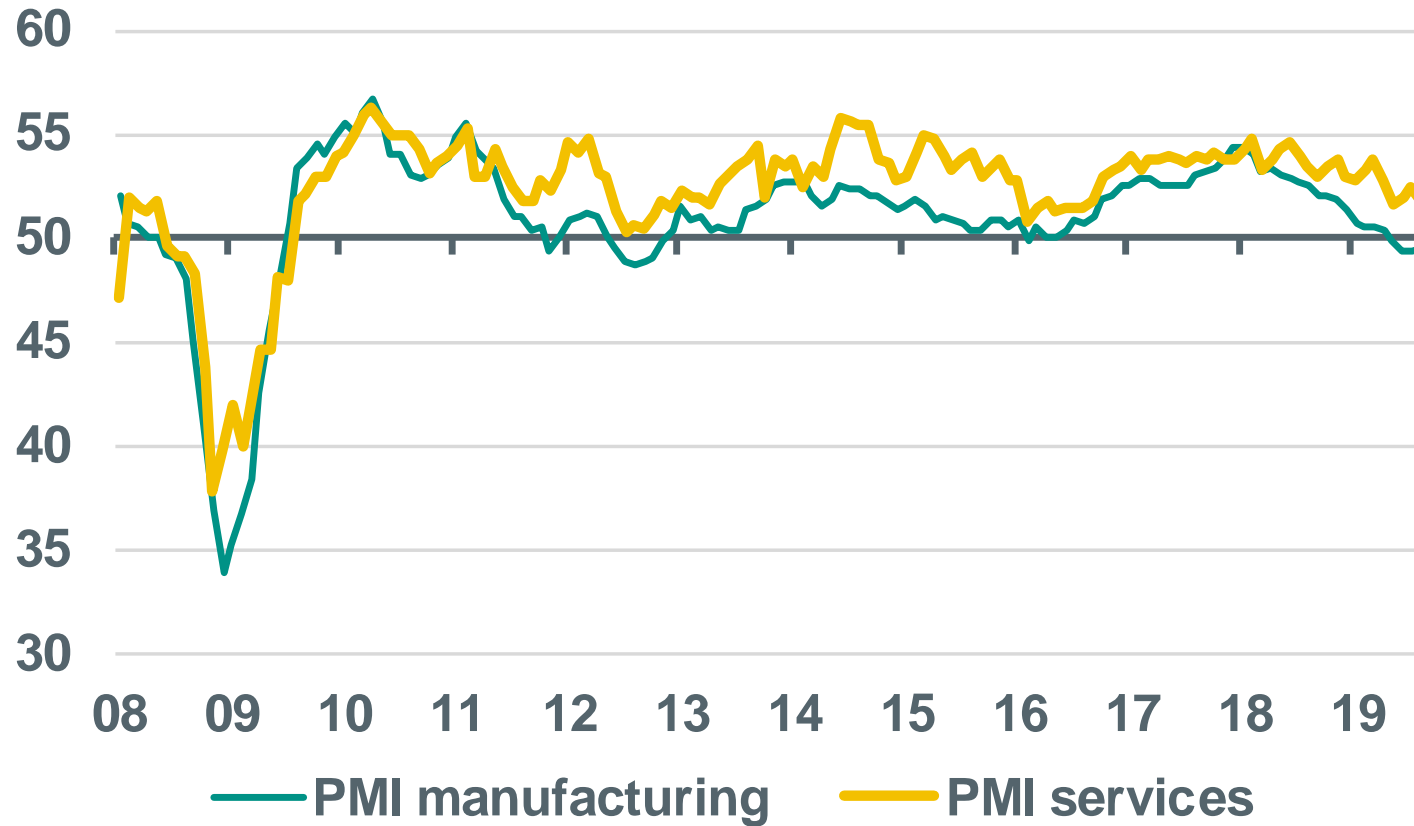


Bilateral trade between US and China has collapsed

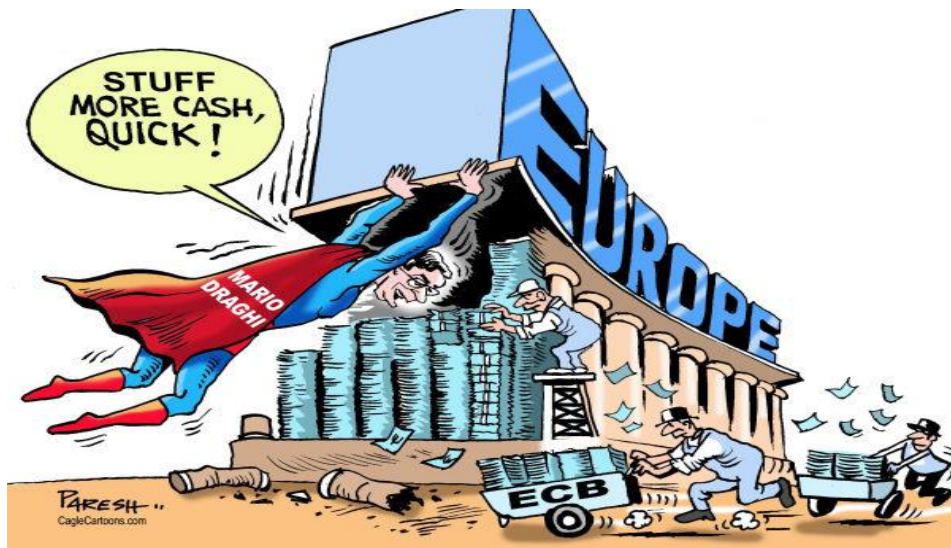


Services sector holds up better, but will that last?

