

## February export orders

### Export orders to decline by 10% YoY in March; YoY growth to rebound in 2Q24F

#### Key message

1. February export orders were down 10.4% YoY. Electronics downstream underperformed midstream & upstream, while the recovery in orders of raw materials stalled markedly.
2. Orders from the ASEAN saw significant growth; orders from Europe and Japan still in decline.
3. We expect export orders to decline by 10% YoY in March, and YoY growth to rebound in 2Q24F.

#### February export orders down 10.4% YoY; consolidated January-February sales slipped by 3.9% YoY

Taiwan export orders totaled US\$37.73bn in February, down 22.1% MoM, down 1.1% QoQ when seasonally-adjusted, and down 10.4% YoY, far below consensus of 1.2% growth YoY (see Figure 1) and our forecast of a 5% decline YoY. Consolidated January-February export figures, excluding impacts from the Chinese New Year (CNY), were down 3.9% YoY, in line with our forecast of a moderate contraction.

#### Electronics downstream underperformed midstream & upstream; recovery in orders of raw materials narrowed significantly

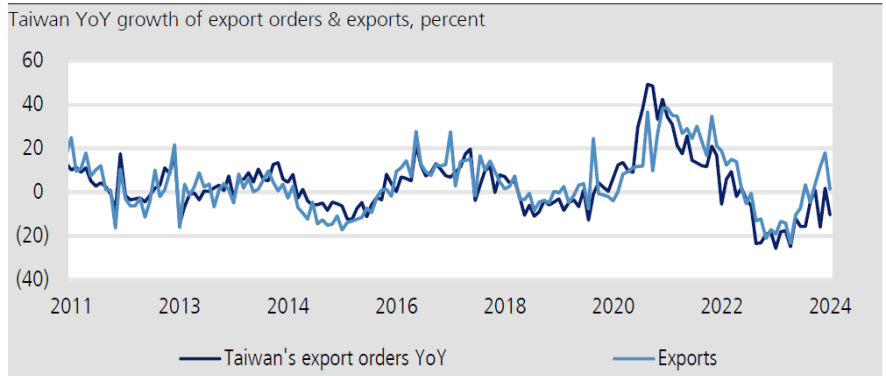
Among major products, ICT orders fell, 24.9% MoM and 11.3% YoY, to US\$10.45bn in February, while January-February accumulated orders were down 16% YoY on China's relaxation of its zero-COVID policy in the same period in 2023, elevating the comparison base. Orders for handsets and networking products remained weak, as some end-demand has yet to recover, but higher orders for servers and graphics cards partially offset the decline. February electronics orders were down by 4.3% YoY to US\$13.21bn, while January-February accumulated sales were up by 6.3% YoY, on higher demand for high power computing and AI, increasing orders for wafer distributors, IC design, and foundries. Optical instrument orders were up by 6.6% YoY to US\$1.41bn, with accumulated sales for the first two months up by 15.2% YoY, due to prices hikes on TV panels, and rising orders for backlight modules and optical lenses. Recovery in orders for raw materials stalled markedly. Base metal orders were down 16.1% YoY in February, while January-February consolidated sales rose by 3.2% YoY, on steel price hikes and higher pull-in demand from clients. Plastics and rubber orders slumped by 15.8% YoY. Despite a recovery in rubber orders, prices declined on new capacity ramp-ups from overseas competitors, partially offsetting the increased orders. Chemicals orders were down by 4.5% YoY in February, even as January-February sales edged up 1.2% YoY. Petrochemicals faced headwinds on overseas competition. February machinery orders slumped by 15.2% YoY, but January-February sales edged down 3.3% YoY, on a slow global economic recovery, resulting in conservative equipment investment by businesses (see Figures 2 & 3).

#### Orders from ASEAN up significantly; orders from Europe & Japan declined

Orders from the US were down 5.8% YoY in February, with ICT down the most, by 15.2%, or US\$1.53bn, while electronics were up by 12.2% YoY, or US\$1.25bn, partially offsetting the ICT decline. Orders from China and Hong Kong were down by 5.5% YoY, with electronics up the most, by 17.3%, or US\$1.45bn. Orders from Europe remained sluggish, down 35.6% YoY, with ICT down the most, by 55% YoY. Orders from the ASEAN and Japan were up 28% and down by 28% YoY, respectively (see Figures 4 & 5).

