

Economy

May export orders to grow 40.1% YoY; AI demand & pull-in continue to support strong order growth

Key message

1. Taiwan export orders reached US\$87.45bn in April, down 4.0% MoM (down 4.1% MoM seasonally-adjusted) and up 48.1% YoY, exceeding both our forecast and consensus estimate of 45.0%.
2. By category, electronics orders remained strong, led by ICT products, while traditional goods improved on the back of AI demand, equipment investment, and higher raw material prices; regionally, the US and ASEAN performed best, followed by China and Europe.
3. We forecast May export orders to grow 40.1% YoY, supported by sustained AI demand, the start of seasonal pull-in in mid-2Q26F, and precautionary inventory buildup that is unlikely to fade quickly, based on last year's experience of early stocking triggered by uncertainty surrounding the April 9 tariff policy.

Event

Taiwan export orders reached US\$87.45bn in April, down 4.0% MoM (down 4.1% MoM seasonally-adjusted) and up 48.1% YoY, exceeding both our forecast and consensus estimate of 45.0% (Figure 1).

Analysis

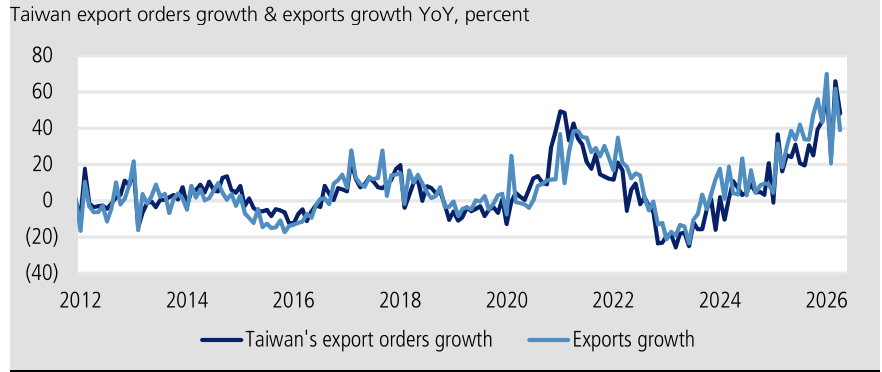
Electronics orders stayed strong, led by ICT; traditional goods improved on AI demand, equipment investment & higher raw material prices. Among major products, ICT export orders reached US\$31.47bn, down 8.2% MoM but up 89.7% YoY, driven by continued growth in AI and cloud data center demand, which lifted orders for server and networking equipment. Electronics orders totaled US\$35.94bn, down 2.1% MoM but up 45.9% YoY, supported by sustained strength in AI and high-performance computing (HPC), fueling order growth across IC manufacturing, chip distribution, and memory. Optical instrument orders were US\$1.9bn, down 6.4% MoM but up 5.8% YoY, mainly on sustained demand for optical inspection and metrology equipment as well as optical lenses, though weaker panel orders partially offset the upside. Raw material segments improved on pricing support, with base metals down 5.8% MoM but up 4.5% YoY, supported by AI server and infrastructure demand driving orders for copper and metal materials, although steel demand remained constrained by cautious ordering amid global economic uncertainty. Plastics and rubber fell 5.9% MoM but increased 8.2% YoY, as elevated international oil prices lifted prices for petrochemical feedstocks and related products, supporting order intake. Chemicals declined 7.2% MoM but rose 0.5% YoY, as recovering demand for certain industrial and electronic chemical materials supported order growth, though weaker recovery in some products partially offset the increase. Machinery orders rose 23.4% YoY, driven by continued strength in semiconductor and automation equipment demand, driving higher order intake for related machinery (Figures 2-3).