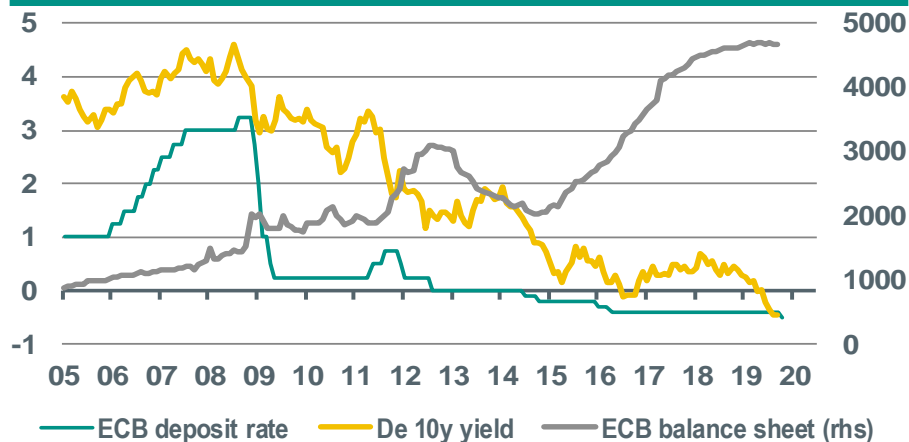
Index, 50 = neutral mark



Central banks to the rescue



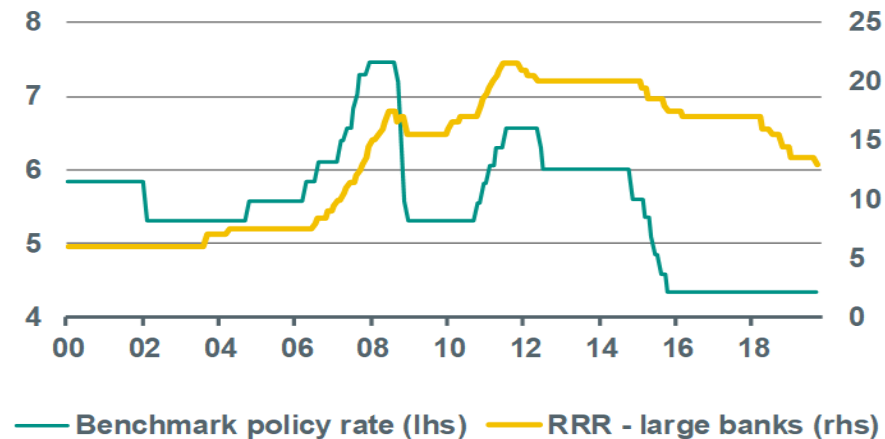
ECB: A new package of policy stimulus