#### Outlook – Export orders to decline by 10% YoY in March; YoY growth to rebound in 2Q24F

February export orders were below expectations, as the market overlooked the effect of the CNY holiday. The Taiwan household-based diffusion index was at 61.8 in February, while the order value-based diffusion index was at 59.1 (see Figure 6). We believe export orders will decline by 10% YoY in March, and expect YoY growth will rebound in 2Q24F.

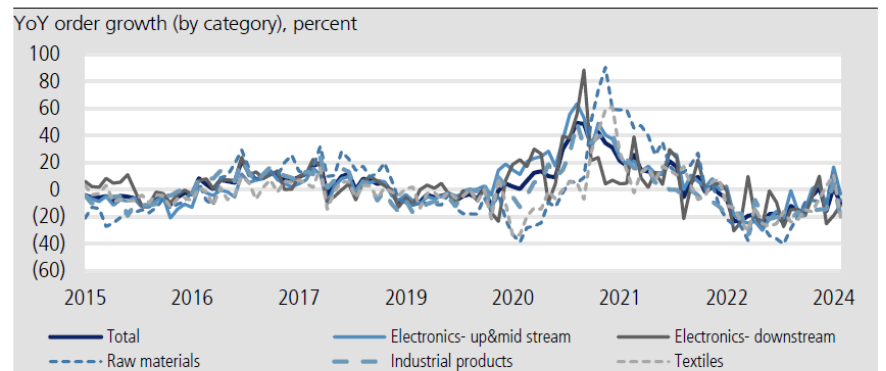
**Figure 1: February export orders down 10.4% YoY; consolidated January-February orders slipped by 3.9% YoY**


Source: Bloomberg; KGI Research

**Figure 2: Main order categories**

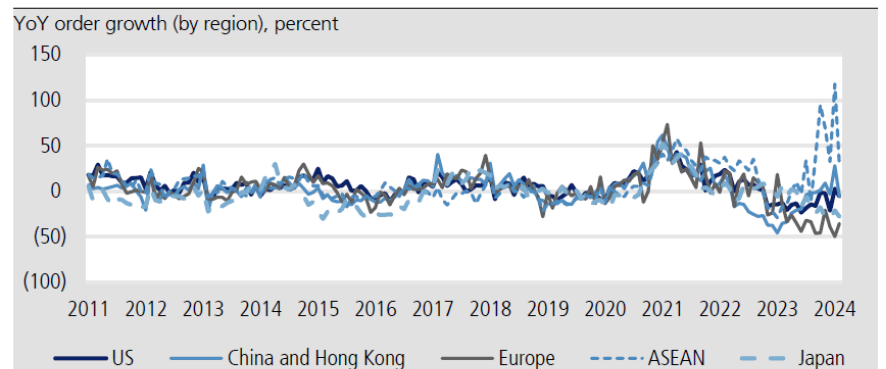
	Feb-24			From Jan-24 to Feb-24		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	10.4	(24.9)	(11.3)	24.4	28.3	(16.0)
Electronics	13.2	(24.3)	(4.3)	30.7	35.6	6.3
Optics	1.4	(10.8)	6.6	3.0	3.5	15.2
Base metals	1.8	(20.9)	(16.1)	4.1	4.7	3.2
Machinery	1.3	(17.3)	(15.2)	2.9	3.4	(3.3)
Plastics/rubber	1.3	(19.4)	(15.8)	3.0	3.5	2.9
Chemicals	1.3	(11.2)	(4.5)	2.8	3.3	1.2
<b>Total</b>	<b>37.7</b>	<b>(22.1)</b>	<b>(10.4)</b>	<b>86.2</b>	<b>100.0</b>	<b>(3.9)</b>

Source: Bloomberg; KGI Research

**Figure 3: Electronics downstream underperformed midstream & upstream; recovery in orders of raw materials stalled markedly**


Note: Midstream/ upstream electronics comprises electronic products and optical apparatus; downstream electronics are information and communication categories; raw materials comprises chemicals, plastics/ rubber products, base metals and minerals; industrial products are machinery, electrical machinery products and transport equipment

