

February 2022

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Imports and exports newsletter

Our bitesize industry overview

Taiwan to relax Japanese food import ban

Taiwan has announced it will soon relax a ban on Japanese food imports, which were put in place in the wake of the 2011 Fukushima nuclear disaster. Taiwan was one of many countries which placed restrictions on the import of food from Japan following the meltdown at the Fukushima nuclear plant.

The move is said to be part of Taiwan's efforts to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) of which Taiwan's cabinet spokesperson Lo Ping-cheng said: 'To join the international economic and trade system, to join the high-standard CPTPP, one cannot stand on the outside and be stuck in old ways or ignore scientific evidence. We cannot evade the reasonable demands made by Japan.'

Other countries in the CPTPP such as Australia have already eased Fukushima-related restrictions, after the World Health Organization said in 2016 it was happy with the protective measures implemented by Japan to prevent the sale and distribution of contaminated food from the region.

Taiwanese residents previously voted in a referendum in 2018 to maintain the ban on Japanese food imports. However, the result was only binding for two years. The import controls are expected to be lifted by late February.

Value of US imports climb to new record high

According to the US Commerce Department, the value of imports to the US climbed to a new record high in December, resulting in the US trade deficit also widening to an all-time high of \$859.1bn in 2021.

The value of imports increased 1.6% to \$308.9bn at the end of last year, up from a previous record of \$304bn posted the month prior.

As the US economic recovery continues to gather pace, consumer spending is on the rise. This is driving significant import growth as businesses seek to rebuild inventories depleted during the Covid pandemic in an effort to capitalise on this demand.

Analysts believe import growth could moderate in the coming months however, with real consumer spending on durable goods forecast to fall in 2022 as soaring inflation and rising interest rates are likely to hit consumer confidence.

Despite being overshadowed by imports, US exports also climbed to a record high in 2021, surging 23.3% through the year to hit \$1.8tn. Export growth was primarily driven by industrial supplies and materials, food and consumer goods.

EU announces €43bn plan to limit reliance on Asian semiconductor exports

The announcement from the EU of a €43bn plan to limit its reliance on semiconductors from Asia is another sign of how the Covid pandemic may reshape global trade in the coming years.

Nowhere has the disruption to global trade been as acutely felt as with the shortage of Computer chips, with demand greatly outstripping supply and causing production in the automotive industry and other sectors to come to a virtual standstill at various points throughout 2021.

Announcing the 'chips act' European commission president Ursula von der Leyen said: 'Chips are at the centre of the global technological race. They are, of course, also the bedrock of our modern economies. The pandemic has also painfully exposed the vulnerability of its supply chains.'

The EU's plan echoes that of Joe Biden's \$52bn investment in domestic semiconductor production, which the US president hopes will limit the countries dependency on foreign-made chips.

China misses targets for purchase of US exports

A report from the Peterson Institute for International Economics shows that China has fallen dramatically short of its commitment to increase its purchases of US goods and services as part of the Phase one trade deal signed with the Trump administration back at the start of 2020.

The bilateral agreement saw Beijing pledge to purchase \$200bn of additional US exports before the end of 2021. However, in the two-years since the deal was ratified China has only purchased 57% of the US exports it had pledged.

While the Covid pandemic is at least partly to blame for China missing its purchase targets, analysts suggest this was only a single factor, as the lingering impact of the US-China trade war also made it difficult for China to meet its commitments.

Chad Bown, a senior fellow at the institute commented: 'When confronted with trade war tariffs in 2018, some automakers moved their production out of the United States in order to maintain access to Chinese consumers. US aircraft sales plummeted in 2019, following crashes of Boeing's airplanes. In both sectors and despite the phase one agreement, US exports did not resume.'

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Our quick currency update

After struggling to attract support through January, the euro saw a dramatic turnaround in February, with the EUR/USD exchange rate rebounding from a 20-month low following a surprisingly hawkish turn by the European Central Bank (ECB) in its first policy meeting of the year.

Despite the Bank of England (BoE) delivering another rate hike earlier this month, the pound's momentum from the start of the year has largely faded, with Sterling sentiment becoming increasingly bogged down by uncertainty over Boris Johnson's political future.

At the same time, some notably hawkish guidance from Federal Reserve Chair Jerome Powell has helped to underpin the US dollar in recent weeks, amidst growing speculation the Fed could pursue a more aggressive pace of monetary tightening this year.

Looking to the month ahead, a key catalyst of movement will be the Fed's next interest rate decision. If the US central bank delivers a half-percentage rate hike then the US dollar is likely to surge.

Meanwhile, ongoing political jitters in the UK as well as the threat of a potential conflict between Russia and Ukraine may infuse volatility into the pound and euro, respectively.

Currency services in focus

Every month we explore a different currency service open to manufacturers. This month's service is **24/7 transfers**.

While you can arrange payments of any size with your Account Manager, our market-leading online service gives you the ability to take control of your currency transfers 24/7.

With our online service you can make transfers in a couple of clicks, securely add recipients, view and download your transaction history, set rate alerts and download contract notes.

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