

Economy

January export orders to surge 50% YoY on strong demand; further supported by a favorable base effect

Key message

1. Taiwan export orders reached US\$76.2bn in December, rising 43.8% YoY and exceeding both our forecast of 38% and Bloomberg's median estimate of 39.5%.
2. By category, downstream segments outperformed the upstream in the tech sector, while in traditional industries, the machinery segment benefited most from AI-related demand and outperformed raw materials significantly. By region, orders from the US, Europe, and ASEAN grew at around 50% or higher, whereas orders from China remained relatively weak.
3. We estimate export orders in January will grow 50% YoY, supported by strong orders and a favorable base effect.

Event

Taiwan export orders reached US\$76.2bn in December, up 4.4% MoM (up 4.4% MoM seasonally-adjusted) and 43.8% YoY, exceeding both our forecast of 38% and Bloomberg's median estimate of 39.5% (Figure 1), and even surpassing November's already exceptionally strong 39.5% YoY.

Analysis

Tech downstream outperformed upstream; for traditional industries, machinery benefited more from AI-related demand, outperforming raw materials significantly. Among major products, ICT export orders were up by 7.6% MoM, and sharply higher by 88.4% YoY to US\$28.68bn, driven by robust demand for AI applications and cloud services that continue to boost orders for servers, networking equipment, and graphics cards. Electronics orders totaled US\$27.87bn, declining 1.3% MoM but rising 39.9% YoY, supported by strong demand in AI, high-performance computing (HPC), and emerging applications, leading to broad-based order growth across IC manufacturing, chip distribution, IC design, PCB, OSAT, and memory. Optical instruments reached US\$2.14bn, up 22.9% MoM and 13.1% YoY, somewhat lagging other electronics categories, with growth mainly coming from optical inspection and measurement equipment. Raw materials were sluggish but showed MoM improvement despite YoY declines - basic metals rose 3.3% MoM but fell 2.5% YoY due to weak steel demand and cautious client ordering, though orders for copper foil and copper-clad laminate increased on AI-related demand and rising copper prices. Plastics and rubber rose 12% MoM but declined 8.2% YoY as overseas overcapacity and raw material oversupply continued to weigh on orders. Chemicals grew 18.8% MoM and slipped only 0.4% YoY, the best among raw materials, as overseas petrochemicals overcapacity continued to pressure demand, although growth in pharmaceuticals orders helped offset part of the decline. The machinery sector posted 17.2% YoY growth, supported by strong momentum in semiconductor investment and rising demand for automation equipment, which together continued to drive machinery-related orders.

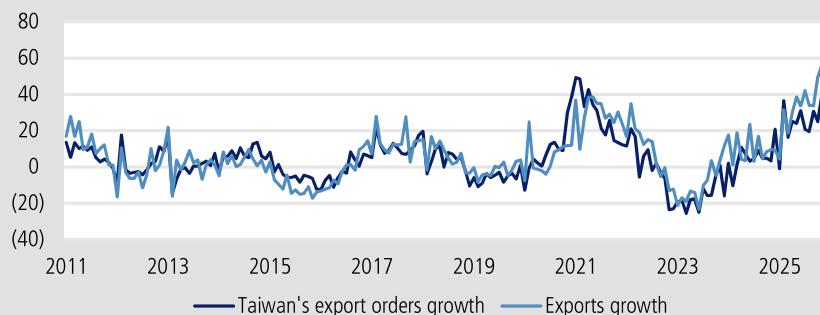
Orders from US, Europe & ASEAN surged nearly 50% or more, while those from China remained relatively weak. Orders from the US increased by 55.3% YoY in December, with ICT products contributing the most, up by 117.6%, or US\$6.40bn. Orders from China and Hong Kong grew by 15.0% YoY, with electronics products up the most, by 25.7%, or US\$1.66bn. Orders from Europe rose by 47.0% YoY, led by ICT products, which grew by 75.4% YoY. Orders from the ASEAN and Japan expanded 63.2% and 26.3% YoY, respectively (Figures 4-5).