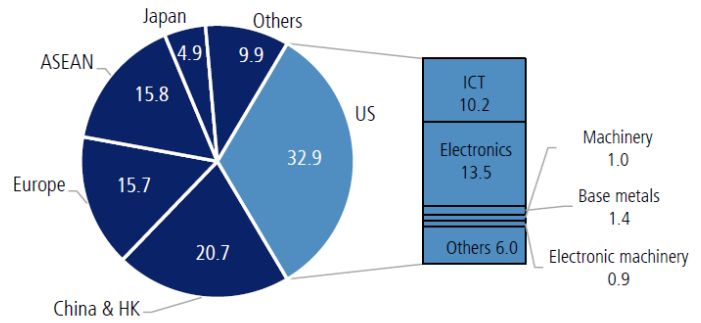
Source: Bloomberg; KGI Research

**Figure 4: Orders from ASEAN up significantly; orders from Europe & Japan declined**


Source: Bloomberg; KGI Research

**Figure 5: Order weighting of Europe rebounded, ASEAN contracted moderately**

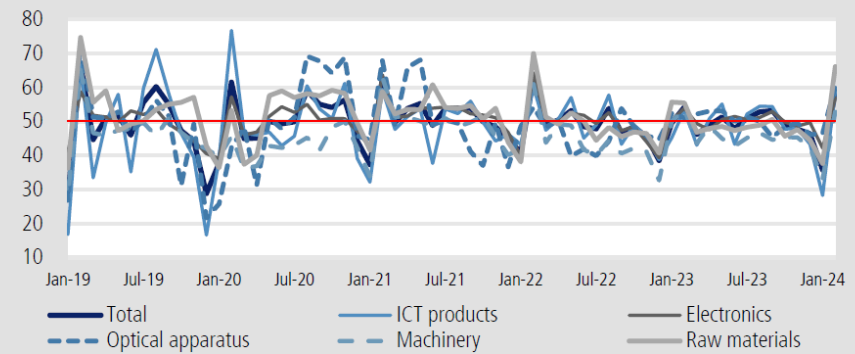
Order weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

**Figure 6: Diffusion index sees March export orders recovering MoM on low base**

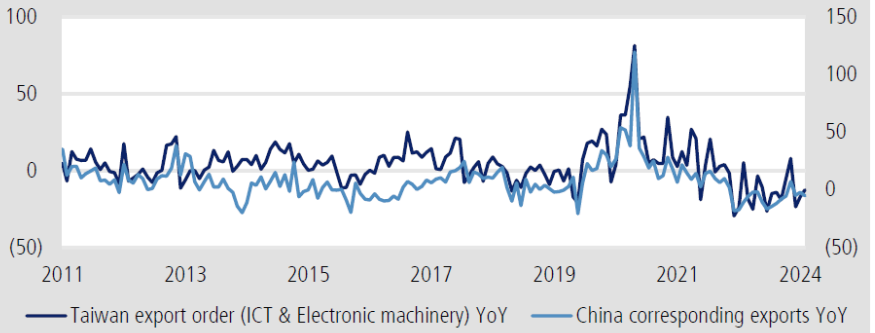
Diffusion index by order type (value), percent



Note: Raw materials include chemicals, plastic/rubber products, base metals, and minerals  
Source: Bloomberg; KGI Research

**Figure 7: ICT & electronic machinery continued to recover MoM in February, deviating from the trend of China corresponding exports**

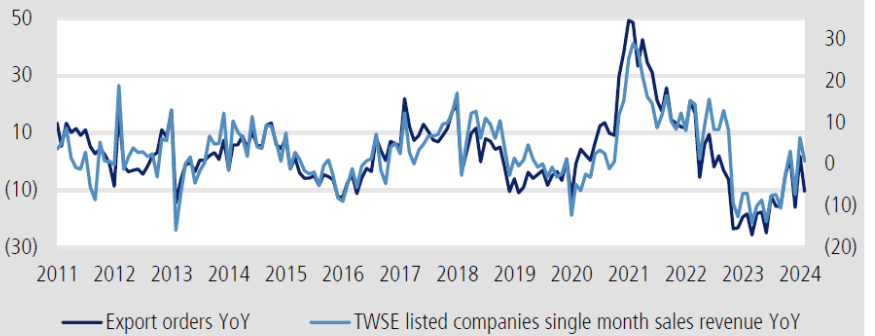
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); China corresponding exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