US Fed: We expect more rate cuts in 2019 and end of balance sheet reduction



China's cautious easing approach

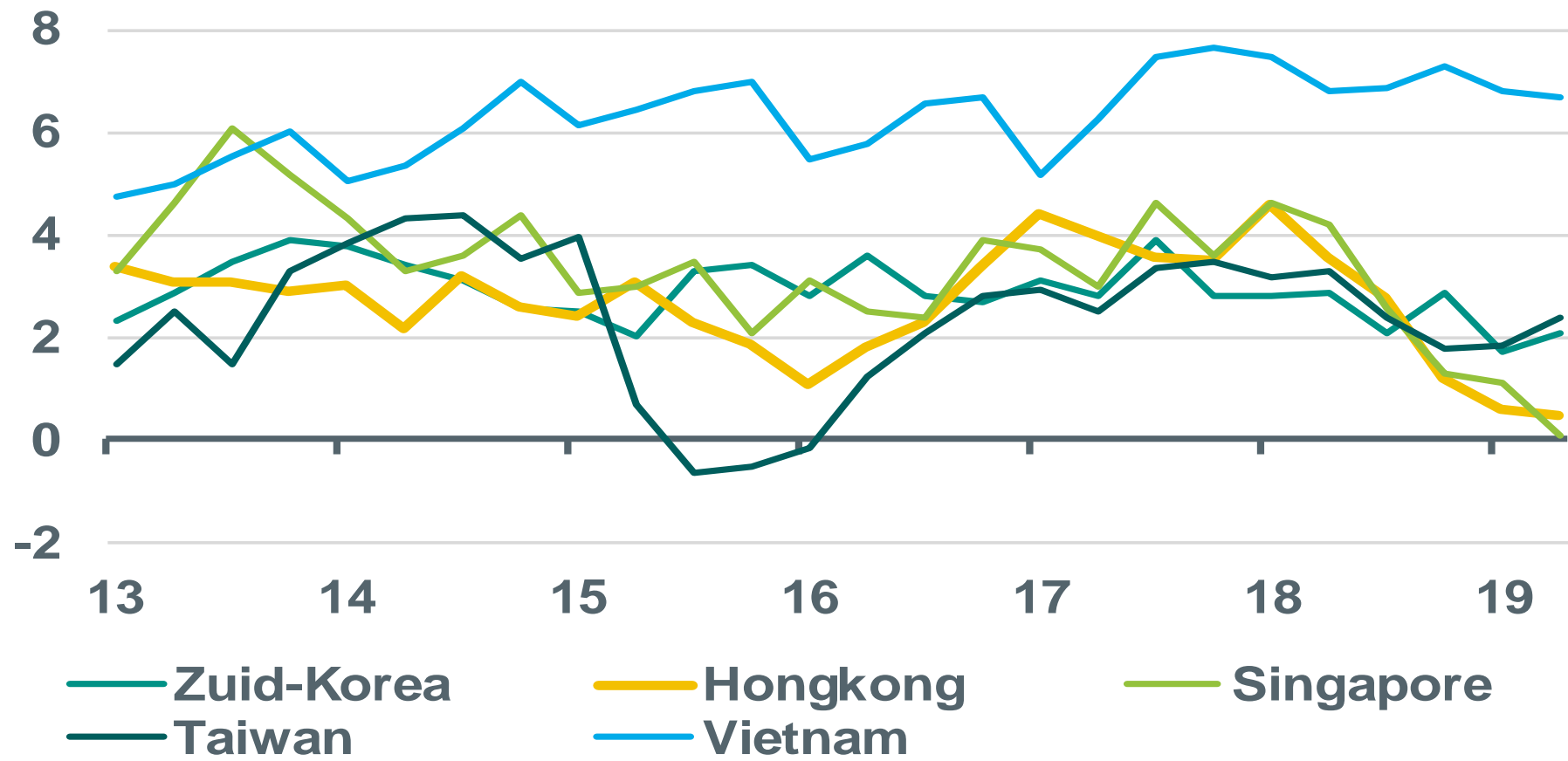