Conclusion

Export orders in December continued to exceed our expectations, especially considering last year's relatively high base. ICT products delivered the strongest results, supported by peak-season demand and particularly robust orders from the US and Europe. A key focus for the market this year will be whether non-technology sectors can deliver a more meaningful recovery. The export orders diffusion index, based on the number of firms, is at 44.8 as of January, and the diffusion index based on order value is at 46.5 (Figure 6). We forecast January export orders will grow by up to 50% YoY, supported both by still-strong orders and a favorable low base effect from last year, when the Chinese New Year holidays fell in January.

Figure 1: December export orders rose by 43.8% YoY, exceeding the market's already high expectations

Taiwan export orders growth & exports growth YoY, percent



Source: Bloomberg; KGI Research

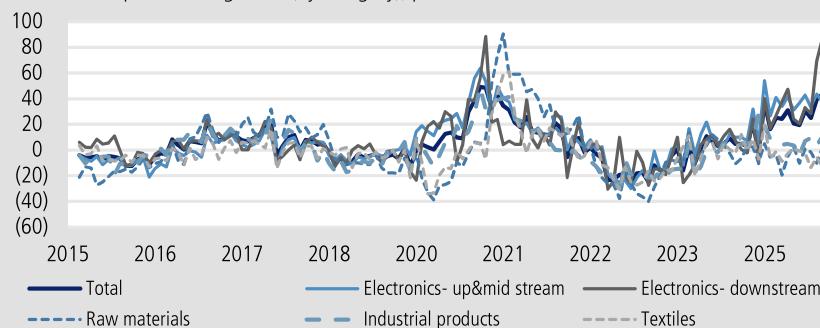
Figure 2: Main export order categories

	Dec-25			From Jan-25 to Dec-25		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	28.7	7.0	88.1	233.4	31.4	35.7
Electronics	27.9	(1.3)	39.9	291.6	39.2	37.9
Optics	2.1	22.9	13.1	22.8	3.1	9.5
Base metals	2.0	3.3	(2.5)	23.1	3.1	(8.3)
Machinery	2.0	13.0	17.2	20.9	2.8	7.8
Plastics/rubber	1.5	12.0	(8.2)	17.1	2.3	(10.6)
Chemicals	1.5	18.8	(0.4)	17.0	2.3	(5.0)
Total	76.2	4.4	43.8	743.7	100.0	26.0

Source: Bloomberg; KGI Research

Figure 3: Electronics midstream/ downstream outperformed upstream; in traditional industries, machinery significantly outperformed raw materials on AI themes

Taiwan YoY export orders growth (by category), percent

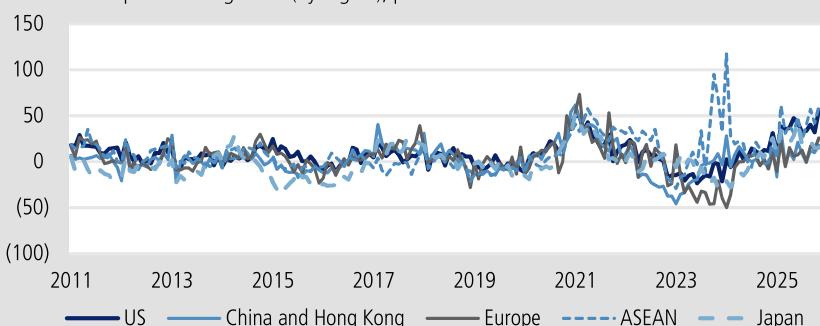


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastic & rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: Orders from US, Europe & ASEAN surged nearly 50% or more, while those from China remained relatively weak

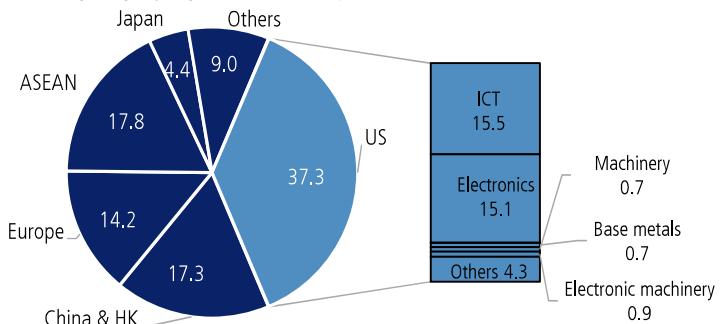
Taiwan YoY export orders growth (by region), percent