Order growth strongest in US & ASEAN, followed by China & Europe. Orders from the US increased 62.6% YoY, with ICT products contributing the largest increase during January-April, up 134.0%, or US\$27.23bn. Orders from China and Hong Kong grew 29.0% YoY on electronics orders, which rose 52.1% (or US\$12.48bn) over the first four months of the year. Orders from Europe increased 21.8% YoY, with ICT products posting the strongest growth, up 47.9% YoY during January-April. Meanwhile, orders from ASEAN and Japan rose 61.7% YoY and 33.3% YoY, respectively (Figures 4- 5).

Conclusion

April export orders grew 48.1% YoY, easing from the March peak of 65.9% but still maintaining strong momentum, underscoring AI-related supply chain demand as the primary growth driver. Continued strength in AI, HPC, and cloud data services supported robust orders for ICT products, electronics, and related equipment. The export order diffusion index for May stood at 49.8 based on the number of firms and 51.2 based on order value (Figure 6), indicating a shift toward a more positive order outlook. In addition to sustained AI and advanced semiconductor process demand, gradual entry into peak seasonal pull-in in mid-2Q26F should further support order momentum. Moreover, rising geopolitical risks and global trade barriers have heightened concerns over potential policy and supply chain disruptions, prompting precautionary inventory buildup that is unlikely to fade quickly and should continue to support orders in the near term. Taking into account the higher base last year, we expect May export order growth to moderate only slightly from April and estimate May export orders to grow 40.1% YoY.

Figure 1. April export orders rose by 48.1% YoY on AI demand & early pull-in



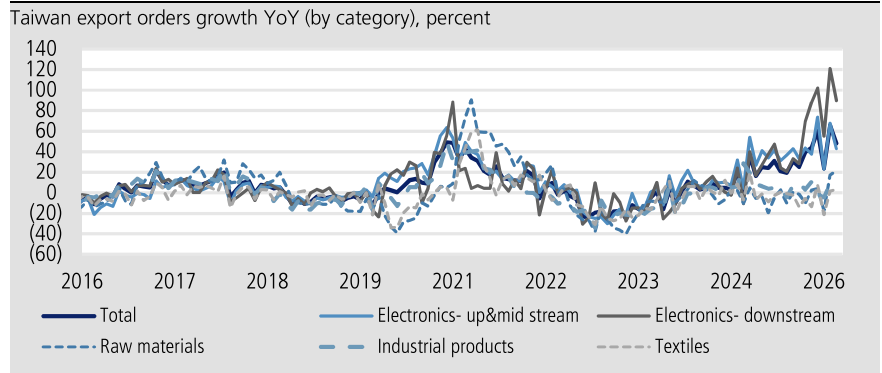
Source: Bloomberg; KGI Research

Figure 2: Main export order categories

	Apr-26			From Jan-25 to Apr-25		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	31.5	(8.2)	89.7	113.6	35.6	92.0
Electronics	35.9	(2.1)	45.9	131.5	41.2	55.0
Optics	1.9	(6.4)	5.8	7.3	2.3	3.6
Base metals	2.1	(5.8)	4.5	7.9	2.5	2.3
Machinery	2.1	0.8	23.4	7.8	2.4	21.4
Plastics/rubber	1.6	(5.9)	8.2	5.9	1.9	2.5
Chemicals	1.6	(7.2)	0.5	5.7	1.8	0.6
Total	87.4	(4.0)	48.1	319.4	100.0	49.5

