

Economy

Export orders to grow 18.8% YoY in May, driven by pull-in demand, particularly from China

Key message

1. Taiwan export orders totaled US\$56.4bn in April, up 19.8% YoY, beating consensus of 9.5% YoY growth.
2. Electronics orders outperformed, bolstered by early pull-in demand; orders from US, Japan & ASEAN saw the strongest YoY growth, while orders from China and Europe resumed growth, indicating a meaningful pull-in effect.
3. We estimate export orders in May will increase by 18.8% YoY, driven by pull-in demand, particularly from China.

Event

Taiwan export orders totaled US\$56.4bn in April, up 6.3% MoM, up 8.5% MoM seasonally-adjusted, and up 19.8% YoY, beating consensus of 9.5% YoY growth (Figure 1), our forecast of 10.4% YoY growth and 12.5% YoY growth in March.

Analysis

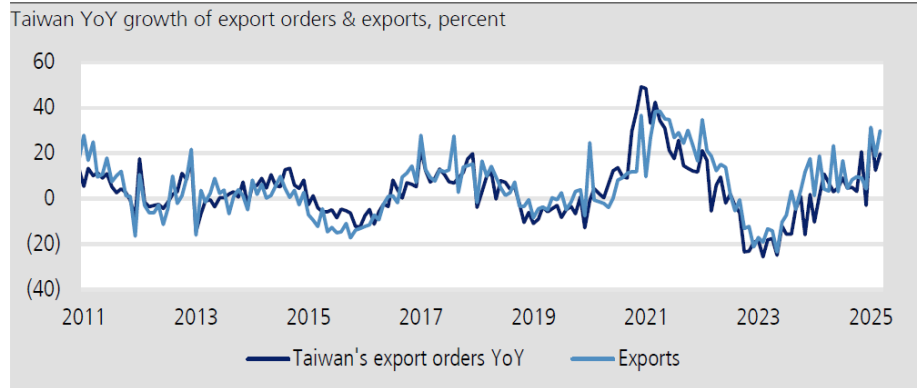
Electronics orders outperformed, bolstered by early pull-in demand. Among major products, ICT export orders were up by 5.7% MoM and 20.0% YoY to US\$15.65bn in April, as demand uptrends for AI applications and from the cloud industry sustained, coupled with early pull-in demand from clients, resulting in stronger server and networking orders. Rising NB, handset and graphics card orders also supported growth. Electronics orders rose 14.8% MoM and 35% YoY to US\$23.09bn, as strong demand for high-power computing (HPC) and AI sustained, resulting in more orders for IC manufacturers and wafer distributors and PCB. In addition, underpinned by new product launches, orders for fabless design firms also increased. Optical instrument orders slipped 8.5% MoM, but rose 4.2% YoY to US\$1.73bn, mainly as orders for semiconductor optical inspection and measuring equipment continued to grow, coupled with rising orders for optical lens. However, orders for backlight module declined, eroding overall sales growth. Orders for raw materials were decent, while those for base metals and plastics and rubber were down MoM and YoY. Base metals orders fell 11.1% YoY, due to sluggish steel demand and lower steel prices. Plastics and rubber orders were down by 8.8% YoY, due to excess capacity and competition by overseas peers. Orders for chemicals climbed 5.9% MoM, and arrived flattish YoY due to competition from overseas peers and price cuts, while lower oil prices also resulted in downstream clients' conservative procurement. However, the decline was offset by early pull-in demand for drugs and industrial chemical products. Machinery orders grew by 5.8% YoY, as orders for automation and some machine tools rose. However, some semiconductor equipment manufacturers received strong orders over the same period last year, creating a high comparison base, offsetting part of the growth (Figures 2 & 3).

Orders from US, Japan & ASEAN saw strongest YoY growth, while orders from China & Europe resumed growth, indicating a meaningful pull-in effect. Orders from the US rose by 30.3% YoY in April, with electronics up the most, by 58.6%, or US\$3.52bn. Orders from China and Hong Kong rose 5.7% YoY, with electronics up the most, by 12.3%, or US\$720mn. Orders from Europe increased 10.5% YoY, with those for ICT up the most, by 18.4% YoY. Orders from the ASEAN and Japan grew 32.8% and 16.3% YoY, respectively, for a decent performance (Figures 4 & 5).

