Economy

August export orders to grow by 63% YoY, with robust AI demand supporting strong order growth

Key message

1. Taiwan export orders reached US$97.94bn in July, up 2.8% MoM (up 0.4% MoM seasonally-adjusted) and 61.9% YoY, exceeding our forecast of 54% YoY growth and well ahead of consensus of 52.7% YoY.
2. AI-related demand continued to dominate order trends across product categories. Within electronics, ICT and electronic products were strong, while optical instrument orders lagged. Traditional industry order trends generally improved, with machinery and base metals standing out. Regionally, robust growth persisted across all major markets, led by the US, followed by ASEAN.
3. Major US CSPs have expanded investments in AI infrastructure and data centers, while the August diffusion index based on order value rose to 51.3, indicating that near-term order growth is well supported. Given the relatively low comparison base in August last year, we forecast August export orders to increase by 63% YoY. More pronounced base-effect headwinds are likely to emerge after September.

Event

Taiwan export orders reached US$97.94bn in July, up 2.8% MoM (up 0.4% MoM seasonally-adjusted) and 61.9% YoY, exceeding our forecast of 54% YoY growth and well ahead of consensus of 52.7% YoY.

Analysis

AI-related demand continued to dominate order trends across product categories. Within electronics, ICT & electronic products orders were strong, while optical instrument orders lagged. Traditional industry order trends generally improved, with machinery & base metals standing out. Among major product categories, ICT export orders reached US$33.27bn, down 2.6% MoM but up 89.5% YoY, supported by sustained demand for AI and cloud services, which drove robust orders for servers and networking equipment. Electronic product orders totaled US$41.32bn, up 2.0% MoM and 71.7% YoY, reflecting ongoing demand for AI and high-performance computing (HPC), which boosted orders for memory products, chip distribution, and IC manufacturing. In contrast, optical instrument orders stood at US$1.81bn, down 6.8% MoM and 10.6% YoY, as weak panel demand weighed on growth. However, increasing demand for AI-related optical inspection and metrology equipment partially offset the decline. Among traditional sectors, base metal orders rose 7.3% MoM and 24.3% YoY, driven by stronger demand for copper foil and copper-clad laminates (CCLs) from AI-related supply chains, higher copper prices, and rising demand for galvanized steel and steel coil products. Machinery orders increased by 6.8% MoM and 31.3% YoY, supported by ongoing semiconductor capacity expansions, growth in automation equipment orders, and a recovery in machine tool demand. Rubber and plastic product orders grew by 5.8% MoM and 3.2% YoY, reflecting stronger inventory replenishment demand from customers. Chemical product orders increased by 5.1% MoM and 0.2% YoY, supported by growth in industrial chemical orders, although a high comparison base for pharmaceutical orders last year partially offset gains (Figures 2 & 3).

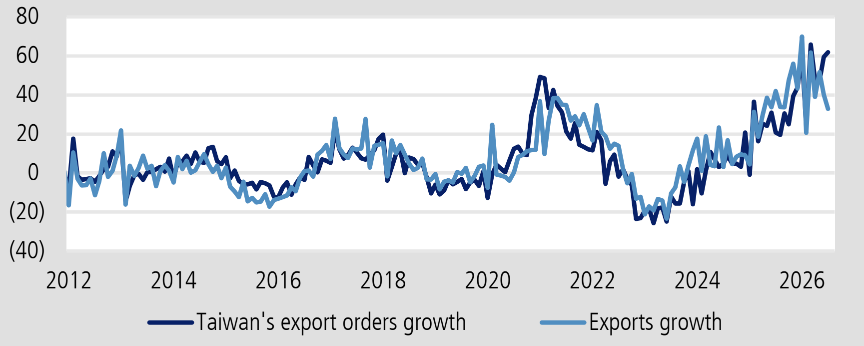
Orders from all major regions were robust, led by the US, followed by ASEAN. Orders from the US rose by 88.9% YoY, with ICT products contributing the most, rising by US$10.37bn (or 156.8% YoY). Orders from China and Hong Kong grew by 47.2% YoY, driven by electronic products, which grew by US$4.75bn (or 71.5% YoY). Orders from Europe rose 33.1% YoY, led by 57.4% YoY order growth for ICT products, or US$2.16bn. Meanwhile, orders from ASEAN and Japan increased by 61.1% and 37.1% YoY, respectively (Figures 4-5).

