

Economy

February export orders are expected to increase by 11.8% YoY, but the US–Iran conflict could affect March exports & subsequent orders

Key message

1. Taiwan export orders reached US\$76.91bn in January, rising by 60.1% YoY and exceeding both our forecast of 50% and the consensus estimate of 54.5%.
2. By category, downstream segments of the electronics supply chain outperformed upstream segments, while machinery orders benefited from AI-related demand and outperformed raw materials by a wide margin.
3. We estimate February export orders to grow 11.8% YoY and maintain solid growth. However, the US–Iran conflict may affect Taiwan’s exports in March, as well as subsequent order visibility.

Event

Taiwan export orders reached US\$76.91bn in January, up 0.9% MoM (up 5.4% MoM seasonally-adjusted) and 60.1% YoY, exceeding both our forecast of 50% and the consensus estimate of 54.5% (Figure 1).

Analysis

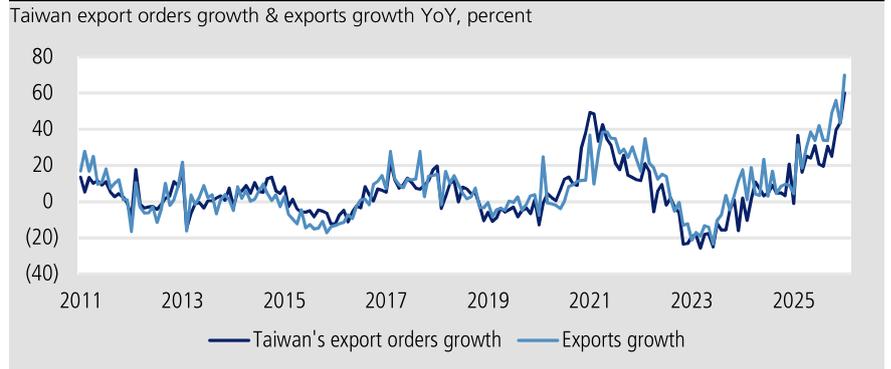
Downstream segments of the electronics supply chain outperformed upstream segments; for traditional industries, machinery benefited from AI-related demand, outperforming raw materials significantly. Among major products, ICT export orders were down by 12.3% MoM, but up 102% YoY to US\$25.15bn, marking the second consecutive month of exceptionally strong YoY growth, driven by robust demand for AI applications and cloud services that is boosting orders for servers and networking equipment. Electronics orders totaled US\$32.59bn, up 17.0% MoM and 78.6% YoY, supported by strong demand for AI and high-performance computing (HPC), leading to broad-based order growth across IC manufacturing, chip distribution, IC design, PCB, OSAT, and memory. Optical instrument orders reached US\$1.89bn, down 11.5% MoM, but up 18.6% YoY, somewhat lagging other electronics categories, with order growth mainly from optical inspection and measurement equipment, as well as optical lenses and backlight modules. Raw materials orders were relatively weak, but the sector posted YoY growth due to a low comparison base. Basic metals orders fell by 3.1% MoM but increased by 8.8% YoY, reflecting stronger demand for copper foil and copper-clad laminates from the AI supply chain, as well as rising copper prices. Plastics and rubber orders rose by 3% MoM and 13.9% YoY, driven by pre-Lunar New Year stocking demand. Chemicals orders fell 7.3% MoM but grew 10.4% YoY, supported by stronger orders for upstream electronic materials and industrial chemicals. Machinery orders surged 40.6% YoY, indicating that the strength was driven by more than just a low base. Order growth was supported by semiconductor manufacturers’ aggressive capacity expansions - which lifted demand for related equipment - as well as robust demand for automation equipment (Figures 2 & 3).

