

Economy

Export orders are expected to grow by 13% YoY in August; pull-in demand for semiconductors & key exports persists despite tariff hikes

Key message

1. Taiwan export orders totaled US\$57.64bn in July, up 15.2% YoY, missing consensus of 16.7% YoY growth, but above our forecast of 8.8% YoY growth, mainly because new tariffs only took effect on August 7, while July remained under the previous 10% tariff regime.
2. Excluding base effects, only electronics showed notable strength, while raw materials, despite monthly gains, have yet to confirm a bottom. By region, US orders continued to lead growth, while ASEAN followed and China lagged.
3. We forecast export orders to grow by 13% YoY in August. Despite tariff hikes, major export items such as semiconductors still benefit from a "tariff-free window," creating incentives for pull-in demand.

Event

Taiwan export orders totaled US\$57.64bn in July, up 1.5% MoM, but down by 2.7% MoM once seasonally-adjusted, and up 15.2% YoY, missing consensus of 16.7% YoY growth (Figure 1), but well above our forecast of 8.8% YoY growth.

Analysis

Excluding base effects, only electronics showed notable strength, while raw materials, despite monthly gains, have yet to confirm a bottom. Among major products, ICT export orders were down 6.8% MoM but up 15.5% YoY to US\$16.32bn in July, as demand growth for AI applications and from the cloud industry was sustained, resulting in rising server, networking and graphics card orders, though several months of declines indicate slowing order growth. Electronics orders grew by 7.7% MoM and 24.8% YoY to US\$22.59bn, as strong demand for high-performance computing (HPC) and AI-related products was sustained, resulting in more orders for IC and PCB manufacturers, as well as IC designers and chip distributors. Optical instrument orders rose by 0.4% MoM and 7.5% YoY to US\$1.92bn, as orders for backlight modules, optical inspection and measuring equipment continued to grow. For raw materials, all categories posted MoM growth, but whether this marks a bottom remains uncertain. Base metal orders fell by 12.6% YoY, reflecting sluggish steel demand and cautious customer ordering. Plastics and rubber orders were down by 10.3% YoY, as excess capacity among overseas peers continued to suppress orders. Orders for chemicals were up by 8.5% MoM and 7.8% YoY, the only raw material category with both monthly and annual growth, driven by increased inventory restocking from downstream petrochemical customers, rising pharmaceutical orders, and a low base last year. Machinery orders declined by 4.4% MoM but grew by 6.2% YoY, supported by sustained demand growth for automation equipment (Figures 2 & 3).

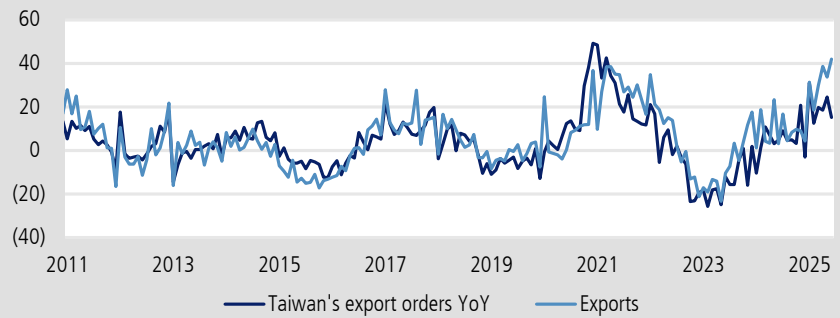
US orders led growth, while the ASEAN followed & China lagged. Orders from the US increased by 2.8% MoM and 25.4% YoY, with electronic products contributing the most, up by 41.6%, or US\$2.84bn. Orders from China and Hong Kong grew by 3.6% YoY, with electronic products up the most, by 7.5%, or US\$430mn. Orders from Europe rose 7.3% YoY, with those for ICT up the most, by 3.0% YoY. Orders from ASEAN and Japan grew 17.5% and 12.8% YoY, respectively, showing continued solid performances (Figures 4 & 5).

Conclusion

Export orders in July far exceeded our expectations, mainly because new tariffs only took effect on August 7, while July remained under the previous 10% tariff regime. As we enter August, Taiwan faces higher tariff rates. However, major export items such as semiconductors and ICT products still benefit from a "tariff-free window," creating incentives for pull-in demand. The diffusion index based on the number of firms was at 40.6 in August, and the diffusion index based on order value was at 48.1 (Figure 6). We forecast export orders in August to grow by 13.3% YoY, indicating a relatively solid performance. That said, we maintain our view that YoY growth will continue to slow, with a potential shift to contractions in 4Q25F.