Source: Bloomberg; KGI Research

Figure 5: US & ASEAN orders declined, while Europe increased

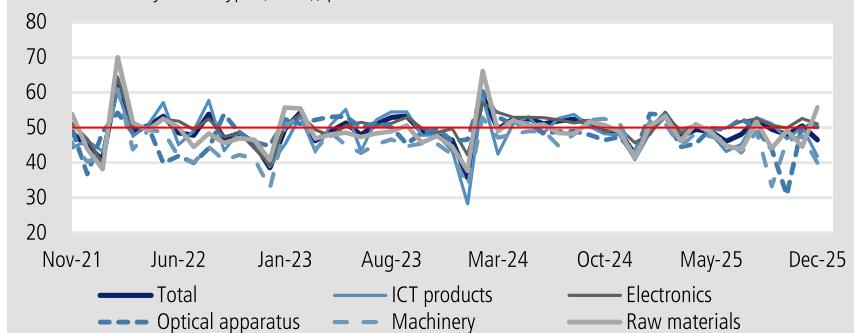
Taiwan export orders weighting (by region), December, percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Order value-based diffusion index at 46.5 in January

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: Both export orders & Taiex revenue growth continued to rise

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 next quarter

Date	Major event	Possible effect
1/19-23	World Economic Forum Annual Meeting 2026	The official theme is "A Spirit of Dialogue"
1/21	Oral arguments in Lisa Cook's wrongful dismissal suit	Could shed light on whether Fed independence is being interfered with
1/22-23	BOJ Meeting	Maintaining a tightening bias, but unlikely to raise rates at this meeting
1/27-28	FOMC Meeting	No rate cuts expected; the market will focus on potential changes to the full-year policy outlook and whether internal divisions among Fed governors narrow
3/2-5	The Mobile World Congress (MWC)	Focus on new technology developments
3/4	China's Two Sessions	Official announcement of the 15th Five-Year Plan, setting the tone for economic development from 2026–2030
Early March	US Midterm Primary Elections	Market uncertainty over election results may persist for the next six months
3/15-18	Nvidia's GTC Conference	Focus on CUDA and latest advancements in robotics
3/17-18	FOMC Meeting	Expected to cut rates by 25bps; adjustments to the Federal Reserve's Summary of Economic Projections (SEP) will be a key focus
1Q	Announcement of new Fed Chair	Hassett and Warsh are the leading candidates; the direction of monetary policy and the Fed's independence will be key factors influencing market sentiment
1H	US Supreme Court ruling on tariffs under the International Emergency Economic Powers Act	Market will watch whether Trump uses other tariff authorities to maintain tariffs