Except for Japan, all export order growth exceeded 55% YoY, with orders from China showing a significant acceleration. Orders from the US rose by 64.3% YoY in January, led by ICT products, which surged by 126.1% (US\$5.35bn), and electronics products, which were also up by 126.1% (US\$4.79bn). Orders from China and Hong Kong grew by 58.9% YoY, with electronics products up the most, by 88.1%, or US\$4.25bn. Orders from Europe rose by 56.1% YoY, led by ICT products, which grew by 92.7% YoY. Orders from the ASEAN and Japan expanded by 67.0% and 44.1% YoY, respectively (Figures 4 & 5).

Conclusion

Export orders in January exceeded our expectations. Even after excluding Lunar New Year effects, overall orders were strong, as evidenced by the fact that orders rose MoM. Electronics orders stayed at elevated levels, with ICT products performing particularly well. The export orders diffusion index stood at 37.7 based on the number of firms in February, and 43.2 based on order value (Figure 6). We forecast that February export orders will grow by 11.8% YoY. However, with the U.S.–Iran conflict escalating at the end of February, and the resulting effective blockade of the Strait of Hormuz, we note that Taiwan’s exports in March and subsequent order could be negatively affected if the conflict persists.

Figure 1: January export orders rose by 60.1% YoY, exceeding both our forecast & consensus



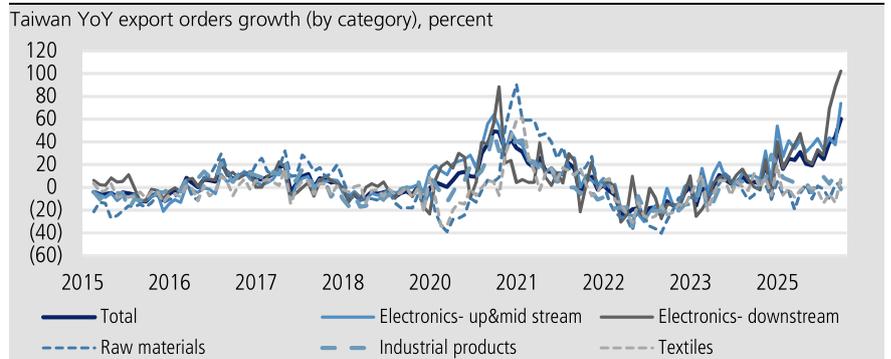
Source: Bloomberg; KGI Research

Figure 2: Main export order categories

	Jan-26		
	Value (US\$bn)	MoM (%)	YoY (%)
ICT	25.2	(12.3)	102.0
Electronics	32.6	17.0	78.6
Optics	1.9	(11.5)	18.6
Base metals	1.9	(3.1)	8.8
Machinery	2.2	5.6	40.6
Plastics/rubber	1.5	3.0	13.9
Chemicals	1.4	(7.3)	10.4
Total	76.9	0.9	60.1

Source: Bloomberg; KGI Research

Figure 3: Electronics midstream & downstream orders outperformed the upstream; machinery significantly outperformed raw materials on AI themes



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: Except for Japan, all export order growth exceeded 55%, with orders from China showing a significant acceleration



Figure 5: ASEAN orders saw the most notable increase, while Europe declined significantly

