

March export orders

Export orders to climb by 10% YoY in April

Key message

1. March export orders were up 1.2% YoY, missing market consensus of 4% YoY growth, but beating our forecast of a contraction. The electronics downstream underperformed the midstream & upstream. Orders for raw materials & conventional industries declined YoY.
2. Orders from the ASEAN & China were up YoY. The trends of rising orders from the ASEAN & higher weightings for overseas manufacturing have held for some time.
3. Export orders to climb by 10% YoY in April, in line with our forecast of a more meaningful rebound in 2Q24F.

March export orders were up 1.2% YoY, missing market consensus of 4% YoY growth, but beating our forecast of a contraction

Taiwan export orders totaled US\$47.16bn in March, up 25% MoM, but down 1.3% QoQ when seasonally-adjusted, and up 1.2% YoY, below consensus of 4% growth YoY (see Figure 1), but above our forecast of a contraction.

The electronics downstream underperformed the midstream & upstream; orders for raw materials & conventional industries declined YoY

Among major products, ICT orders rose 27.2% MoM and 4.3% YoY, to US\$13.29bn in March, on higher demand from AI smart applications and the cloud industry, boosting server orders, but lower NB orders partially offset the higher server sales. March electronics orders were up by 12% YoY to US\$16.5bn, on higher demand for high power computing and AI, increasing orders for wafer distributors, IC design, foundries and PCB. Optical instrument orders were up by 11.8% YoY to US\$1.71bn, due to TV restocking demand, which grew orders for large-sized panels, leading to higher prices. Rising orders for optical lenses also contributed to growth. Orders for raw materials retreated across the board. Base metal orders were down by 10.4% YoY in March, on sluggish demand in the steel sector. Plastics and rubber orders slumped by 9.3% YoY on new capacity ramp-ups from overseas competitors, resulting in oversupply. Chemicals orders were down by 2.2% YoY, while petrochemicals also faced headwinds on overseas competition, leading to price cuts. However, drug orders edged up, partially offsetting the decline in petrochemical demand. March machinery orders slumped by 13.9% YoY, as end-market demand has yet to recover, resulting in conservative equipment investment by businesses (see Figures 2 & 3).

Orders from the ASEAN & China grew YoY; the trends of rising orders from the ASEAN & higher weightings for overseas manufacturing have held for some time

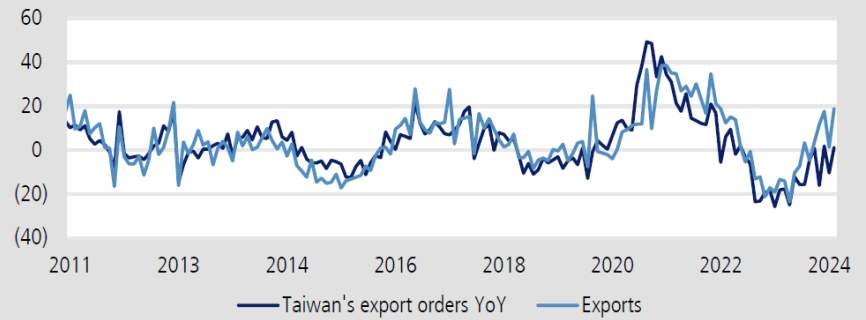
Orders from the US were down 2.2% YoY in March, with ICT down the most, by 11.1%, or US\$560mn. Orders from China and Hong Kong were up 7.7% YoY, with electronics orders up the most, by 20.1%, or US\$1.02bn. Orders from Europe were down by 6.2% YoY, with base metals down the most, by 31%. Orders from the ASEAN and Japan were up 19.3% and down 18% YoY, respectively (see Figures 4 & 5). The trends of rising orders from the ASEAN and higher weightings for overseas manufacturing have held for some time.

Outlook – Export orders to climb by 10% YoY in April, in line with our forecast of a more meaningful rebound in 2Q24F

March export orders, despite being tepid, returned to YoY growth, in line with our forecasts of recoveries in the manufacturing sector and for export orders. However, demand will be weighed upon by negatives attributable to the Fed keeping interest rates higher for longer, and mounting geopolitical risks. The Taiwan household-based diffusion index was at 49.9 in April, while the order value-based diffusion index was at 49.6 (see Figure 6). We believe export orders will climb by 10% YoY in April, in line with our forecast of a more meaningful rebound in 2Q24F.