Figure 1: Taiwan export orders in July rose by 15.2% YoY, mainly as higher tariffs had not yet taken effect

Taiwan YoY growth of export orders & exports, percent



Source: Bloomberg; KGI Research

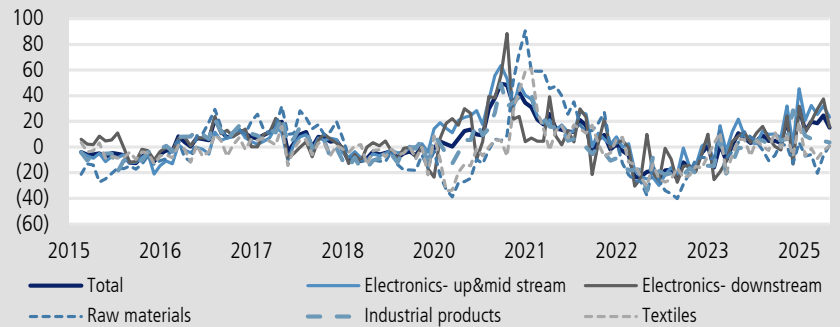
Figure 2: Main export order categories

	Jul-25			From Jan-25 to Jul-25		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	16.3	(6.8)	15.5	108.3	28.6	18.2
Electronics	22.6	7.7	24.8	145.7	38.5	26.9
Optics	1.9	0.4	7.5	12.5	3.3	6.7
Base metals	1.9	0.6	(12.6)	13.5	3.6	(9.9)
Machinery	1.8	(4.4)	6.2	11.8	3.1	5.6
Plastics/rubber	1.5	4.3	(10.3)	10.1	2.7	(9.7)
Chemicals	1.6	8.5	7.8	10.1	2.7	(6.1)
Total	57.6	1.5	15.2	378.2	100.0	16.4

Source: Bloomberg; KGI Research

Figure 3: Only electronics showed notable strength, while raw materials, despite monthly gains, have yet to confirm a bottom

YoY export orders growth (by category), percent

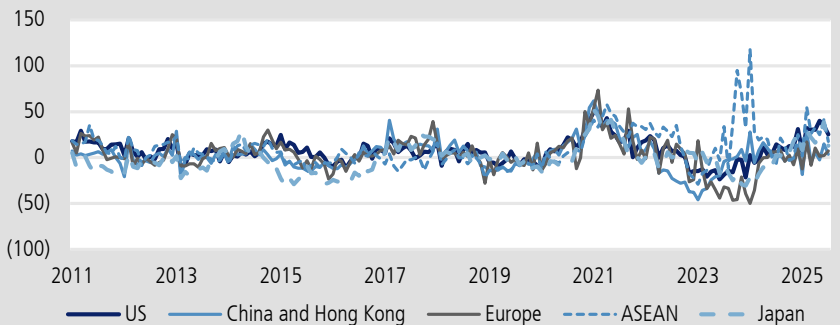


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastic & rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: US orders led growth, while ASEAN followed & China lagged

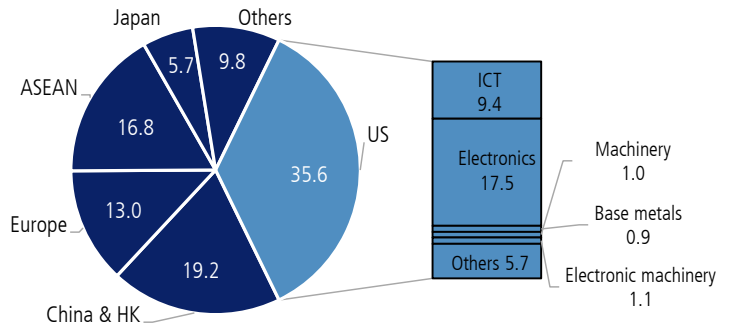
YoY export orders growth (by region), percent



Source: Bloomberg; KGI Research

Figure 5: Weightings of orders from Europe rebounded; those from China declined

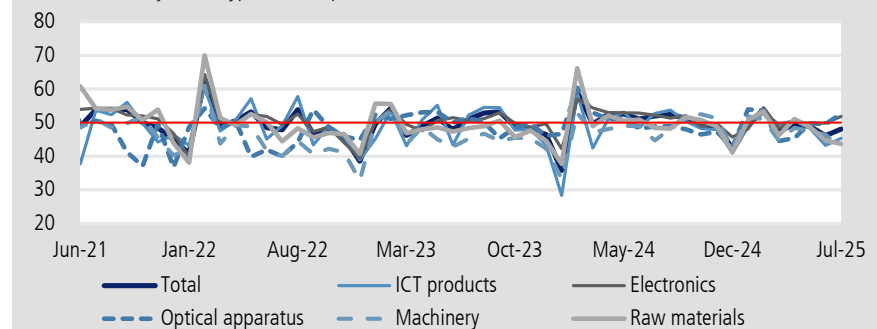
Export orders weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: The order value-based diffusion index was at 48.1 in August, indicating MoM declines & YoY growth ahead