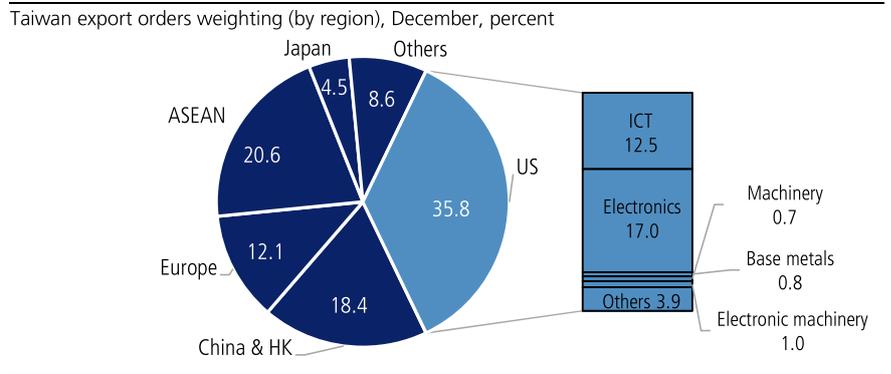


Figure 6: Order value-based diffusion index at 43.2 in February

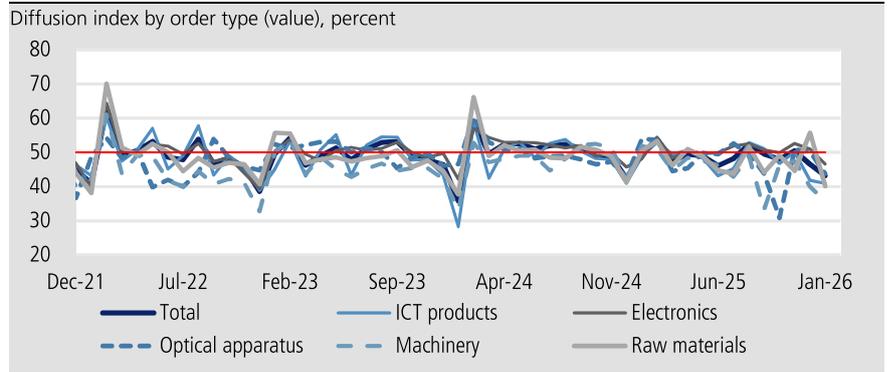


Figure 7: Both export orders & Taix revenue growth are rising



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

Date	Major event	Possible effect
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