Source: KGI Research

Figure 9: Key economic data - US

Indicators	Units	2021	2022	2023	2024	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
GDP	GDP QoQ SAAR	QoQ %, SAAR	6.2	2.5	2.9	2.8	3.0	2.8	2.4	2.3	2.4	2.7	2.7	2.9	3.0	2.7	2.7
	GDP YoY																
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	3.0	2.6	2.6
	Core CPI	YoY %	3.6	6.2	4.8	3.4	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	3.0	2.6	2.6
	PCE price index	YoY %	4.1	6.5	3.8	2.6	2.6	2.7	2.4	2.3	2.5	2.6	2.6	2.7	2.8		
	Core PCE index	YoY %	3.6	5.3	4.2	2.9	2.8	3.0	2.7	2.6	2.8	2.8	2.9	2.9	2.8		
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.6	62.5	62.5	62.6	62.4	62.3	62.2	62.3	62.5	62.5	62.4
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.0	4.2	4.2	4.2	4.3	4.1	4.3	4.3	4.4	4.5	4.4
	Non farm payrolls	'000	7,233	4,555	2,594	2,012	111	102	120	158	19	(13)	72	(26)	108	(173)	56
	Net Change in total employment in labor force	'000	6,078	4,555	2,594	2,012	2,245	(493)	171	389	(654)	83	(187)	230	286		232
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.9)	(40)	103	205	63	47	(2)	140	13	(26)	175	24
	Opening/ hiring	x	1.56	1.75	1.58	1.43	1.45	1.39	1.33	1.32	1.41	1.40	1.38	1.41	1.43	1.39	1.40
	Avg. hourly earnings	YoY %	5.0	4.9	4.1	4.0	3.9	3.9	3.9	3.8	3.8	3.7	3.9	3.8	3.7	3.7	3.6
	Industrial production	YoY %	4.4	1.7	(0.2)	(0.7)	0.9	0.8	0.6	0.9	0.1	0.6	1.9	1.2	2.0	2.1	2.7
Economic activity & business condition	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	3.5	(0.1)	9.8	2.6	17.5	12.6	3.6	5.1	9.7	4.7	
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	3.3	(0.9)	2.2	0.5	2.2	4.5	4.4	2.5	5.3	6.4	
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	1.40	1.39	1.38	1.38	1.39	1.38	1.37	1.37	1.37	1.38	
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.57	1.57	1.57	1.58	1.57	1.57	1.56	1.56	1.56	1.56	
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.31	1.31	1.29	1.29	1.30	1.29	1.29	1.28	1.28	1.29	
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	50.9	50.3	49.0	48.7	48.5	49.0	48.0	48.7	49.1	48.7	48.2
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	52.8	53.5	50.8	51.6	49.9	50.8	50.1	52.0	50.0	52.4	52.6
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	55.1	48.6	45.2	47.2	47.6	46.4	47.1	51.4	48.9	49.4	47.4
	Chicago Fed National activity Index	Point	0.36	(0.06)	(0.12)	(0.17)	(0.43)	0.42	0.17	(0.35)	(0.27)	(0.11)	(0.12)	(0.31)	(0.21)		
	Conference board leading index	YoY %	7.1	0.4	(7.5)	(4.8)	(2.7)	(3.0)	(3.6)	(4.3)	(3.9)	(3.9)	(3.4)	(3.4)	(3.3)		
Housing market	C&I Loans for large/medium - tightening lending standard	%	(15.1)	11.8	43.9	9.5	6.2			18.5		9.5			6.5		
	C&I Loans for large/medium - stronger demand	%	(1.2)	12.4	(42.3)	(18.2)	9.4			(20.3)		(28.6)			11.5		
	Building Permits	'000, SAAR	1,735	1,684	1,516	1,474	1,460	1,454	1,481	1,422	1,394	1,393	1,362	1,330	1,415	1,411	
	Housing starts	'000, SAAR	1,603	1,552	1,421	1,371	1,358	1,490	1,355	1,398	1,282	1,382	1,420	1,291	1,306	1,246	
	New home sales	'000, SAAR	769	637	665	685	662	642	660	706	627	662	639	711	738	737	
Consumption	Existing home sales	mn, SAAR	6.1	5.1	4.1	4.1	4.1	4.3	4.0	4.0	4.0	3.9	4.0	4.0	4.1	4.1	4.4
	NAHB housing market index	Point, SA	81	59	44	45	47	42	39	40	34	32	33	32	32	37	38
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	4.9	6.4	4.6	4.8	4.5	4.1	3.4	2.8	2.1	1.8	1.6	1.4	1.3	
	Personal expenditures	YoY %, SA	8.8	3.0	2.6	2.9	3.3	2.7	3.2	3.1	2.5	2.5	2.6	2.8	2.4		
Fiscal	Retail sales	YoY %	18.1	9.1	3.5	2.6	4.6	3.9	5.1	5.0	3.4	4.4	4.1	5.0	4.1	3.3	3.3
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	4.4	4.3	4.2	4.1	3.7	4.0	4.0	4.8	3.8	3.7	4.3
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	15.6	16.0	17.8	17.3	15.7	15.3	16.4	16.1	16.4	15.3	15.6
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	105.3	100.1	93.9	85.7	98.4	95.2	98.7	97.8	95.6	95.5	92.9
Int'l balance	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	71.7	64.7	57.0	52.2	52.2	60.7	61.7	58.2	55.1	53.6	51.0
	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(7.2)	(7.2)	(7.0)	(6.8)	(6.7)	(6.3)	(6.4)	(6.2)	(5.8)	(5.9)	(5.4)
	Current account balance	As % of GDP	(3.7)	(3.8)	(3.3)	(4.1)				(4.5)		(4.4)			(4.0)		
Monetary & financial	Net foreign securities transactions	US \$b	907	1,321	1,005	776	(39.7)	103.1	161.1	(24.0)	257.2	156.8	39.1	132.8	177.5	30.9	220.2
	Federal funds rate	%	0.25	4.50	5.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.25	4.00	4.00
	10-Year treasury yield	%	1.51	3.87	3.88	4.57	4.54	4.21	4.21	4.16	4.40	4.23	4.37	4.23	4.15	4.08	4.01
	Dollar index	Point	95.7	103.5	101.3	108.5	108.4	107.6	104.2	99.5	99.3	96.9	100.0	97.8	99.8	99.5	98.3