Conclusion

July export orders not only exceeded our expectations but also accelerated from June, indicating that AI-related demand is stronger than previously anticipated. In addition to sustained strength in ICT and electronic products, machinery and base metals also benefited from semiconductor capacity expansions and AI supply chain demand, suggesting that AI-driven investment is spilling over into capital expenditures and selected traditional industries. Major US CSPs are expanding investments in AI infrastructure and data centers, while computing capacity remains relatively tight. As a result, demand for servers, semiconductors, and related equipment should be well supported in the near term. The export order diffusion index for August stood at 48.8 based on the number of firms, and 51.3 based on order value (Figure 6). This suggests that overall order value still has room to grow, although order growth may once again become concentrated among larger enterprises. Given the relatively low comparison base in August last year, more pronounced base effects are unlikely to emerge until September. We therefore expect export orders to maintain strong growth in the near term. Nevertheless, elevated geopolitical risks and ongoing uncertainty surrounding international trade policies warrant close monitoring, as they could affect global demand and corporate purchasing behavior. Overall, we forecast August export orders to increase by 63% YoY, extending the current strong growth trajectory.

Figure 1: July export orders grew by 61.9% YoY, maintaining strong growth

Taiwan export orders growth YoY & exports growth YoY, percent



Source: Bloomberg; KGI Research

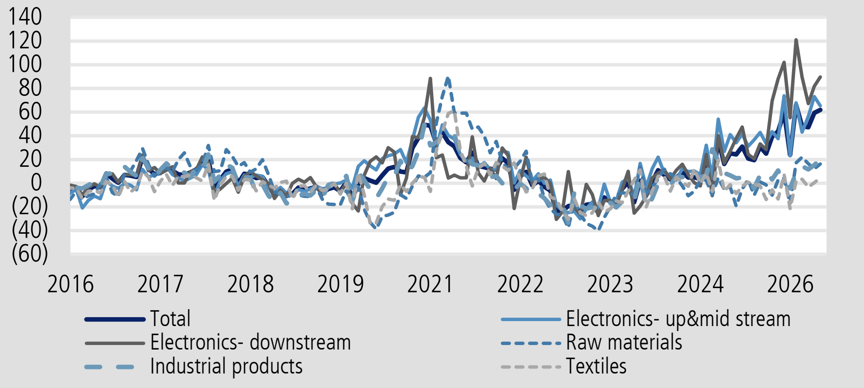
Figure 2: Main export order categories

	Jul-26			From Jan-25 to Jul-25		
	Value (US$bn)	**MoM (%)**	**YoY (%)**	**Value (US$bn)**	**Weighting (%)**	**YoY (%)**
ICT	33.3	(2.6)	89.5	213.4	35.4	85.8
Electronics	41.3	2.0	71.7	250.6	41.6	62.2
Optics	1.8	(6.8)	(10.6)	13.0	2.2	(0.5)
Base metals	2.4	7.3	24.3	14.6	2.4	8.4
Machinery	2.3	6.8	31.3	14.5	2.4	22.5
Plastics/rubber	1.5	5.8	3.2	10.3	1.7	2.0
Chemicals	1.6	5.1	0.2	10.2	1.7	1.6
Total	**97.9**	**2.8**	**61.9**	**602.0**	**100.0**	**52.5**

Source: Bloomberg; KGI Research

Figure 3: AI-related demand still driving most order categories; ICT & electronic product orders maintained strong growth, while optical instrument orders were weak; traditional industries generally showed improvement, with machinery & base metals outperforming