Conclusion

Pull-in demand accelerated after Trump announced to temporarily suspend reciprocal tariffs on April 9, leading to stronger-than-expected export orders in April. The Taiwan household-based diffusion index was at 42.8 in April, and the order value-based diffusion index was at 49.5 (see Figure 6). Taiwan's export orders in May are expected to continue benefiting from pull-in demand, particularly from China, as the US and China reached a deal to temporarily slash tariffs on May 12. We expect export orders to grow by 18.8% YoY in May. Taking individual diffusion indices into consideration, we expect orders for ICT, electronics, chemicals, plastics and rubber to improve.

Figure 1: Taiwan export orders in April rose 19.8% YoY, beating consensus of 9.5% YoY



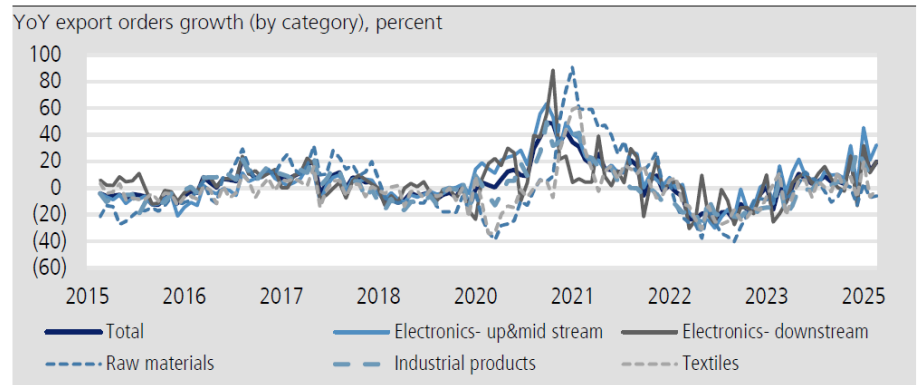
Source: Bloomberg; KGI Research

Figure 2: Main export order categories

	Apr-25			From Jan-25 to Apr-25		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	15.7	5.7	20.0	56.3	27.3	11.1
Electronics	23.1	14.8	35.0	80.5	39.1	25.3
Optics	1.7	(8.3)	4.2	6.8	3.3	7.5
Base metals	2.0	(7.3)	(11.1)	7.8	3.8	(9.0)
Machinery	1.7	(1.3)	5.8	6.4	3.1	3.8
Plastics/rubber	1.5	(5.0)	(8.8)	5.8	2.8	(7.9)
Chemicals	1.5	5.9	0.0	5.7	2.7	(5.6)
Total	56.4	6.3	19.8	205.9	100.0	14.1

Source: Bloomberg; KGI Research

Figure 3: Electronics orders outperformed, bolstered by early pull-in demand



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

Source: Bloomberg; KGI Research

Figure 4: Orders from US, Japan & ASEAN saw strongest YoY growth, while orders from China & Europe resumed growth, indicating a meaningful pull-in effect

