Too much of a good thing?
Trade inflows in Asia fuel debate over currency intervention

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Export strength

- Taiwan was already a standout economic performer in a pandemic-plagued world, and its good run, fuelled by semiconductor sales, is continuing
- Orders for its exports rose by an eye-watering 49% in the first two months of 2021

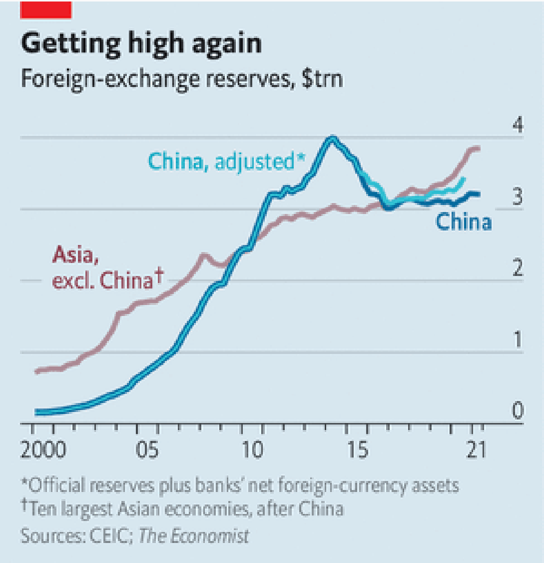
Monitoring list

- There is just one snag: export strength has become awkward for officials in Taipei, for it attracts unwanted attention
- America's Treasury has already placed Taiwan on its "monitoring list" for countries that manipulate their exchange rates and the boom only adds to the harsh glare

Across Asia

- Across Asia foreign-exchange reserves—a good proxy for currency intervention—have jumped
- Excluding China (where the data are trickier to interpret), reserves in the next ten largest Asian economies increased by about $410bn last year, the biggest annual jump on record

Getting high again



China

- The increase in their (poor countries) reserves would end up looking like a healthy aberration, not a malign trend
- The gains in richer countries—especially China, South Korea and Taiwan—look more objectionable
- They themselves seem to be aware of this
- Most notable is China, which appears to have taken steps to conceal its good fortune

Commercial banks

- China's central bank's foreign reserves have risen by $97bn since the start of 2020, making for a relatively modest increase of 3%.
- But there has been a marked jump in net foreign-currency assets in its banking system, which are up by $133bn in the first nine months of 2020
- One possibility is that the commercial lenders have acted as proxies for managing reserves

All up

- Even with their bigger reserves, the currencies of China, South Korea and Taiwan are all up by about 5% against the dollar since mid-2020.
- They will face more upward pressure if the export boom continues