Taiwan export orders growth YoY (by category), percent

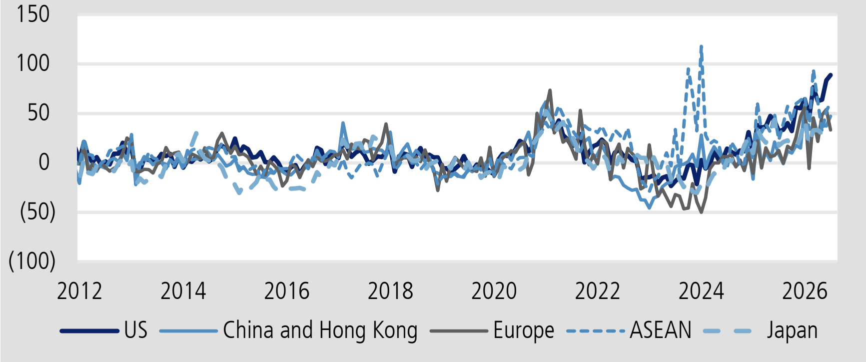


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastic & rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: Orders from all major regions were robust, led by the US

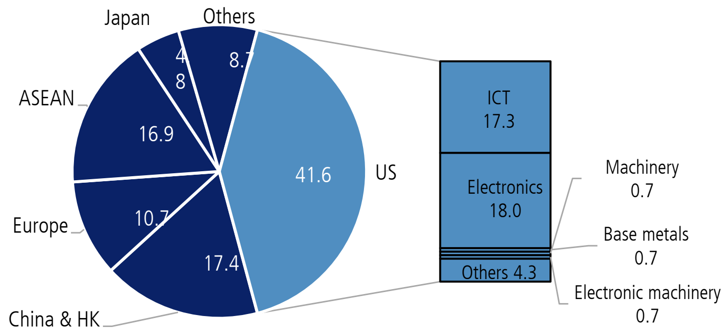
Taiwan export orders growth YoY (by region), percent



Source: Bloomberg; KGI Research

Figure 5: ASEAN & US shares of export orders increased in July, while Europe's share declined

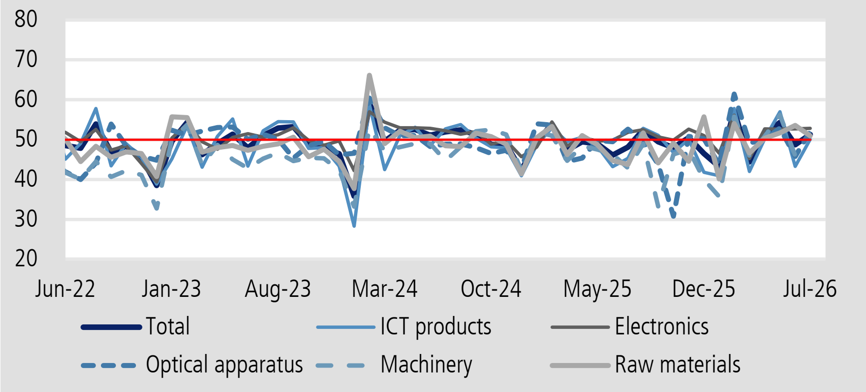
Taiwan export orders weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Order value-based diffusion index at 51.3 in August

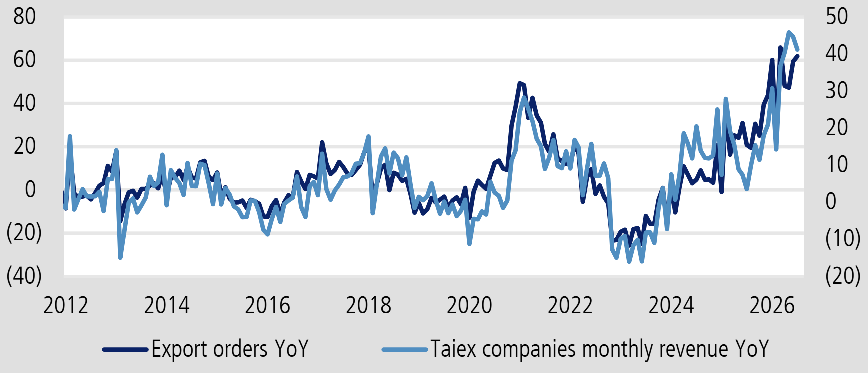
Diffusion index by order type (value), percent