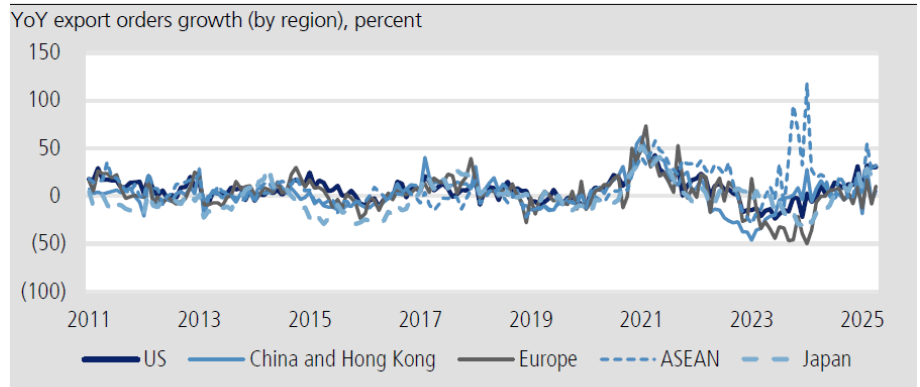


Figure 5: Weighting of orders from US further expanded

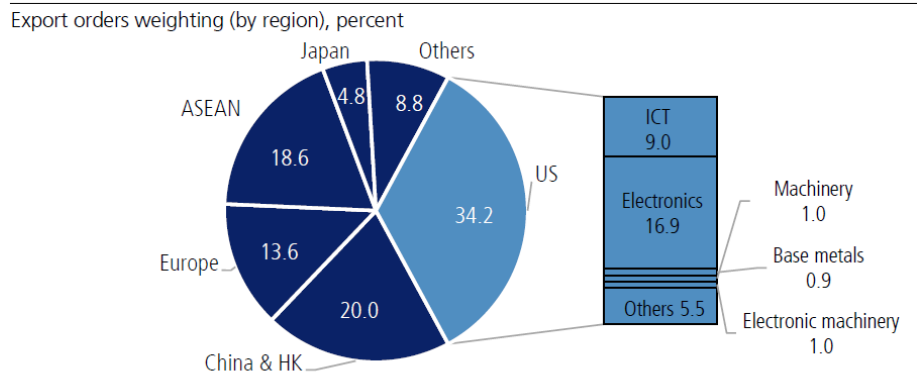


Figure 6: Diffusion indices may have overlooked the significance of the May 12 US-China joint statement on tariff reductions, leading to an underestimation

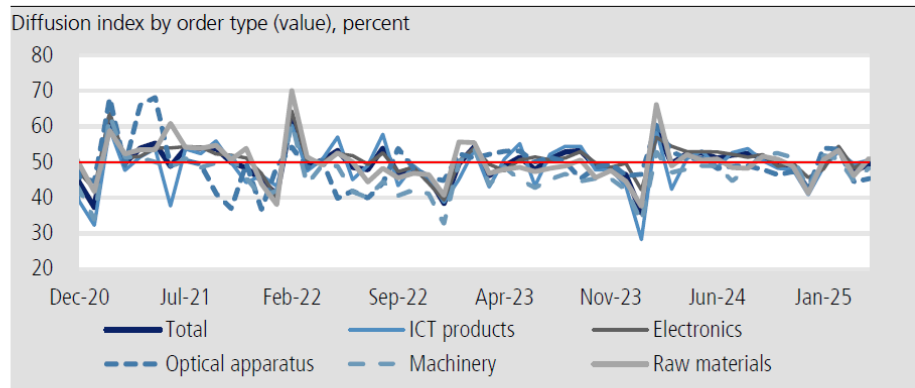
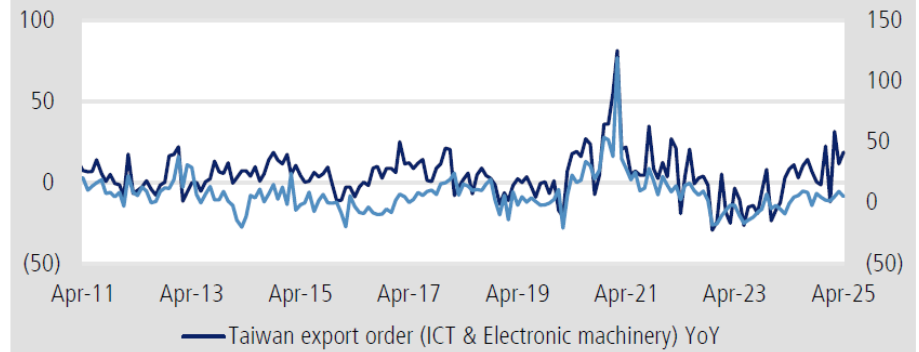


Figure 7: Orders for ICT & electronic machinery with more overseas production rebounded in April, in contrast to the trend of corresponding China exports