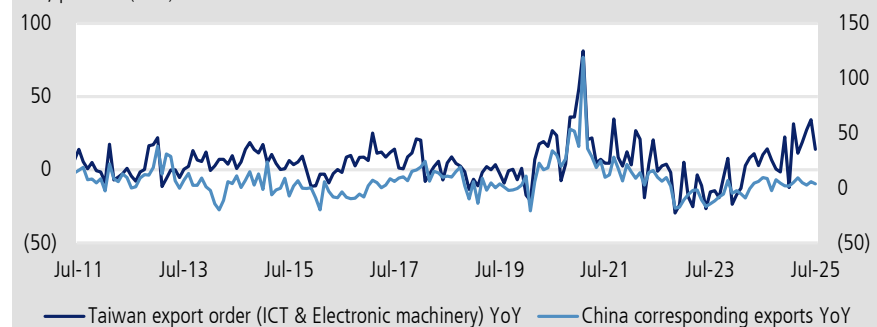
Diffusion index by order type (value), percent



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

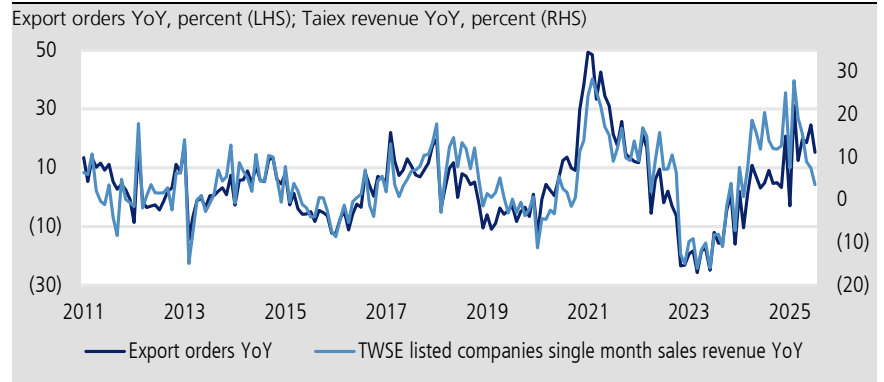
Figure 7: Orders for ICT & electronic machinery increased in July, diverging from the trend in corresponding China exports

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



Source: Bloomberg; KGI Research

Figure 8: Export orders & Taixex revenue growth are both declining, with revenue showing a steeper drop



Source: Bloomberg; KGI Research

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

Date	Major event	Possible effect
9/11	ECB Monetary Policy Meeting	Focus is on the latest economic projections, with expectations that there is still room for a 25 basis point rate cut before year-end.
9/19	BOJ monetary policy meeting	Monitor changes in the post-meeting statement and press conference following the U.S.-Japan agreement to assess the likelihood of a quarter-point rate hike by year-end.
9/16-17	Fed FOMC meeting	The rate-cut probability rose after the jobs data but fell on higher inflation, with markets now pricing in an 85% chance of a September Fed cut.