Source: KGI Research

Figure 9: Key economic data - US

Indicators		Units	2021	2022	2023	2024	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
GDP	GDP QoQ SAAR	QoQ % SAAR					(0.6)			3.8			4.4				1.4	
	GDP YoY	YoY %	6.2	2.5	2.9	2.8	2.0			2.1			2.3				2.2	
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	2.4	2.3	2.4	2.7	2.7	2.9	3.0		2.7	2.7	2.4	
	Core CPI	YoY %	3.6	6.2	4.8	3.4	2.8	2.8	2.8	2.9	3.1	3.1	3.0		2.6	2.6	2.5	
	PCE price index	YoY %	4.1	6.5	3.8	2.6	2.4	2.3	2.5	2.6	2.6	2.7	2.8		2.7	2.8	2.9	
	Core PCE index	YoY %	3.6	5.3	4.2	2.9	2.7	2.6	2.8	2.8	2.9	2.9	2.8		2.8	2.8	3.0	
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.5	62.6	62.4	62.3	62.2	62.3	62.5		62.5	62.4	62.5	
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.2	4.2	4.3	4.1	4.3	4.3	4.4		4.5	4.4	4.3	
	Non farm payrolls	'000	7,268	4,526	2,515	1,459	67	108	13	(20)	64	(70)	76	(140)	41	48	130	
	Net Change In total employment in labor force	'000	6,078	4,526	2,515	1,459	171	389	(654)	83	(187)	230	286		232	528		
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.9)	205	63	47	(2)	140	13	(26)	175	24	(8)	118	
	Opening/ hiring	x	1.56	1.75	1.58	1.43	1.33	1.32	1.41	1.40	1.38	1.41	1.43		1.35	1.24		
Avg. hourly earnings	YoY %	4.9	4.9	4.1	4.1	4.2	3.9	4.0	3.9	4.0	4.0	4.0	3.8	3.9	3.9	3.7	3.7	
Economic activity & business condition	Industrial production	YoY %	4.4	1.7	(0.2)	(0.7)	0.6	0.9	0.1	0.6	1.9	1.2	1.9	1.8	2.1	1.3	2.3	
	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	9.8	2.6	17.5	12.6	3.6	5.1	9.7	4.6	10.5	12.6		
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	2.2	0.5	2.2	4.5	4.4	2.5	5.3	6.2	4.1	7.9		
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	1.38	1.38	1.39	1.38	1.37	1.37	1.37	1.38	1.37			
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.57	1.58	1.57	1.57	1.56	1.56	1.56	1.56	1.57	1.56		
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.29	1.29	1.30	1.29	1.29	1.28	1.28	1.29	1.28			
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	48.9	48.8	48.6	49.0	48.4	48.9	48.9	48.8	48.0	47.9	52.6	52.4
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	50.8	51.6	50.2	50.8	50.5	51.9	50.3	52.0	52.4	53.8	53.8	
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	45.6	47.5	48.3	46.9	47.5	51.1	48.7	48.7	47.3	47.4	57.1	55.8
	Chicago Fed National activity Index	Point	0.37	(0.05)	(0.12)	(0.19)	0.16	(0.36)	(0.29)	(0.10)	0.00	(0.34)	(0.29)	(0.52)	(0.15)	(0.21)	0.18	
	Conference board leading index	YoY %	7.1	0.4	(7.5)	(4.8)	(3.6)	(4.3)	(3.9)	(4.0)	(3.5)	(3.5)	(3.3)	(3.3)	(3.8)	(3.9)		
	C&I Loans for large/medium - tightening lending standard	%	(15.1)	11.8	43.9	9.5		18.5			9.5			6.5				5.3
	C&I Loans for large/medium - stronger demand	%	(1.2)	12.4	(42.3)	(18.2)		(20.3)			(28.6)			11.5				16.1
Housing market	Building Permits	'000, SAAR	1,735	1,684	1,516	1,474	1,481	1,422	1,394	1,393	1,362	1,330	1,415	1,411	1,388	1,455		
	Housing starts	'000, SAAR	1,603	1,552	1,421	1,371	1,355	1,398	1,282	1,382	1,420	1,291	1,328	1,272	1,322	1,404		
	New home sales	'000, SAAR	769	637	665	685	660	706	627	662	639	706	719	656	758	745		
	Existing home sales	mn, SAAR	6.1	5.1	4.1	4.1	4.0	4.0	4.0	4.0	4.0	4.0	4.1	4.1	4.1	4.3	3.9	
	NAHB housing market index	Point, SA	81	59	44	45	39	40	34	32	33	32	32	37	38	39	37	36
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	4.9	6.5	4.6	4.1	3.4	2.8	2.1	1.8	1.6	1.4	1.4	1.4	1.4		
Consumption	Personal expenditures	YoY % SA	8.8	3.0	2.6	2.9	3.2	3.1	2.5	2.5	2.6	2.8	2.4	2.5	2.4	1.7		
	Retail sales	YoY %	18.1	9.1	3.5	2.6	5.1	5.0	3.4	4.4	4.1	5.0	4.1	3.2	3.3	2.4		
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	4.2	4.1	3.7	4.0	4.0	4.8	3.8	3.7	4.2	3.3		
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	17.8	17.3	15.7	15.3	16.4	16.1	16.4	15.3	15.6	16.0	14.9	15.8
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	93.9	85.7	98.4	95.2	98.7	97.8	95.6	95.5	92.9	94.2	89.0	91.2
Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	57.0	52.2	52.2	60.7	61.7	58.2	55.1	53.6	51.0	52.9	56.4	56.6	
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(7.0)	(6.8)	(6.7)	(6.3)	(6.4)	(6.2)	(5.8)	(5.9)	(5.3)	(5.4)	(5.3)	
	Current account balance	As % of GDP	(3.7)	(3.8)	(3.3)	(4.1)	(4.5)			(4.4)			(4.0)					
Int'l balance	Net foreign securities transactions	US \$bn	907	1,321	1,005	776	161.1	(24.0)	257.2	157.7	37.9	131.6	172.7	29.7	206.6	28.0		
	Federal funds rate	%	0.25	4.50	5.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.25	4.00	4.00	3.75	3.75	3.75
Monetary & financial	10-Year treasury yield	%	1.51	3.87	3.88	4.57	4.21	4.16	4.40	4.23	4.37	4.23	4.15	4.08	4.01	4.17	4.24	3.94
	Dollar index	Point	95.7	103.5	101.3	108.5	104.2	99.5	99.3	96.9	100.0	97.8	97.8	99.8	99.5	98.3	97.0	97.6