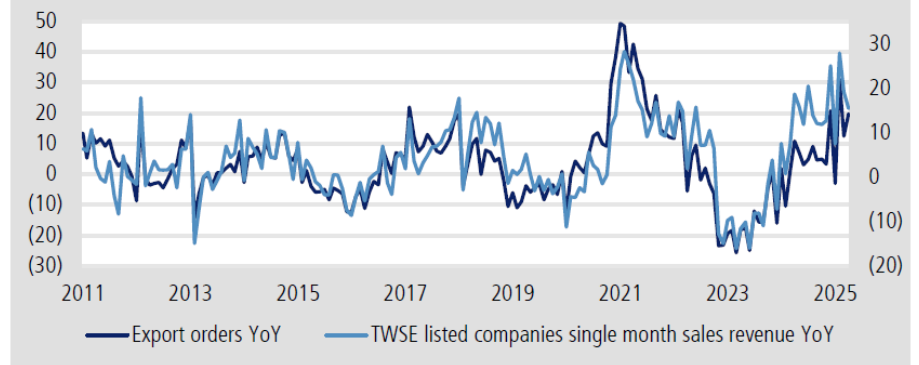
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); corresponding China exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 8: Export orders & Taix revenue both logged YoY growth above 15%, bolstered by sectors with pull-in demand

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



Source: Bloomberg; KGI Research

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

Date	Major event	Possible effect
6/5	ECB monetary policy meeting	The market expects over 80% chance of a 25bps rate cut; may further widen the yield gap with the U.S.
6/15-17	51th G7 summit	Theme: "Building the Economy, Combating Climate Change, and Managing New Technologies"
6/16-17	BOJ monetary policy meeting	Low probability of a rate hike
6/17-18	Fed FOMC meeting	The market expects a low probability of a 25 bps rate cut, while the trade wars have just begun, and the impact is uncertain