Figure 1: March export orders up 1.2% YoY

Taiwan YoY growth of export orders & exports, percent



Source: Bloomberg; KGI Research

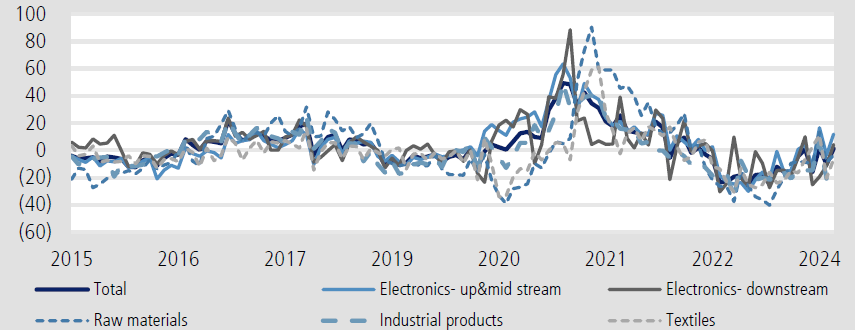
Figure 2: Main order categories

	Mar-24			From Jan-24 to Mar-24		
	Value (US\$b)	MoM (%)	YoY (%)	Value (US\$b)	Weighting (%)	YoY (%)
ICT	13.3	27.2	4.3	37.6	28.2	(9.8)
Electronics	16.5	24.9	12.0	47.2	35.4	8.2
Optics	1.7	21.2	11.8	4.7	3.5	13.9
Base metals	2.2	23.8	(10.4)	6.3	4.7	(2.1)
Machinery	1.7	25.3	(13.9)	4.6	3.4	(7.4)
Plastics/rubber	1.7	23.6	(9.3)	4.6	3.5	(1.8)
Chemicals	1.6	19.3	(2.2)	4.4	3.3	(0.1)
Total	47.2	25.0	1.2	133.3	100.0	(2.1)

Source: Bloomberg; KGI Research

Figure 3: The electronics downstream underperformed the midstream & upstream; orders for raw materials & conventional industries declined YoY

YoY order growth (by category), percent

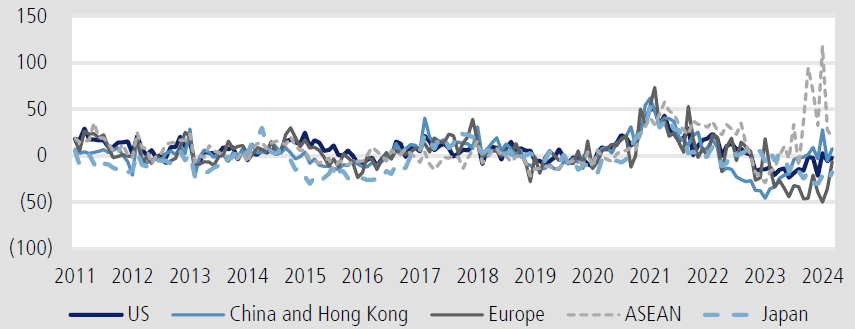


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastics/ rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: Orders from the ASEAN & China were up YoY

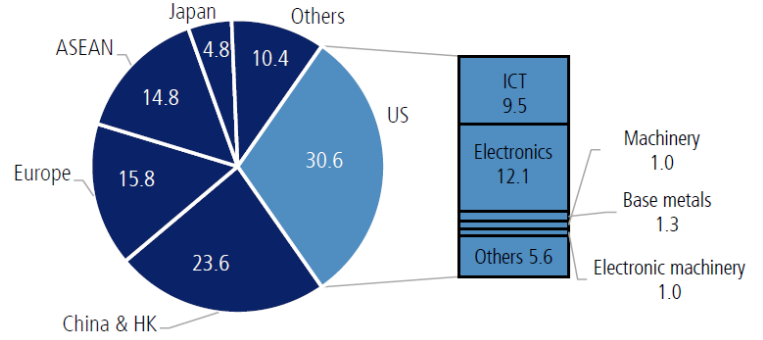
YoY order growth (by region), percent



Source: Bloomberg; KGI Research

Figure 5: Order weighting of China rebounded, US contracted

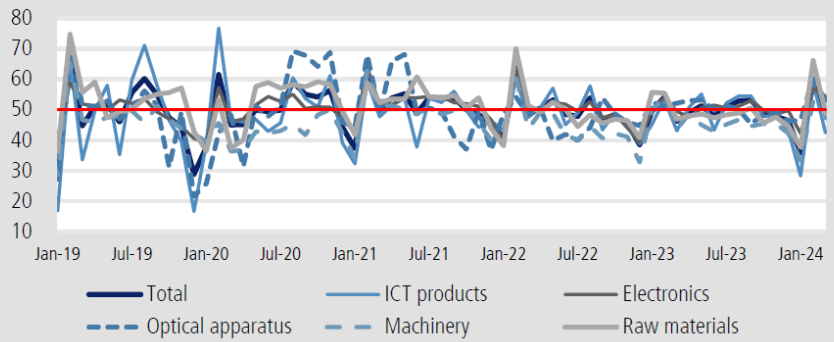
Order weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Diffusion index sees April export orders as arriving flat MoM