Regional growth Asia ex Japan, too, driven down by trade conflict



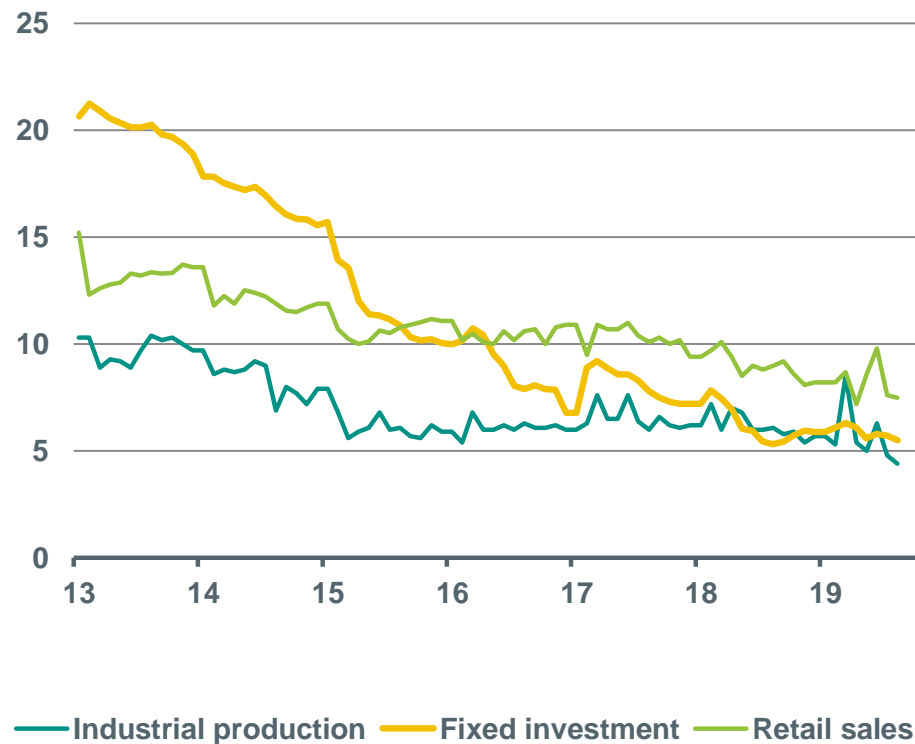
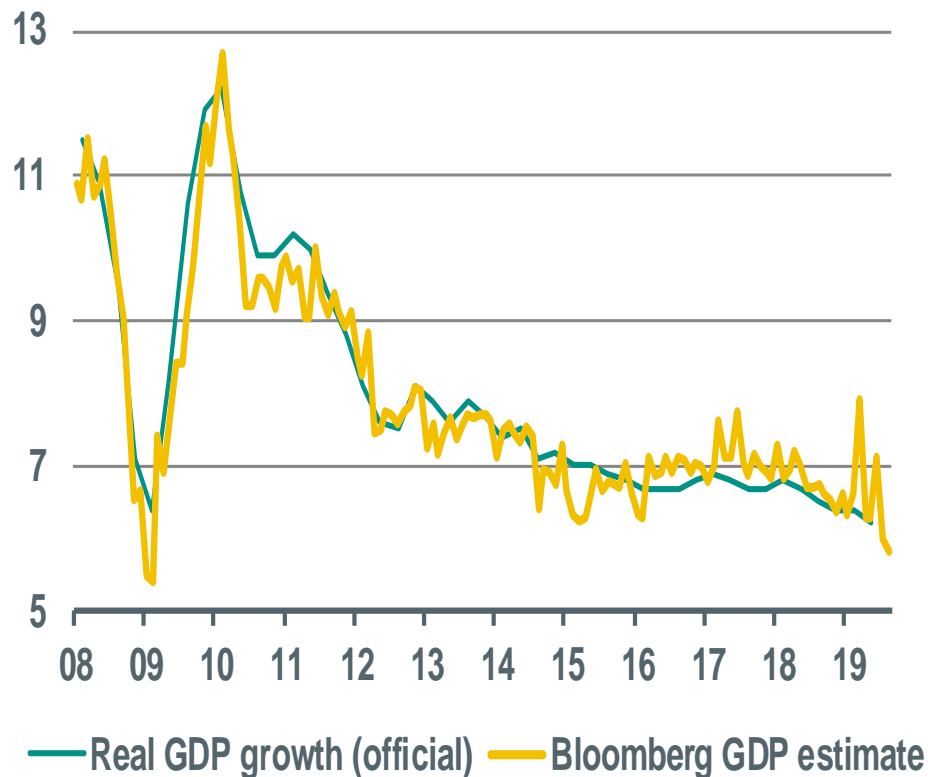
Shifting of supply chains: risks and opportunities