Source: KGI Research

Figure 10: Key economic data - US

Indicators		Units	2021	2022	2023	2024	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
GDP	GDP QoQ SAAR	QoQ %, SAAR					3.1				2.4		(0.5)				3.0	
	GDP YoY	YoY %	6.1	2.5	2.9	2.8	2.7				2.5			2.0			2.0	
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	2.5	2.4	2.6	2.7	2.9	3.0	2.8	2.4	2.3	2.4	2.7	2.7
	Core CPI	YoY %	3.6	6.2	4.8	3.4	3.2	3.3	3.3	3.3	3.2	3.3	3.1	2.8	2.8	2.8	2.9	3.1
	PCE price index	YoY %	4.1	6.6	3.8	2.5	2.3	2.1	2.3	2.5	2.6	2.6	2.7	2.3	2.2	2.4	2.6	
	Core PCE index	YoY %	3.6	5.4	4.2	2.8	2.7	2.7	2.8	2.8	2.9	2.7	2.9	2.7	2.6	2.8	2.8	
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.7	62.7	62.5	62.5	62.5	62.6	62.4	62.5	62.6	62.4	62.3	62.2
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.2	4.1	4.1	4.2	4.1	4.0	4.1	4.2	4.2	4.2	4.1	4.2
	Non farm payrolls	'000	7,233	4,555	2,594	2,012	71	240	44	261	323	111	102	120	158	19	14	73
	Net Change In total employment in labor force	'000	6,124	4,555	2,594	2,012	206	377	(346)	(273)	478	2,234	(588)	201	461	(696)	93	(260)
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.9)	1	53	51	27	11	(40)	103	205	63	47	(2)	140
	Opening/ hiring	x	1.56	1.75	1.58	1.43	1.46	1.29	1.42	1.51	1.40	1.45	1.39	1.33	1.32	1.41	1.43	
	Avg. hourly earnings	YoY %	5.0	4.9	4.1	4.0	4.0	3.9	4.1	4.2	4.0	3.9	3.9	3.9	3.8	3.8	3.8	3.9
Economic activity & business condition	Industrial production	YoY %	4.4	3.4	0.2	(0.3)	(0.1)	(0.7)	(0.4)	(0.9)	0.4	1.4	1.1	1.1	1.3	0.8	0.8	1.4
	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	(1.0)	(1.8)	4.8	(5.1)	(3.4)	3.5	(0.1)	9.8	2.6	17.5	12.6	
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	(1.8)	0.5	0.2	(1.1)	1.9	3.3	(0.9)	2.2	0.5	2.2	4.6	
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	1.41	1.41	1.41	1.40	1.39	1.40	1.39	1.38	1.38	1.39	1.38	
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.58	1.58	1.58	1.58	1.57	1.57	1.57	1.57	1.58	1.57	1.57	
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.33	1.33	1.32	1.31	1.29	1.31	1.31	1.29	1.29	1.30	1.30	
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	47.5	47.5	46.9	48.4	49.2	50.9	50.3	49.0	48.7	48.5	49.0	48.0
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	51.6	54.5	55.8	52.5	54.0	52.8	53.5	50.8	51.6	49.9	50.8	50.1
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	45.6	46.7	47.9	50.3	52.1	55.1	48.6	45.2	47.2	47.6	46.4	47.1
	Chicago Fed National activity Index	Point	0.38	(0.00)	(0.13)	(0.15)	(0.05)	(0.21)	(0.50)	(0.05)	0.36	(0.39)	0.39	0.15	(0.41)	(0.16)	(0.10)	
	Conference board leading index	YoY %	7.1	0.4	(7.5)	(4.8)	(4.6)	(4.3)	(3.7)	(3.0)	(3.0)	(2.7)	(3.0)	(3.5)	(4.3)	(3.9)	(4.0)	
	C&I Loans for large/medium - tightening lending standard	%	(15.1)	11.8	43.9	9.5			0.0			6.2			18.5			9.5
	C&I Loans for large/medium - stronger demand	%	(1.2)	12.4	(42.3)	(18.2)			(21.3)			9.4			(20.3)			(28.6)
Housing market	Building Permits	'000, SAAR	1,735	1,684	1,516	1,474	1,476	1,434	1,428	1,508	1,480	1,460	1,454	1,481	1,422	1,394	1,393	
	Housing starts	'000, SAAR	1,603	1,552	1,421	1,371	1,391	1,357	1,352	1,295	1,514	1,358	1,490	1,355	1,398	1,263	1,321	
	New home sales	'000, SAAR	769	637	665	685	693	717	621	675	718	662	642	660	705	623	627	
	Existing home sales	mn, SAAR	6.1	5.1	4.1	4.1	3.9	3.9	4.0	4.2	4.3	4.1	4.3	4.0	4.0	4.0	3.9	
	NAHB housing market index	Point, SA	81	59	44	45	39	41	43	46	46	47	42	39	40	34	32	33
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	4.9	6.5	4.6	5.2	4.6	4.3	4.4	4.6	4.8	4.5	4.1	3.4	2.7		
Consumption	Personal expenditures	YoY %, SA	8.8	3.0	2.5	2.8	2.9	3.2	3.1	3.1	3.1	2.9	2.5	2.8	2.9	2.2	2.1	
	Retail sales	YoY %	18.1	9.1	3.5	2.6	1.9	2.0	3.1	3.9	4.6	4.6	3.9	5.1	5.0	3.4	4.4	3.9
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	2.2	2.5	3.0	3.1	3.7	4.4	4.3	4.2	4.1	3.7	3.8	3.7
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	15.1	15.8	16.0	16.5	16.8	15.6	16.0	17.8	17.3	15.7	15.3	16.4
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	105.6	99.2	109.6	112.8	109.5	105.3	100.1	93.9	85.7	98.4	95.2	97.2
	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	67.9	70.1	70.5	71.8	74.0	71.7	64.7	57.0	52.2	52.2	60.7	61.7
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(7.0)	(6.2)	(6.9)	(7.1)	(6.9)	(7.2)	(7.2)	(7.0)	(6.8)	(6.7)	(6.3)	(6.4)
Int'l balance	Current account balance	As % of GDP	(3.7)	(3.8)	(3.4)	(4.1)		(3.8)			(4.0)			(4.6)				
	Net foreign securities transactions	US \$bn	907	1,321	1,005	771	96.6	210.3	119.2	49.1	47.4	(42.4)	113.0	162.3	(7.7)	266.8	150.8	
Monetary & financial	Federal funds rate	%	0.25	4.50	5.50	4.50	5.50	5.00	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
	10-Year treasury yield	%	1.51	3.87	3.88	4.57	3.90	3.78	4.28	4.17	4.57	4.54	4.21	4.21	4.16	4.40	4.23	4.37
	Dollar index	Point	95.7	103.5	101.3	108.5	101.7	100.8	104.0	105.7	108.5	108.4	107.6	104.2	99.5	99.3	96.9	100.0