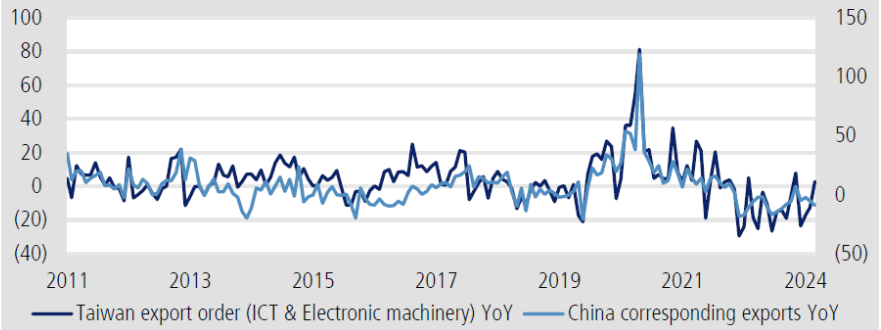
Diffusion index by order type (value), percent



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 March, deviating from the correlation with China corresponding exports

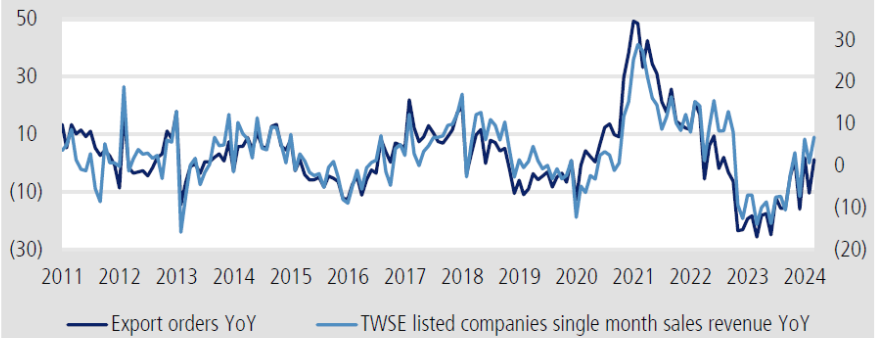
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); China corresponding exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 8: Export orders YoY growth rose, in line with YoY Taiex revenue uptrend

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
Late April	China Politburo meeting	Since the two sessions didn't specify a clear path for an economic recovery, this meeting will send a signal for 2024 economic development.
April 30-May 1	Fed FOMC Meeting	The Fed is expected to maintain current interest rates, and provide more clues about the economy, inflation, and the timing of interest rate cuts.
June 6	ECB Monetary Policy Meeting	The ECB will announce the first interest rate cut of a cycle, and the market will be concerned about the pace of subsequent interest rate cuts.
June 11-12	Fed FOMC Meeting	The probability of an interest rate cut has dropped sharply of late, and the market currently predicts that the Fed's first interest rate cut will be postponed to September.