Real GDP growth, % yoy



China's slows further as drags from trade war have risen

% yoy

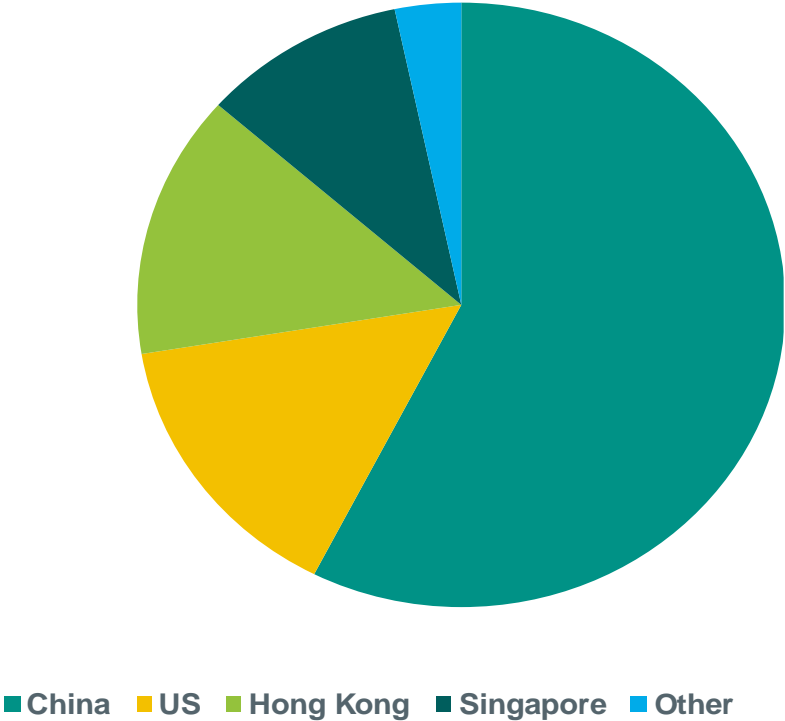


Taiwan also hit by slowdown global growth and trade



China is Taiwan's largest export destination