Source: Bloomberg; KGI Research

Figure 10: Key economic data - Taiwan

Indicators	Units	2021	2022	2023	2024	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	
GDP	GDP YoY	YoY %	6.7	2.7	1.1	5.3		5.5		7.7		8.2						
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	2.7	1.6	2.3	2.0	1.5	1.4	1.5	1.6	1.3	1.5	1.2	1.3
	Core CPI	YoY %	1.9	2.7	2.4	1.7	2.3	1.0	1.7	1.7	1.6	1.5	1.7	1.8	1.5	1.8	1.7	1.8
Labor market	Unemployment rate	%	3.7	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.4	3.4	3.3	3.4	
	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	4.9	18.2	12.8	23.7	22.1	18.3	18.7	13.7	16.4	14.2	16.4	
	Markit Taiwan manufacturing PMI	Point			46.3	50.9	51.1	51.5	49.8	47.8	48.6	47.2	46.2	47.4	46.8	47.7	48.8	50.9
Economic activity	NDC monitoring light signal					Yellow-red	Yellow-red	Yellow-red	Yellow-red	Green	Green	Green	Green	Yellow-red	Yellow-red	Yellow-red		
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	35.0	37.0	35.0	33.0	31.0	29.0	29.0	31.0	34.0	35.0	37.0	
	NDC composite leading index	YoY %	4.8	(3.3)	(1.5)	2.4	9.6	9.1	8.2	7.2	6.5	6.0	6.0	6.5	7.2	8.0	8.6	
	NDC composite coincident index	YoY %	8.6	(1.4)	(9.4)	3.9	11.8	12.7	13.6	14.3	14.7	14.8	14.9	15.2	15.7	16.4	16.9	
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	5.5	(3.8)	0.4	(0.6)	(1.4)	(2.9)	(3.6)	0.4	(1.6)	1.9	1.4	
	Exports	US\$bn	446.6	479.7	432.6	475.3	38.7	41.3	49.6	48.6	51.7	53.3	56.7	58.5	54.2	61.6	64.1	62.5
	Imports	US\$bn	381.3	428.1	352.1	394.7	28.6	34.7	42.6	41.3	39.1	41.3	42.4	41.7	41.9	39.2	48.0	43.0
	Trade balance	US\$bn	65.3	51.6	80.5	80.6	10.1	6.6	6.9	7.4	12.6	12.1	14.3	16.8	12.4	22.4	16.1	19.4
Trade	Export growth	YoY %	29.4	7.4	(9.8)	9.9	4.4	31.4	18.6	29.9	38.6	33.7	42.0	34.0	33.8	49.2	56.0	43.4
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	(17.2)	47.4	28.7	32.9	24.8	17.2	20.5	29.5	25.1	14.5	45.0	14.9
	Export orders	US\$bn	674.1	666.8	561.0	589.6	48.0	51.6	54.9	59.1	60.8	59.8	60.5	60.1	70.3	69.4	73.0	76
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	(1.0)	36.5	16.3	25.2	24.2	31.0	20.8	19.5	30.6	25.0	39.5	43.8
	M1B	YoY %	12.8	4.1	3.1	4.0	4.4	3.1	1.8	1.9	2.0	2.4	2.9	4.5	5.2	4.8	4.9	
	M2	YoY %	8.0	7.1	5.3	5.5	5.5	5.2	4.4	3.9	3.3	3.5	3.4	4.8	5.4	5.0	5.1	
Monetary & financial	Foreign reserves	US\$bn	548.4	554.9	570.6	576.7	577.6	577.6	578.0	582.8	593.0	598.4	597.9	597.4	602.9	600.2	599.8	602.6
	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	32.7	32.8	33.2	32.0	29.9	29.6	29.9	30.6	30.5	30.7	31.4	31.4

Source: Bloomberg; KGI Research

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