Note: Raw materials are chemicals, plastics & rubber products, base metals, and minerals
Source: Bloomberg; KGI Research

Figure 7: Growth in export orders was inconsistent with Taiex revenue growth

Taiwan export orders YoY, percent (LHS); Taiex monthly revenue growth YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 8: Major international political & economic events over the next quarter

Date	Major event	Possible effect
8/27-29	Jackson Hole Economic Symposium	Fed Chair Kevin Warsh to give a speech for the first time; global central banks will adapt to the new Fed chair's policy framework and its influence on other central banks
9/9-10	ECB meeting	Markets have largely priced in a September rate hike, with attention now shifting to the latest growth and inflation projections, as well as the ECB’s assessment of the impact of the energy shock.
9-15-16	FOMC meeting	Recent signs of labor market softening, coupled with the lack of renewed inflationary pressure in the latest CPI and PPI data, have pushed market-implied odds of a Fed rate hike in September down to around 30%. However, the risk of a renewed pickup in inflation remains a key factor to monitor.
9/17-18	BOJ meeting	The probability of a September rate hike has risen sharply, with attention now focused on whether the central bank adopts a more hawkish tone in its post-meeting statement and press conference.

Source: KGI Research

Figure 9: Key economic data - US

Indicators		Units	2021	2022	2023	2024	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
GDP	GDP QoQ SAAR	QoQ %, SAAR						4.4			0.5			2.1			1.5	
	GDP YoY	YoY %	6.2	2.5	2.9	2.8		2.3			2.0			2.7			2.1	
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	2.9	3.0		2.7	2.7	2.4	2.4	3.3	3.8	4.2	3.5	3.4
	Core CPI	YoY %	3.6	6.2	4.8	3.4	3.1	3.0		2.6	2.6	2.5	2.5	2.6	2.8	2.9	2.6	2.5
	PCE price index	YoY %	4.1	6.5	3.8	2.6	2.7	2.8	2.7	2.8	2.9	2.9	2.9	3.5	3.8	4.1	3.7	
	Core PCE index	YoY %	3.6	5.3	4.2	2.9	2.9	2.8	2.8	2.8	3.0	3.1	3.0	3.3	3.3	3.4	3.3	
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.3	62.5		62.5	62.4	62.1	62.0	61.9	61.8	61.8	61.5	61.4
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.3	4.4		4.5	4.4	4.3	4.4	4.3	4.3	4.3	4.2	4.1
	Non farm payrolls	'000	7,268	4,526	2,515	1,459	(70)	76	(140)	41	(17)	160	(156)	214	148	63	20	(23)
	Net Change In total employment in labor force	'000	6,078	4,526	2,515	1,459	230	286			232	(895)	(185)	(64)	(226)	149	(507)	(87)
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.8)	13	(26)	175	24	(8)	118	(72)	(78)	(21)	3	(5)	(46)
	Opening/ hiring	x	1.56	1.75	1.58	1.42	1.34	1.37	1.38	1.36	1.24	1.35	1.41	1.24	1.45	1.44	1.38	
	Avg. hourly earnings	YoY %	4.9	4.9	4.1	4.1	4.0	3.8	3.9	3.9	3.7	3.7	3.7	3.4	3.6	3.3	3.4	3.2
Economic activity & business condition	Industrial production	YoY %	4.4	1.7	(0.2)	(0.7)	1.2	1.9	1.8	1.8	1.2	1.0	0.8	0.7	1.4	1.5	1.3	1.1
	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	5.1	9.7	4.6	10.5	12.8	9.0	7.5	2.8	19.2	(4.4)	9.2	
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	2.5	5.3	6.2	4.1	8.0	2.9	5.9	10.8	11.1	10.0	14.8	