Taiwanese exports by destination, %, 2018



Taiwanese, Chinese stocks and FX move in sync on trade conflict

Stock market indices, 1 Jan 2017 = 100

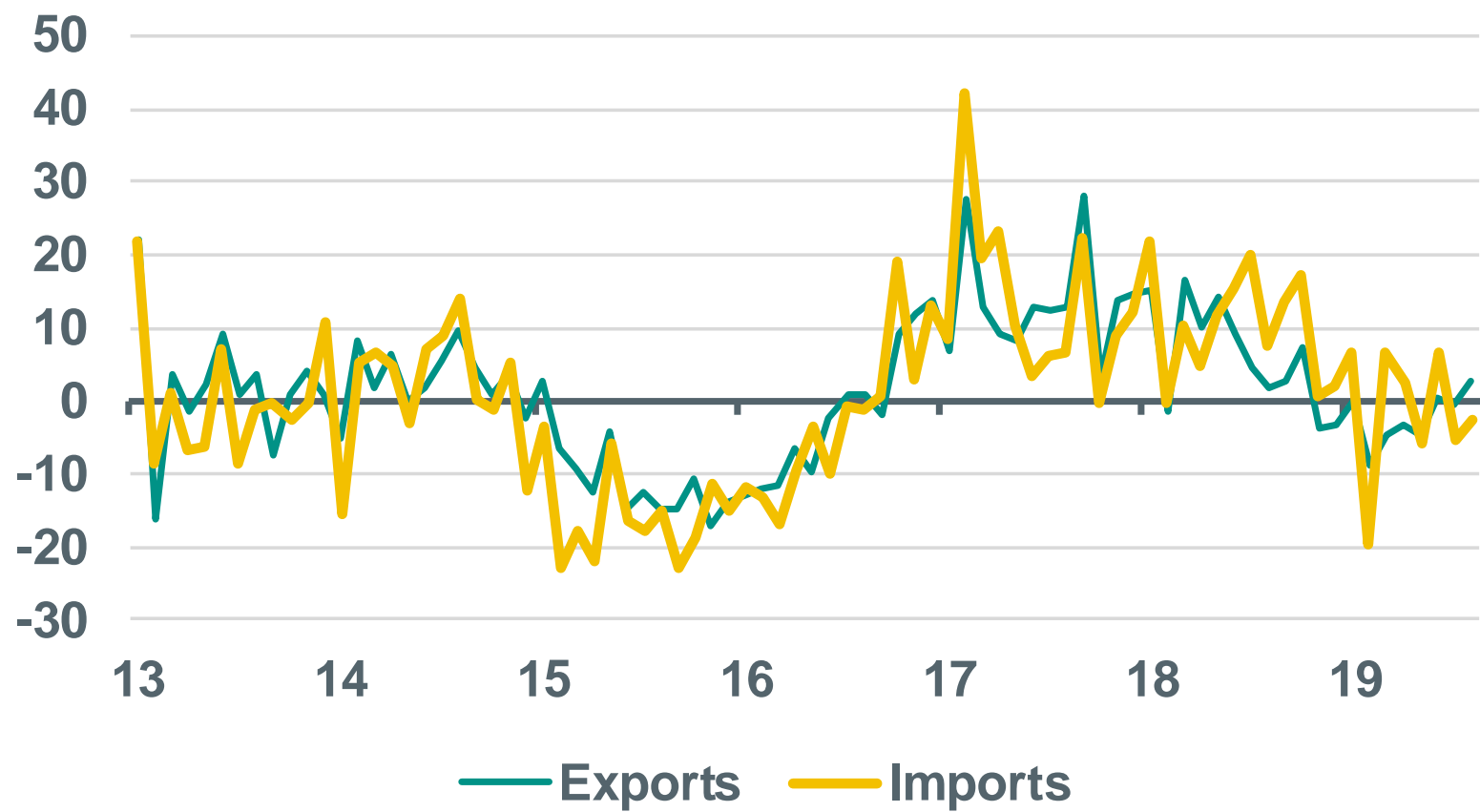


CNY, TWD per USD