**Figure 8: Export orders YoY growth slowed, in line with YoY Taiex revenue decline**

Export orders YoY, percent (LHS); Taiex revenue YoY, percent (RHS)



Source: Bloomberg; KGI Research

**Figure 9: Major international political & economic events over the next quarter**

Date	Major event	Possible effect
March 19-20	Fed FOMC Meeting	The Fed may announce quantitative tightening will be reduced in 2Q24, which would prompt bullishness in the market.
Late April	China Politburo meeting	Since the two sessions didn't specify a clear path for economic recovery, this meeting will send a signal for 2024 economic development.
April 30-May 1	Fed FOMC Meeting	It will be confirmed whether or not interest rates will be cut in June or if we'll have to wait until 2H24. The former scenario is slightly bullish, while the latter is slightly bearish.
June 6	ECB Monetary Policy Meeting	The ECB will announce the first interest rate cut, and the market will be concerned about the pace of subsequent interest rate cuts.
June 11-12	Fed FOMC Meeting	The Fed may cut interest rates for the first time, but the market will not react strongly to the news.

Source: KGI Research

**Figure 10: Key economic data, US**

Indicators		Units	2020	2021	2022	2023	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	
GDP	GDP QoQ SAAR	QoQ % SAAR					2.2			2.1			4.9			3.2			
	GDP YoY	YoY %	(2.2)	5.8	1.9	2.5	1.7			2.4			2.9			3.1			
Consumer prices	CPI	YoY %	1.2	4.7	8.0	4.1	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4	3.1	3.2	
	Core CPI	YoY %	1.7	3.6	6.2	4.8	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3.9	3.9	3.8	
	PCE price index	YoY %	1.1	4.2	6.5	3.7	4.4	4.4	4.0	3.2	3.3	3.3	3.4	3.0	2.7	2.6	2.4		
	Core PCE index	YoY %	1.3	3.6	5.2	4.1	4.8	4.8	4.7	4.3	4.2	3.7	3.6	3.4	3.2	2.9	2.8		
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.5	62.6	62.6	62.6	62.6	62.6	62.8	62.8	62.7	62.8	62.5	62.5	62.5	
	Unemployment rate	%	8.1	5.4	3.6	3.6	3.5	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7	3.9	
	Non farm payrolls	'000	(9,274)	7,245	4,528	3,013	146	278	303	240	184	210	246	165	182	290	229	275	
	Net Change In total employment in labor force	'000	(8,856)	6,135	4,528	3,013	523	138	(255)	297	205	291	50	(270)	586	(683)	(31)	(184)	
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	319	176	287	25	(8)	267	58	9	(41)	(20)	(20)	9	
	Opening/hiring	x	1.07	1.56	1.75	1.58	1.62	1.66	1.51	1.55	1.54	1.59	1.59	1.49	1.60	1.54	1.56		
	Aug. hourly earnings	YoY %	5.4	5.0	4.9	4.3	4.6	4.7	4.6	4.7	4.7	4.5	4.5	4.3	4.3	4.3	4.4	4.3	
Economic activity & business condition	Industrial production	YoY %	(7.2)	4.4	3.4	0.2	0.2	0.4	0.1	(0.4)	0.1	(0.1)	(0.2)	(0.8)	(0.1)	1.2	(0.3)	(0.2)	
	Durable goods orders	YoY %	(4.6)	18.4	8.3	4.4	4.6	2.7	7.5	9.0	2.9	3.0	5.9	0.7	10.0	3.4	(0.9)		
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.7	1.9	1.0	3.2	1.4	0.4	0.6	0.5	0.8	1.4	0.8	(0.3)		
	Total business inventory/ sales ratio	x	1.44	1.29	1.34	1.38	1.40	1.40	1.40	1.40	1.39	1.37	1.36	1.37	1.37	1.38	1.39		
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.48	1.48	1.50	1.49	1.48	1.47	1.46	1.46	1.48	1.48	1.48	1.50		