Source: Bloomberg; KGI Research

Figure 10: Key economic data - Taiwan

Indicators	Units	2021	2022	2023	2024	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	
GDP	GDP YoY	YoY %	6.7	2.7	1.1	5.3	5.5		7.7			8.4			12.7			
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	2.3	2.0	1.5	1.4	1.5	1.6	1.3	1.5	1.2	1.3	0.7	
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.7	1.7	1.6	1.5	1.7	1.8	1.5	1.8	1.7	1.8	1.2	
Labor market	Unemployment rate	%	3.7	3.6	3.4	3.4	3.4	3.4	3.3	3.4	3.3	3.3	3.4	3.3	3.4	3.4	3.4	
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	12.8	23.7	22.1	18.3	18.7	13.7	16.4	14.2	15.8	21.6		
	Markit Taiwan manufacturing PMI	Point				50.9	49.8	47.8	48.6	47.2	46.2	47.4	46.8	47.7	48.8	50.9	51.7	55.2
	NDC monitoring light signal						Yellow-red	Yellow-red	Green	Green	Green	Green	Yellow-red	Yellow-red	Yellow-red	Red		
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	35.0	33.0	31.0	29.0	29.0	31.0	34.0	35.0	37.0	38.0		
	NDC composite leading index	YoY %	4.8	(3.2)	(1.6)	2.3	8.4	7.4	6.7	6.3	6.3	7.0	8.0	9.2	10.5	11.8		
	NDC composite coincident index	YoY %	8.7	(1.4)	(9.5)	3.7	13.9	14.7	15.1	15.2	15.3	15.6	16.1	16.6	17.0	17.0		
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	0.4	(0.6)	(1.4)	(2.9)	(3.6)	0.4	(1.6)	1.9	1.6	0.9		
Trade	Exports	US\$bn	446.6	479.7	432.6	475.3	49.6	48.6	51.7	53.3	56.7	58.5	54.2	61.6	64.1	62.5	65.8	
	Imports	US\$bn	381.3	428.1	352.1	394.7	42.6	41.3	39.1	41.3	42.4	41.7	41.9	39.2	48.0	43.0	46.9	
	Trade balance	US\$bn	65.3	51.6	80.5	80.6	6.9	7.4	12.6	12.1	14.3	16.8	12.4	22.4	16.1	19.4	18.9	
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	18.6	29.9	38.6	33.7	42.0	34.0	33.8	49.2	56.0	43.4	69.9	
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	28.7	32.9	24.8	17.2	20.5	29.5	25.1	14.5	44.9	14.9	63.6	
	Export orders	US\$bn	674.1	666.8	561.0	589.6	54.9	59.1	60.8	59.8	60.5	60.1	70.3	69.4	73.0	76.2	76.9	
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	16.3	25.2	24.2	31.0	20.8	19.5	30.6	25.0	39.5	43.8	60.1	
	M1B	YoY %	12.8	4.1	3.1	4.0	1.8	1.9	2.0	2.4	2.9	4.5	5.2	4.8	4.9	4.9	5.6	
M2	YoY %	8.0	7.1	5.3	5.5	4.4	3.9	3.3	3.5	3.4	4.8	5.4	5.0	5.1	5.0	5.2		
Monetary & financial	Foreign reserves	US\$bn	548.4	554.9	570.6	576.7	578.0	582.8	593.0	598.4	597.9	597.4	602.9	600.2	599.8	602.6	604.5	
	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	30.6	32.8	33.2	32.0	29.9	29.2	29.9	30.6	30.5	30.7	31.4	31.4	31.5	31.3

Source: Bloomberg; KGI Research

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