Source: KGI Research

Figure 10: Key economic data - US

Indicators		Units	2021	2022	2023	2024	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	
GDP	GDP QoQ SAAR	QoQ %, SAAR					3.0				3.1			2.4			(0.3)		
	GDP YoY	YoY %	6.1	2.5	2.9	2.8	3.0				2.7			2.5			2.0		
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	3.3	3.0	2.9	2.5	2.4	2.6	2.7	2.9	3.0	2.8	2.4	2.3	
	Core CPI	YoY %	3.6	6.2	4.8	3.4	3.4	3.3	3.2	3.2	3.3	3.3	3.3	3.2	3.3	3.1	2.8	2.8	
	PCE price index	YoY %	4.1	6.6	3.8	2.5	2.6	2.4	2.5	2.3	2.1	2.3	2.5	2.6	2.6	2.7	2.3		
	Core PCE index	YoY %	3.6	5.4	4.2	2.8	2.7	2.6	2.7	2.7	2.7	2.8	2.8	2.9	2.7	3.0	2.6		
	Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.6	62.6	62.7	62.7	62.7	62.5	62.5	62.5	62.6	62.4	62.5	62.6
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.0	4.1	4.2	4.2	4.1	4.1	4.2	4.1	4.0	4.1	4.2	4.2	
	Non farm payrolls	'000	7,233	4,555	2,594	2,012	193	87	88	71	240	44	261	323	111	102	185	177	
	Net Change in total employment in labor force	'000	6,124	4,555	2,594	2,012	(331)	(9)	64	206	377	(346)	(273)	478	2,234	(588)	201	436	
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.9)	(20)	20	9	1	53	51	27	11	(40)	103	205	63	
	Opening/ hiring	x	1.56	1.75	1.58	1.43	1.42	1.46	1.38	1.46	1.29	1.42	1.51	1.40	1.45	1.39	1.33		
	Avg. hourly earnings	YoY %	5.0	4.9	4.1	4.0	4.1	3.9	3.6	4.0	3.9	4.1	4.2	4.0	3.9	3.9	3.8	3.8	
Economic activity & business condition	Industrial production	YoY %	4.4	3.4	0.2	(0.3)	0.0	0.9	(0.5)	(0.1)	(0.7)	(0.4)	(0.9)	0.4	1.7	1.4	1.3	1.5	
	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	(0.2)	(9.8)	2.2	(1.0)	(1.8)	4.8	(5.1)	(3.4)	3.5	(0.1)	9.4		
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	(2.8)	(4.0)	(0.6)	(1.8)	0.5	0.2	(1.1)	1.9	3.3	(0.9)	1.5		
	Total business inventory/ sales ratio	x	1.29	1.34	1.37	1.37	1.37	1.38	1.37	1.37	1.37	1.37	1.37	1.35	1.36	1.35	1.34		
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.59	1.58	1.57	1.58	1.58	1.58	1.58	1.58	1.57	1.57	1.57		
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.30	1.32	1.31	1.33	1.33	1.32	1.31	1.29	1.31	1.31	1.29		
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	48.5	48.3	47.0	47.5	47.5	46.9	48.4	49.2	50.9	50.3	49.0	48.7	
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	53.5	49.2	51.4	51.6	54.5	55.8	52.5	54.0	52.8	53.5	50.8	51.6	
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	46.3	48.9	47.6	45.6	46.7	47.9	50.3	52.1	55.1	48.6	45.2	47.2	
	Chicago Fed National activity Index	Point	0.38	(0.00)	(0.13)	(0.15)	0.15	(0.17)	(0.30)	(0.05)	(0.21)	(0.50)	(0.04)	0.37	(0.26)	0.24	(0.03)		
	Conference board leading index	YoY %	7.1	0.4	(7.5)	(4.8)	(5.0)	(4.5)	(4.7)	(4.6)	(4.3)	(3.7)	(3.0)	(3.0)	(2.7)	(3.0)	(3.6)	(4.0)	
	C&I Loans for large/medium - tightening lending standard	%	(15.1)	11.8	43.9	9.5			7.9				0.0			6.2		18.5	
	C&I Loans for large/medium - stronger demand	%	(1.2)	12.4	(42.3)	(18.2)			0.0				(21.3)			9.4		(20.3)	
	Housing market	Building Permits	'000, SAAR	1,735	1,684	1,516	1,474	1,407	1,461	1,436	1,476	1,434	1,428	1,508	1,480	1,460	1,454	1,481	1,412
		Housing starts	'000, SAAR	1,603	1,552	1,421	1,371	1,316	1,327	1,265	1,391	1,357	1,352	1,295	1,514	1,358	1,490	1,339	1,361
New home sales		'000, SAAR	770	637	666	684	672	672	707	691	726	623	676	720	654	674	724		
Existing home sales		mn, SAAR	6.1	5.1	4.1	4.1	4.1	3.9	4.0	3.9	3.9	4.0	4.2	4.3	4.1	4.3	4.0		
NAHB housing market index		Point, SA	81	59	44	45	45	43	41	39	41	43	46	46	47	42	39	40	
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	4.9	6.4	4.6	6.8	6.5	5.9	5.2	4.6	4.3	4.4	4.6	4.8	4.5			
Consumption	Personal expenditures	YoY %, SA	8.8	3.0	2.5	2.8	2.8	2.9	2.9	2.9	3.2	3.1	3.1	3.1	3.1	2.9	3.3		
	Retail sales	YoY %	18.1	9.1	3.5	2.6	2.6	2.0	3.0	1.9	2.0	3.1	3.9	4.6	4.6	3.9	5.2	5.2	
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	2.9	3.4	3.4	2.2	2.5	3.0	3.1	3.7	4.4	4.3	4.4	4.2	
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	15.9	15.3	15.8	15.1	15.8	16.0	16.5	16.8	15.6	16.0	17.8	17.3	
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	101.3	97.8	101.9	105.6	99.2	109.6	112.8	109.5	105.3	100.1	93.9	86.0	
	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	69.1	68.2	66.4	67.9	70.1	70.5	71.8	74.0	71.7	64.7	57.0	52.2	
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(6.0)	(5.4)	(5.4)	(7.0)	(6.2)	(6.9)	(7.1)	(6.9)	(7.2)	(7.2)	(7.0)	(6.8)	
Int'l balance	Current account balance	As % of GDP	(3.7)	(3.9)	(3.3)	(3.9)		(3.3)			(3.6)			(3.8)					
	Net foreign securities transactions	US \$bn	907	1,321	1,005	761	(4.1)	21.6	102.3	95.0	208.9	118.5	49.9	46.7	(42.1)	112.9	161.8		
Monetary & financial	Federal funds rate	%	0.25	4.50	5.50	4.50	5.50	5.50	5.50	5.50	5.00	5.00	4.75	4.50	4.50	4.50	4.50	4.50	
	10-Year treasury yield	%	1.51	3.87	3.88	4.57	4.50	4.40	4.03	3.90	3.78	4.28	4.17	4.57	4.54	4.21	4.21	4.16	
	Dollar index	Point	95.7	103.5	101.3	108.5	104.7	105.9	104.1	101.7	100.8	104.0	105.7	108.5	108.4	107.6	104.2	99.5	