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.30	1.30	1.29	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.31	1.31	1.33	
	ISM manufacturing index	Point	52.4	60.6	53.5	47.1	46.5	47.0	46.6	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	
	ISM non-manufacturing index	Point	54.3	62.4	56.1	52.8	51.2	52.3	51.0	53.6	52.8	54.1	53.4	51.9	52.5	50.5	53.4	52.6	
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	46.0	44.6	45.5	42.9	45.7	47.0	46.4	48.6	46.2	47.8	47.0	52.5	49.2	
	Chicago Fed National activity index	Point	(0.46)	0.40	(0.03)	(0.12)	(0.53)	0.11	(0.16)	(0.41)	0.17	(0.25)	(0.03)	(0.65)	0.21	0.02	(0.30)		
	Conference board leading index	YoY %	(4.7)	7.1	0.4	(7.7)	(8.0)	(8.3)	(8.2)	(8.1)	(7.8)	(7.9)	(8.1)	(8.1)	(8.1)	(7.6)	(7.1)	(7.0)	
	C&I Loans for large/medium - tightening lending standard	%	37.6	(15.1)	11.8	43.9		46.0			50.8			33.9		14.5			
	C&I Loans for large/medium - stronger demand	%	(15.5)	(1.2)	12.4	(42.3)		(55.6)			(51.6)			(30.5)		(25.0)			
Housing market	Building Permits	'000, SAAR	1,479	1,740	1,666	1,462	1,437	1,417	1,496	1,441	1,443	1,541	1,471	1,498	1,467	1,493	1,489	1,518	
	Housing starts	'000, SAAR	1,397	1,606	1,551	1,423	1,380	1,348	1,583	1,418	1,451	1,305	1,356	1,376	1,512	1,566	1,374	1,521	
	New home sales	'000, SAAR	833	769	637	666	640	679	710	683	728	654	698	670	607	651	661		
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.1	4.4	4.2	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.9	4.0		
	NAHB housing market index	Point, SA	70	81	59	44	44	45	50	55	56	50	44	40	34	37	44	48	
S&P/Case-Shiller 20-city composite home price index	YoY %	10.3	18.6	4.9	6.2	(1.0)	(1.7)	(1.8)	(1.2)	0.1	2.2	4.0	4.9	5.5	6.2				
Consumption	Personal expenditures	YoY % SA	(2.5)	8.4	2.5	2.2	1.7	1.6	1.8	2.1	2.5	2.0	2.1	2.0	2.8	3.2	2.1		
	Retail sales	YoY %	0.9	18.2	9.7	3.4	2.2	1.3	2.1	1.5	2.8	2.8	4.0	2.2	3.6	5.0	0.0	1.5	
	Retail sales ex-autos	YoY %	1.7	17.2	11.3	3.1	2.5	1.6	1.4	0.5	1.7	2.4	3.4	2.0	3.1	4.0	0.6	1.5	
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	14.8	15.9	15.1	15.7	15.7	15.0	15.7	15.5	15.3	15.8	15.0	15.8	
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.4	104.0	103.7	102.5	110.1	114.0	108.7	104.3	99.1	101.0	108.0	110.9	106.7	
Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	62.0	63.7	59.0	64.2	71.5	69.4	67.9	63.8	61.3	69.7	79.0	76.9		
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(6.7)	(7.2)	(7.8)	(8.3)	(8.4)	(5.6)	(6.3)	(5.2)	(6.3)	(6.5)	(6.3)	(6.4)	
	Current account balance	As % of GDP	(2.8)	(3.5)	(3.8)		(3.4)			(3.2)			(3.1)						
Int'l balance	Net foreign securities transactions	US \$bn	505	907	1,321	1,027	174.3	103.1	17.6	192.0	14.2	92.6	17.4	(24.1)	99.7	158.6	36.1		
	Federal funds rate	%	0.25	0.25	4.50	5.50	5.00	5.00	5.25	5.25	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	
Monetary & financial	10-Year treasury yield	%	0.91	1.51	3.87	3.88	3.47	3.42	3.64	3.84	3.96	4.11	4.57	4.93	4.33	3.88	3.91	4.25	
	Dollar index	Point	89.9	95.7	103.5	101.3	102.5	101.7	104.3	102.9	101.9	103.6	106.2	106.7	103.5	101.3	103.3	104.2	