Source: Bloomberg; KGI Research

Figure 11: Key economic data - Taiwan

Indicators	Units	2021	2022	2023	2024	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
GDP	GDP YoY	YoY %	6.7	2.7	1.1	4.8		4.2		3.8			5.5			8.0	
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	2.4	1.8	1.7	2.1	2.1	2.7	1.6	2.3	2.0	1.5	1.4
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.8	1.8	1.6	1.7	1.7	2.3	1.0	1.7	1.7	1.6	1.5
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	3.3	3.3	3.3	
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	13.1	11.8	8.9	10.6	19.8	4.9	18.2	12.8	23.7	22.1	18.7
	Markit Taiwan manufacturing PMI	Point			46.3	50.9	51.5	50.8	50.2	51.5	52.7	51.1	51.5	49.8	47.8	48.6	47.2
	NDC monitoring light signal						Red	Yellow-red	Yellow-red	Yellow-red	Red	Yellow-red	Yellow-red	Yellow-red	Yellow-red	Green	Green
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	39.0	34.0	32.0	34.0	38.0	35.0	37.0	35.0	33.0	31.0	29.0
	NDC composite leading index	YoY %	4.8	(3.2)	(1.6)	2.3	8.1	8.4	8.5	8.4	8.2	7.9	7.3	6.3	5.2	4.2	3.4
	NDC composite coincident index	YoY %	8.6	(1.5)	(9.3)	4.8	9.9	9.7	9.8	10.2	10.8	11.5	12.5	13.6	14.6	15.6	16.5
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	1.1	3.4	(0.5)	2.2	3.1	5.5	(3.8)	0.4	(0.6)	(1.4)	(2.9)
Trade	Exports	US\$bn	446.6	479.7	432.6	475.3	43.6	40.6	41.3	41.1	43.6	38.7	41.3	49.6	48.7	51.7	53.3
	Imports	US\$bn	381.3	428.1	352.1	394.7	32.1	33.5	34.4	33.2	37.5	28.7	34.8	42.6	41.5	39.1	41.3
	Trade balance	US\$bn	65.3	51.6	80.5	80.5	11.5	7.1	6.9	7.9	6.1	10.0	6.6	7.0	7.2	12.6	12.1
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	16.8	4.5	8.4	9.7	9.1	4.4	31.4	18.5	29.9	38.6	33.7
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	11.6	17.3	6.0	19.7	30.4	(17.2)	47.5	28.8	32.3	25.0	17.3
	Export orders	US\$bn	674.1	666.8	561.0	589.5	50.2	53.8	55.5	52.3	52.9	47.0	49.5	53.0	56.4	57.9	56.8
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	9.1	4.7	4.9	3.3	20.8	(3.0)	31.1	12.5	19.8	18.5	24.6
	M1B	YoY %	12.8	4.1	3.1	4.0	4.1	4.1	4.9	4.6	4.0	4.4	3.1	1.8	1.9	2.0	2.4
Monetary & financial	M2	YoY %	8.0	7.1	5.3	5.5	5.8	5.6	5.8	5.5	5.5	5.5	5.2	4.4	3.9	3.3	3.5
	Foreign reserves	US\$bn	548.4	554.9	570.6	576.7	579.1	577.9	576.9	578.0	576.7	577.6	577.6	578.0	582.8	593.0	598.4
	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
	Exchange rate	USD/TWD	27.7	30.7	30.7	32.8	32.0	31.7	32.0	32.5	32.8	32.7	32.8	33.2	32.0	29.9	29.6

Source: Bloomberg; KGI Research

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