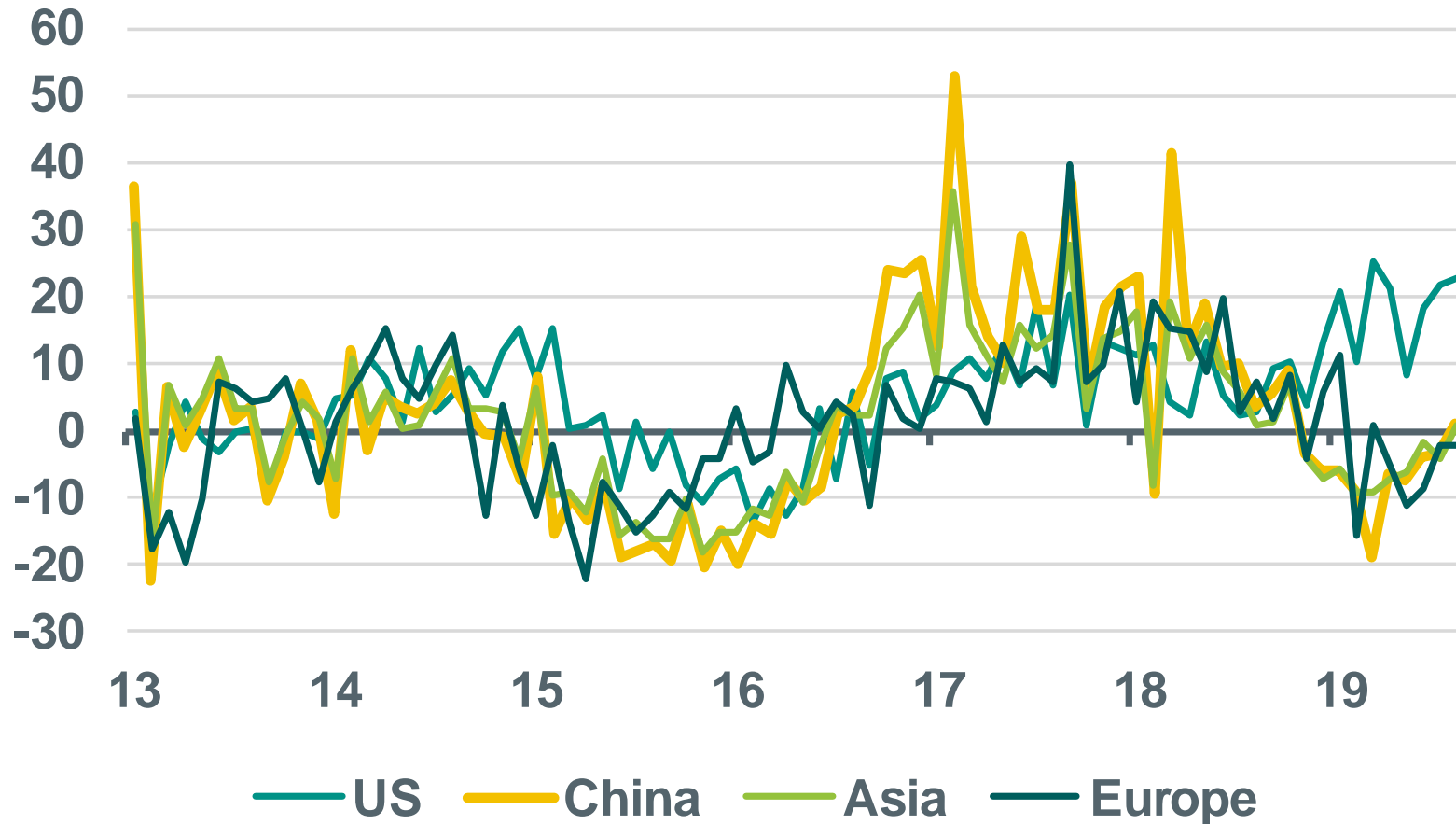
Taiwanese foreign trade shows signs of bottoming out

Foreign trade, USD values, % yoy



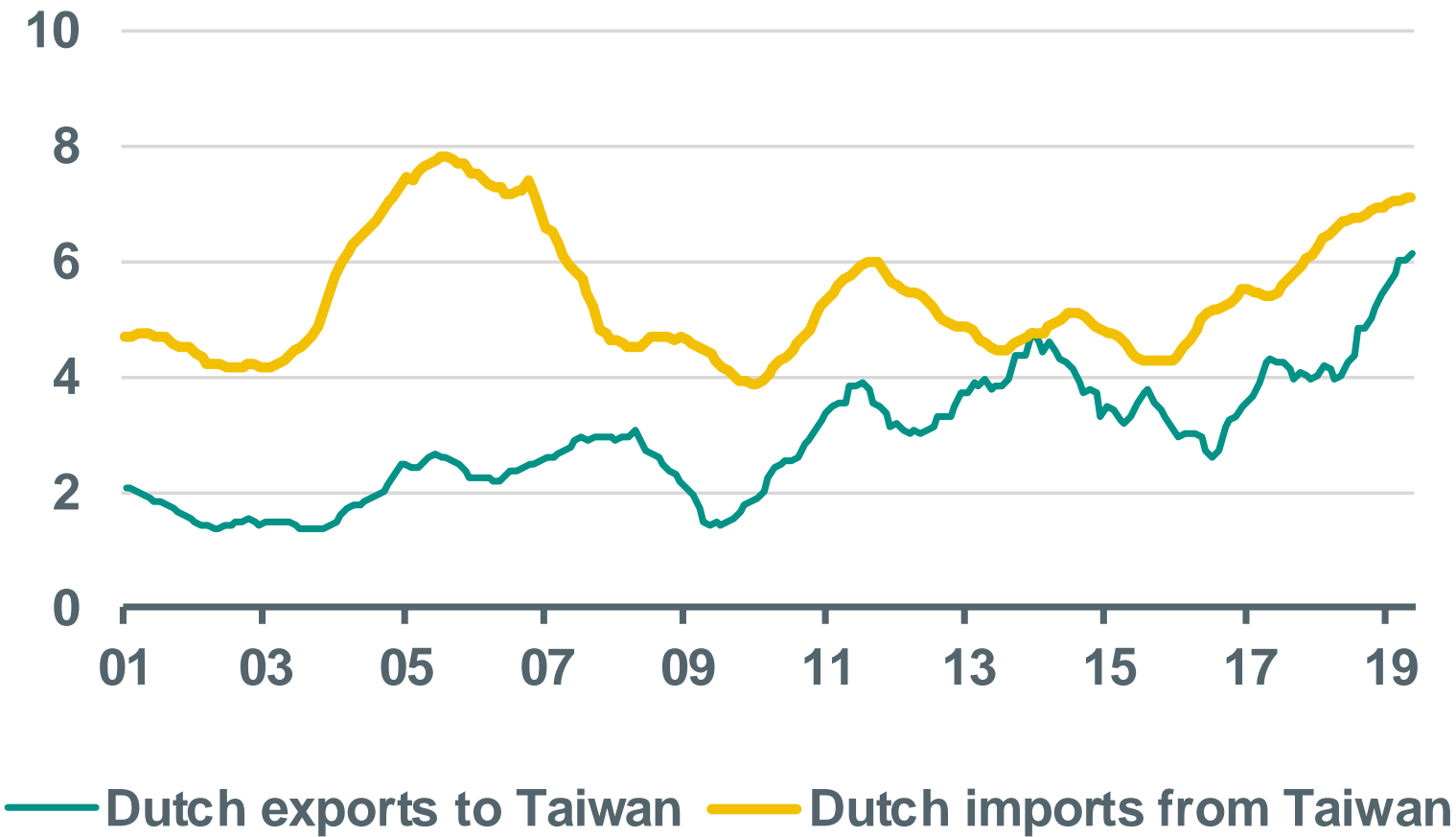
Solid exports to US: Taiwan profits from substitution effects