Source: Bloomberg; KGI Research

**Figure 11: Key economic data, Taiwan**

Indicators	Units	2020	2021	2022	2023	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	
GDP	GDP YoY	YoY %	3.4	6.6	2.6	1.3	(3.5)			1.4		2.2			4.9			
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	2.4	2.4	2.0	1.8	1.9	2.5	2.9	3.0	2.9	2.7	1.8	3.1
	Core CPI	YoY %	0.7	1.9	2.7	2.4	2.6	2.7	2.6	2.6	2.7	2.6	2.5	2.5	2.4	2.4	1.7	2.9
Labor market	Unemployment rate	%	3.8	3.7	3.6	3.4	3.6	3.6	3.5	3.4	3.4	3.4	3.5	3.4	3.4	3.4	3.4	
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(12.5)	(15.6)	(22.6)	(16.0)	(17.2)	(15.4)	(10.7)	(6.7)	(2.2)	(1.8)	(3.8)	16.0	
	Market Taiwan manufacturing PMI	Point			47.7	46.3	48.6	47.1	44.3	44.8	44.1	44.3	46.4	47.6	48.3	47.1	48.8	48.6
	NDC monitoring light signal						Blue	Blue	Blue	Blue	Blue	Blue	Yellow-blue	Blue	Yellow-blue	Yellow-blue	Green	
	NDC monitoring indicators	Point	24.3	39.0	24.2	14.4	11.0	11.0	12.0	13.0	15.0	15.0	17.0	16.0	20.0	22.0	27.0	
	NDC composite leading index	YoY %	(0.5)	4.7	(2.9)	(1.1)	(5.3)	(5.0)	(4.6)	(4.2)	(3.8)	(3.6)	(3.5)	(3.4)	(3.3)	(3.2)	(3.1)	
	NDC composite coincident index	YoY %	(1.1)	8.2	(1.0)	(6.7)	(14.6)	(14.3)	(13.5)	(12.2)	(10.5)	(8.5)	(6.3)	(4.3)	(2.3)	(0.7)	0.7	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	6.9	7.6	7.5	17.1	13.9	5.3	4.3	6.9	5.1	7.2	1.1	0.3	
Trade	Exports	US\$bn	345.2	446.6	479.7	432.6	35.2	36.0	36.1	32.3	38.7	37.4	38.8	38.1	37.5	39.9	37.2	31.4
	Imports	US\$bn	285.8	381.3	428.1	352.1	31.0	29.3	31.3	26.4	30.3	28.8	28.5	32.3	27.7	28.8	34.7	23.6
	Trade balance	US\$bn	59.4	65.3	51.6	80.5	4.2	6.7	4.9	6.0	8.5	8.6	10.3	5.8	9.8	11.1	2.5	7.9
	Export growth	YoY %	4.9	29.4	7.4	(9.8)	(19.1)	(13.3)	(14.1)	(23.4)	(10.4)	(7.3)	3.4	(4.6)	3.7	11.7	18.1	1.3
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(20.2)	(20.6)	(22.0)	(30.2)	(21.1)	(23.0)	(12.2)	(12.4)	(15.0)	(6.8)	19.0	(17.8)
	Export orders	US\$bn	533.7	674.1	666.8	561.0	46.6	42.5	45.7	44.2	47.7	46.0	51.4	52.9	50.6	43.8	48.4	38
	Export order growth	YoY %	10.1	26.3	(1.1)	(15.9)	(25.7)	(18.1)	(17.6)	(24.9)	(12.0)	(15.7)	(15.6)	(4.6)	1.0	(16.0)	1.9	(10.4)
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	3.1	2.0	2.7	3.3	2.4	3.7	2.9	2.8	3.3	3.0	3.1	3.6	
	M2	YoY %	8.5	8.0	7.1	5.3	6.6	6.7	6.6	5.9	6.9	6.5	6.0	5.7	5.3	5.3	5.4	
	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	560.3	561.1	562.9	564.8	566.5	565.5	564.0	561.1	567.5	570.6	569.5	569.4
	Rediscount rate	%	1.1	1.1	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
	Exchange rate	USD/TWD	28.3	27.7	30.7	30.7	30.5	30.7	30.8	31.1	31.4	31.9	32.3	32.4	31.3	30.7	31.3	31.6

Source: Bloomberg; KGI Research

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