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	1.37	1.37	1.38	1.37	1.36	1.35	1.33	1.32	1.30	1.28	1.30	
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.56	1.56	1.56	1.57	1.56	1.55	1.52	1.51	1.49	1.47	1.48	
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.28	1.28	1.29	1.28	1.28	1.28	1.27	1.26	1.26	1.26	1.25	
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	48.9	48.9	48.8	48.0	47.9	52.6	52.4	52.7	52.7	54.0	53.3	55.6
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	51.9	50.3	52.0	52.4	53.8	53.8	56.1	54.0	53.6	54.5	54.0	54.1
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	51.1	48.7	48.7	47.3	47.4	57.1	55.8	53.5	54.1	56.8	56.0	56.7
	Chicago Fed National activity Index	Point	0.37	(0.05)	(0.12)	(0.19)	(0.36)	(0.32)	(0.50)	(0.31)	(0.06)	(0.07)	0.22	(0.17)	0.05	(0.19)	(0.02)	
	Conference board leading index	YoY %	7.3	0.7	(7.6)	(4.7)	(3.5)	(3.2)	(3.1)	(3.7)	(3.7)	(3.6)	(3.1)	(3.0)	(1.6)	(1.5)	(1.4)	
	C&I Loans for large/medium - tightening lending standard	%	(15.1)	11.8	43.9	9.5			6.5			5.3			8.1			0.0
	C&I Loans for large/medium - stronger demand	%	(1.2)	12.4	(42.3)	(18.2)			11.5			16.1			4.8			16.1
Housing market	Building Permits	'000, SAAR	1,734	1,685	1,516	1,474	1,347	1,444	1,418	1,414	1,482	1,393	1,540	1,363	1,423	1,410	1,374	1,443
	Housing starts	'000, SAAR	1,603	1,550	1,421	1,370	1,291	1,319	1,273	1,319	1,378	1,385	1,346	1,522	1,414	1,182	1,415	1,239
	New home sales	'000, SAAR	769	636	666	684	698	714	652	757	723	576	630	659	646	618	628	
	Existing home sales	mn, SAAR	6.1	5.1	4.1	4.1	4.0	4.1	4.1	4.1	4.3	4.0	4.1	4.0	4.0	4.2	4.1	4.1
	NAHB housing market index	Point, SA	81	59	44	45	32	32	37	38	39	37	37	38	34	37	36	34
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	4.9	6.4	4.6	1.6	1.4	1.4	1.5	1.5	1.3	1.0	0.9	1.2	1.6		
Consumption	Personal expenditures	YoY %, SA	8.8	3.0	2.6	2.9	2.8	2.4	2.5	2.2	1.6	2.0	2.4	1.9	1.9	2.4	2.5	
	Retail sales	YoY %	18.1	9.1	3.5	2.6	5.0	4.1	3.2	3.2	2.4	3.3	4.2	4.2	5.1	7.2	6.8	5.0
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	4.8	3.8	3.7	4.1	3.3	4.0	4.2	5.7	6.6	7.8	6.9	5.8
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	16.1	16.4	15.3	15.6	16.0	14.9	15.8	16.3	15.9	16.1	16.5	16.3
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	97.8	95.6	95.5	92.9	94.2	89.0	91.0	92.2	93.8	90.6	92.2	90.8
	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	58.2	55.1	53.6	51.0	52.9	56.4	56.6	53.3	49.8	44.8	49.5	55.2
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.8)	(6.2)	(5.7)	(5.8)	(5.2)	(5.3)	(5.2)	(5.2)	(5.1)	(5.3)	(5.2)	(5.6)	(6.0)
Int'l balance	Current account balance	As % of GDP	(3.7)	(3.8)	(3.4)	(4.1)		(4.1)			(3.8)			(3.0)				
	Net foreign securities transactions	US $bn	907	1,321	1,005	776	132.4	176.7	30.6	203.5	102.3	12.6	55.8	80.2	105.3	231.2	172.7	
Monetary & financial	Federal funds rate	%	0.25	4.50	5.50	4.50	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
	10-Year treasury yield	%	1.51	3.87	3.88	4.57	4.23	4.15	4.08	4.01	4.17	4.24	3.94	4.32	4.37	4.44	4.47	4.73
	Dollar index	Point	95.7	103.5	101.3	108.5	97.8	97.8	99.8	99.5	98.3	97.0	97.6	100.0	98.1	98.9	101.2	99.9