Source: KGI Research

Figure 10: Key economic data, US

Indicators	Units	2020	2021	2022	2023	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
GDP	GDP QoQ SAAR	QoQ % SAAR						2.1			4.9			3.4			
	GDP YoY	YoY %	(2.2)	5.8	1.9	2.5			2.4		2.9			3.1			
Consumer prices	CPI	YoY %	1.2	4.7	8.0	4.1	4.9	4.0	3.0	3.2	3.7	3.2	3.1	3.4	3.1	3.2	3.5
	Core CPI	YoY %	1.7	3.6	6.2	4.8	5.5	5.3	4.8	4.7	4.3	4.1	4.0	3.9	3.9	3.8	3.8
	PCE price index	YoY %	1.1	4.2	6.5	3.7	4.4	4.0	3.2	3.3	3.3	3.4	2.9	2.7	2.6	2.4	2.5
	Core PCE index	YoY %	1.3	3.6	5.2	4.1	4.8	4.7	4.3	4.2	3.7	3.6	3.4	3.2	2.9	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	62.8	62.8	62.7	62.8	62.5	62.5	62.5
	Unemployment rate	%	8.1	5.4	3.6	3.6	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	278	303	240	184	210	246	165	182	290	256	270
	Net Change in total employment in labor force	'000	(8,856)	6,135	4,528	3,013	138	(255)	297	205	291	50	(270)	586	(683)	(31)	(184)
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	176	287	25	(8)	267	58	9	(41)	(20)	(20)	9
	Opening/ hiring	x	1.07	1.56	1.75	1.58	1.66	1.51	1.55	1.54	1.59	1.59	1.49	1.60	1.54	1.54	1.50
	Avg. hourly earnings	YoY %	5.4	5.0	4.9	4.3	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	0.4	0.1	(0.4)	0.1	(0.1)	(0.2)	(0.8)	(0.1)	1.1	(0.7)	(0.3)
	Durable goods orders	YoY %	(4.6)	18.4	8.3	4.4	2.7	7.5	9.0	2.9	3.0	5.9	0.7	10.0	3.4	(0.9)	4.5
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.7	1.0	3.2	1.4	0.4	0.6	0.5	0.8	1.4	0.8	(0.2)	3.0
	Total business inventory/ sales ratio	x	1.44	1.29	1.34	1.38	1.39	1.39	1.39	1.38	1.37	1.36	1.37	1.37	1.38	1.39	1.38
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.48	1.50	1.49	1.48	1.47	1.46	1.46	1.48	1.48	1.48	1.49	1.47
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.30	1.29	1.30	1.30	1.30	1.30	1.30	1.30	1.31	1.31	1.33	1.32
	ISM manufacturing index	Point	52.4	60.6	53.5	47.1	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	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	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)	(0.11)	0.09	(0.16)	(0.39)	0.17	(0.25)	0.00	(0.61)	0.25	(0.05)	(0.54)	0.05
	Conference board leading index	YoY %	(4.7)	7.1	0.4	(7.7)	(8.3)	(8.2)	(8.1)	(7.8)	(7.9)	(8.1)	(8.1)	(7.7)	(7.2)	(7.2)	(6.4)
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	1,417	1,496	1,441	1,443	1,541	1,471	1,498	1,467	1,493	1,489	
	Housing starts	'000, SAAR	1,397	1,606	1,551	1,423	1,348	1,583	1,418	1,451	1,305	1,356	1,376	1,512	1,566	1,375	
	New home sales	'000, SAAR	833	769	637	667	679	710	683	728	654	698	670	609	653	664	
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.1	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	45	50	55	56	50	44	40	34	37		
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.3	18.6	4.9	6.2	(1.7)	(1.8)	(1.3)	0.1	2.2	4.0	5.0	5.5	6.2		
Consumption	Personal expenditures	YoY % SA	(2.5)	8.4	2.5	2.2	1.6	1.8	2.1	2.5	2.0	2.1	2.1	2.9	3.3	2.0	
	Retail sales	YoY %	0.9	18.2	9.7	3.4	1.3	2.1	1.5	2.8	2.8	4.0	2.2	3.6	5.0	0.2	
	Retail sales ex-autos	YoY %	1.7	17.2	11.3	3.1	1.6	1.4	0.5	1.7	2.4	3.4	2.0	3.1	4.0	0.8	
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	15.9	15.1	15.7	15.7	15.0	15.7	15.5	15.3	15.8	15.0	
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.4	103.7	102.5	110.1	114.0	108.7	104.3	99.1	101.0	108.0		
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	63.7	59.0	64.2	71.5	69.4	67.9	63.8	61.3	69.7		
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(7.2)	(7.8)	(8.3)	(8.4)	(5.6)	(6.3)	(5.2)	(6.3)	(6.5)	(6.3)	
Int'l balance	Current account balance	As % of GDP	(2.8)	(3.5)	(3.8)	(3.0)			(3.2)			(3.0)			(2.9)		
	Net foreign securities transactions	US \$bn	505	907	1,321	1,008	97.0	11.9	194.2	13.8	92.6	17.4	(24.1)	99.7	150.6	14.0	
Monetary & financial	Federal funds rate	%	0.25	0.25	4.50	5.50	5.00	5.25	5.25	5.50	5.50	5.50	5.50	5.50	5.50	5.50	
	10-Year treasury yield	%	0.91	1.51	3.87	3.88	3.42	3.64	3.84	3.96	4.11	4.57	4.93	4.33	3.88	3.91	
	Dollar index	Point	89.9	95.7	103.5	101.3	101.7	104.3	102.9	101.9	103.6	106.2	106.7	103.5	101.3	103.3	