Source: Bloomberg; KGI Research

Figure 11: Key economic data - Taiwan

Indicators		Units	2021	2022	2023	2024	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
GDP	GDP YoY	YoY %	6.7	2.7	1.1	4.6		4.9			4.2			2.9			5.4	
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	2.2	2.4	2.5	2.4	1.8	1.7	2.1	2.1	2.7	1.6	2.3	2.0
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.8	1.8	1.9	1.8	1.8	1.6	1.7	1.7	2.3	1.0	1.7	1.7
Labor market	Unemployment rate	%	3.7	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	16.0	13.3	13.2	13.1	11.8	8.9	10.6	19.8	4.9	18.2	13.7	
	Market Taiwan manufacturing PMI	Point			46.3	50.9	50.9	53.2	52.9	51.5	50.8	50.2	51.5	52.7	51.1	51.5	49.8	47.8
	NDC monitoring light signal						Yellow-red	Red	Yellow-red	Red	Yellow-red	Yellow-red	Yellow-red	Red	Yellow-red	Yellow-red	Yellow-red	
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	36.0	38.0	35.0	39.0	34.0	32.0	34.0	38.0	35.0	37.0	34.0	
	NDC composite leading index	YoY %	4.8	(3.2)	(1.6)	2.0	3.3	4.3	5.1	5.5	5.7	5.6	5.4	5.2	5.0	4.7	4.1	
	NDC composite coincident index	YoY %	8.5	(1.5)	(8.9)	6.3	8.7	9.3	9.4	9.4	9.2	9.2	9.5	9.9	10.3	10.6	10.8	
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	2.6	3.9	3.1	1.1	3.4	(0.5)	2.2	3.1	5.5	(3.8)	0.4	
Trade	Exports	US\$bn	446.6	479.7	432.6	475.3	37.4	39.9	39.9	43.6	40.6	41.3	41.1	43.6	38.7	41.3	49.6	48.7
	Imports	US\$bn	381.3	428.1	352.1	394.7	31.3	35.2	35.1	32.1	33.5	34.4	33.2	37.5	28.7	34.8	42.6	41.5
	Trade balance	US\$bn	65.3	51.6	80.5	80.5	6.1	4.7	4.8	11.5	7.1	6.9	7.9	6.1	10.0	6.6	7.0	7.2
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	3.4	23.4	3.1	16.8	4.5	8.4	9.7	9.1	4.4	31.4	18.6	29.9
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	0.5	33.9	15.8	11.6	17.3	6.0	19.7	30.4	(17.2)	47.5	28.8	33.0
	Export orders	YoY %	674.1	666.8	561.0	589.5	48.9	45.6	50.0	50.2	53.8	55.5	52.3	52.9	47.0	49.5	53.0	56
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	7.0	3.1	4.8	9.1	4.7	4.9	3.3	20.8	(3.0)	31.1	12.5	19.8
Monetary & financial	M1B	YoY %	12.8	4.1	3.1	4.0	5.0	5.2	5.2	4.1	4.1	4.9	4.6	4.0	4.4	3.1	1.8	
	M2	YoY %	8.0	7.1	5.3	5.5	6.0	6.3	6.2	5.8	5.6	5.8	5.5	5.5	5.5	5.2	4.4	
	Foreign reserves	US\$bn	548.4	554.9	570.6	576.7	572.8	573.3	571.7	579.1	577.9	576.9	578.0	576.7	577.6	577.6	578.0	582.8
	Rediscount rate	%	1.1	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	Exchange rate	USD/TWD	27.7	30.7	30.7	32.8	32.4	32.4	32.8	32.0	31.7	32.0	32.5	32.8	32.7	32.8	33.2	32.0

Source: Bloomberg; KGI Research

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