Source: Bloomberg; KGI Research

Figure 10: Key economic data - Taiwan

Indicators		Units	2021	2022	2023	2024	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
GDP	GDP YoY	YoY %	6.7	2.7	1.1	5.3		8.4			13.0			15.4			12.9	
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	1.6	1.3	1.5	1.2	1.3	0.7	1.8	1.2	1.7	2.2	2.6	2.5
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.8	1.5	1.8	1.7	1.8	1.3	2.6	1.9	1.9	2.1	2.4	2.4
Labor market	Unemployment rate	%	3.7	3.6	3.4	3.4	3.3	3.4	3.3	3.4	3.4	3.4	3.3	3.4	3.3	3.3	3.3	
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	15.2	18.2	15.9	18.4	23.1	27.9	16.6	26.1	14.9	11.9	23.0	
	Markit Taiwan manufacturing PMI	Point				50.9	47.4	46.8	47.7	48.8	50.9	51.7	55.2	53.3	55.3	56.1	55.2	55.1
	NDC monitoring light signal						Green	Yellow-red	Yellow-red	Yellow-red	Red	Red	Red	Red	Red	Red	Red	
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	31.0	34.0	35.0	37.0	38.0	39.0	41.0	39.0	40.0	39.0	41.0	
	NDC composite leading index	YoY %	4.0	(2.4)	(1.6)	1.7	10.4	12.7	13.1	14.4	15.4	16.1	15.9	17.4	19.9	22.2	22.3	
	NDC composite coincident index	YoY %	8.8	(1.3)	(9.5)	2.7	17.0	17.6	18.5	19.4	20.3	21.2	21.9	22.4	23.0	23.9	25.2	
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	0.4	(1.6)	1.9	1.6	0.9	(3.4)	7.7	3.3	5.2	5.3	8.0	
Trade	Exports	US$bn	446.6	479.7	432.6	475.3	58.4	54.2	60.9	64.1	62.5	65.8	49.8	80.2	67.6	78.5	74.8	75.3
	Imports	US$bn	381.3	428.1	352.1	394.7	41.7	41.9	39.2	48.0	43.0	46.8	37.0	58.9	53.3	60.5	62.6	58.1
	Trade balance	US$bn	65.3	51.6	80.5	80.6	16.8	12.4	21.7	16.1	19.4	18.9	12.8	21.3	14.4	17.9	12.2	17.2
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	33.9	33.7	47.5	56.0	43.4	69.9	20.6	61.8	39.0	51.7	40.3	32.9
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	29.5	25.1	14.5	44.9	14.9	63.5	6.8	38.3	29.2	54.8	51.8	37.4
	Export orders	US$bn	674.1	666.8	561.0	589.6	60.1	70.3	69.4	73.0	76.2	76.9	63.9	91.1	87.4	89.5	95.3	98
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	19.5	30.6	25.0	39.5	43.8	60.1	23.8	65.9	48.1	47.2	59.4	61.9
Monetary & financial	M1B	YoY %	12.8	4.1	3.1	4.0	4.5	5.2	4.8	4.9	4.9	5.6	7.1	7.8	8.3	9.6	9.4	
	M2	YoY %	8.0	7.1	5.3	5.5	4.8	5.4	5.0	5.1	5.0	5.2	5.4	5.8	6.5	7.8	8.1	
	Foreign reserves	US$bn	548.4	554.9	570.6	576.7	597.4	602.9	600.2	599.8	602.6	604.5	605.5	596.9	602.5	605.1	597.2	594.3
	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	30.6	32.8	30.6	30.5	30.7	31.4	31.4	31.5	31.3	32.1	31.7	31.4	31.8	32.3

Source: Bloomberg; KGI Research

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Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return* of the KGI coverage universe in the related market over a 12-month investment horizon.
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Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.
	Total return = (12M target price - current price) / current price

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