Source: Bloomberg; KGI Research

Figure 11: Key economic data, Taiwan

Indicators		Units	2020	2021	2022	2023	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
GDP	GDP YoY	YoY %	3.4	6.6	2.6	1.3			1.4			2.2			4.9			
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	2.4	2.0	1.8	1.9	2.5	2.9	3.0	2.9	2.7	1.8	3.1	2.1
	Core CPI	YoY %	0.7	1.9	2.7	2.4	2.7	2.6	2.6	2.7	2.6	2.5	2.5	2.4	2.4	1.7	2.9	2.1
Labor market	Unemployment rate	%	3.8	3.7	3.6	3.4	3.6	3.5	3.4	3.4	3.4	3.5	3.4	3.4	3.4	3.4	3.4	3.4
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(12.5)	(22.6)	(16.0)	(17.2)	(15.4)	(10.7)	(6.7)	(2.2)	(1.8)	(3.8)	15.6	(1.1)	
	Market Taiwan manufacturing PMI	Point			47.7	46.3	47.1	44.3	44.8	44.1	44.3	46.4	47.6	48.3	47.1	48.8	48.6	49.3
	NDC monitoring light signal						Blue	Blue	Blue	Blue	Blue	Yellow-blue	Blue	Yellow-blue	Yellow-blue	Green	Green	
	NDC monitoring indicators	Point	24.3	39.0	24.2	14.4	11.0	12.0	13.0	15.0	15.0	17.0	16.0	20.0	22.0	27.0	29.0	
	NDC composite leading index	YoY %	(0.5)	4.7	(3.0)	(1.0)	(4.8)	(4.3)	(3.9)	(3.5)	(3.3)	(3.2)	(3.1)	(3.0)	(3.1)	(3.1)	(3.1)	(2.9)
	NDC composite coincident index	YoY %	(1.1)	8.3	(1.0)	(6.7)	(14.2)	(13.3)	(12.0)	(10.3)	(8.3)	(6.2)	(4.1)	(2.1)	(0.4)	1.0	1.9	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	6.9	7.5	17.1	13.9	5.3	4.3	6.9	5.1	7.2	1.1	0.3	9.3	
Trade	Exports	US\$bn	345.2	446.6	479.7	432.6	36.0	36.1	32.3	38.7	37.4	38.8	38.1	37.5	39.9	37.2	31.4	41.8
	Imports	US\$bn	285.8	381.3	428.1	352.1	29.3	31.3	26.4	30.3	28.8	28.5	32.3	27.7	28.8	34.7	23.6	33.1
	Trade balance	US\$bn	59.4	65.3	51.6	80.5	6.7	4.9	6.0	8.5	8.6	10.3	5.8	9.8	11.1	2.5	7.9	8.7
	Export growth	YoY %	4.9	29.4	7.4	(9.8)	(13.3)	(14.1)	(23.4)	(10.4)	(7.3)	3.4	(4.6)	3.7	11.7	17.7	1.3	18.9
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(20.6)	(22.0)	(30.2)	(21.1)	(23.0)	(12.2)	(12.4)	(15.0)	(6.8)	19.0	(17.8)	7.1
	Export orders	US\$bn	533.7	674.1	666.8	561.0	42.5	45.7	44.2	47.7	46.0	51.4	52.9	50.6	43.8	48.4	37.7	47
	Export order growth	YoY %	10.1	26.3	(1.1)	(15.9)	(18.1)	(17.6)	(24.9)	(12.0)	(15.7)	(15.6)	(4.6)	1.0	(16.0)	1.9	(10.4)	1.2
		MTB	YoY %	16.2	12.8	4.1	3.1	2.7	3.3	2.4	3.7	2.9	2.8	3.3	3.0	3.1	3.6	4.5
Monetary & financial	M2	YoY %	8.5	8.0	7.1	5.3	6.7	6.6	5.9	6.9	6.5	6.0	5.7	5.3	5.3	5.4	5.6	
	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	561.1	562.9	564.8	566.5	565.5	564.0	561.1	567.5	570.6	569.5	569.4	568.1
	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	2.0
	Exchange rate	USD/TWD	28.3	27.7	30.7	30.7	30.7	30.8	31.1	31.4	31.9	32.3	32.4	31.3	30.7	31.3	31.6	32.0

Source: Bloomberg; KGI Research

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