Taiwanese exports by destination, % yoy



Taiwanese-Dutch trade keeps expanding despite trade/tech war

Taiwanese-Dutch trade, USD bn, 12 months rolling



Conclusion

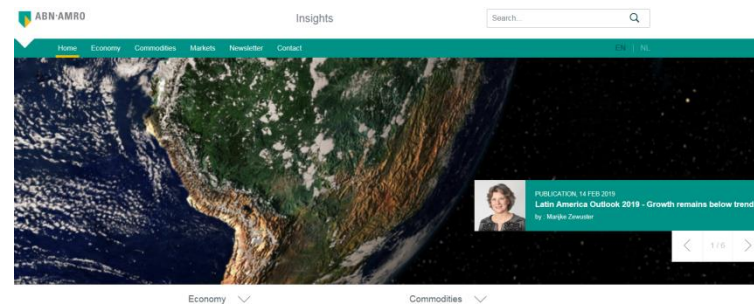
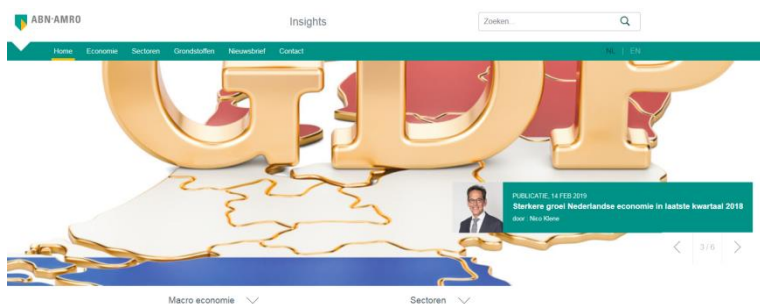
- The escalation of China-US tensions has left its mark on global manufacturing and trade
- Taiwan is feeling the impact from the US-China tariff shock as well,
- ... as the economies of Taiwan and mainland China are heavily integrated
- However, Taiwan also profits from US-China conflict related substitution effects ...
- ... creating opportunities for Taiwanese and Dutch firms
- ... as is also illustrated by ongoing expansion of Taiwanese-Dutch trade

And where to find us

Insights – the knowledge site of ABN AMRO – in English and Dutch

<https://insights.abnamro.nl/>

<https://insights.abnamro.nl/en/>



Enabling smart decisions