Source: Bloomberg; KGI Research

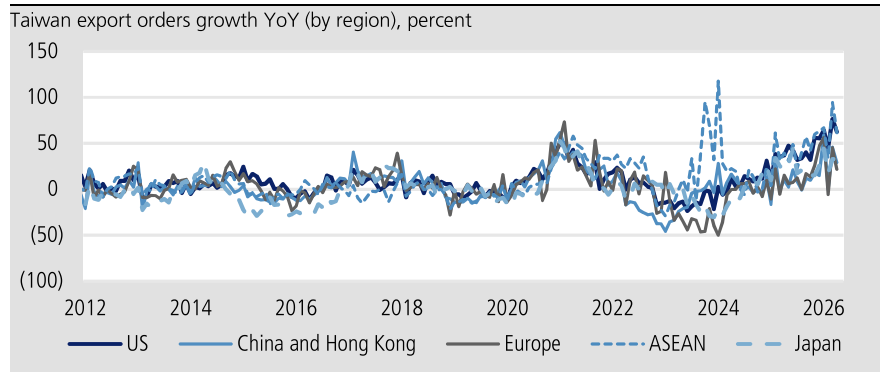
Figure 3. In the electronics segment, ICT outperformed electronics, which outperformed optics; among traditional industries, machinery benefited more from the AI theme, while raw material categories also showed improvement



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

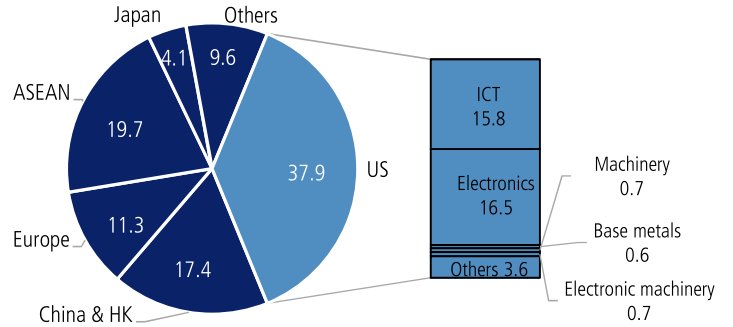
Figure 4: US & ASEAN saw strongest orders growth, followed by China & Europe



Source: Bloomberg; KGI Research

Figure 5: Orders from ASEAN & Japan rebounded; US orders edged down slightly

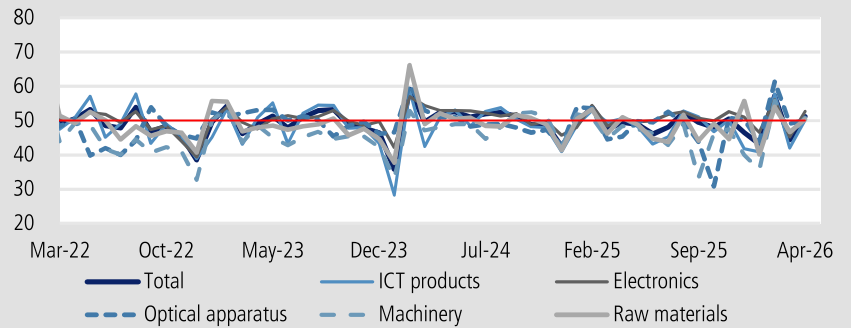
Taiwan export orders weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Order value-based diffusion index at 51.2 in May

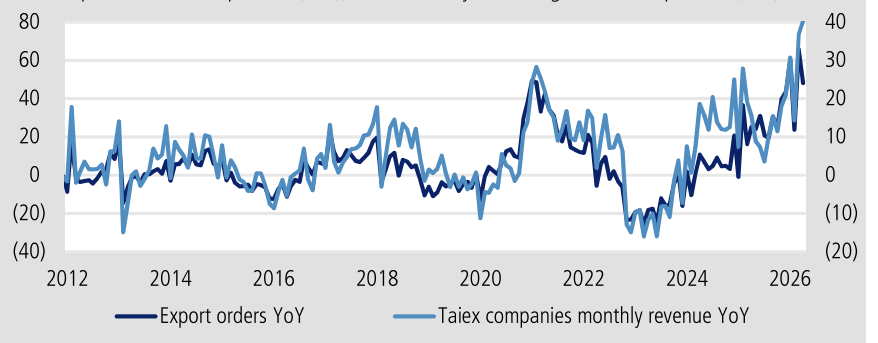
Diffusion index by order type (value), percent



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

Figure 7. Export orders vs. Taix revenue growth

Taiwan export orders YoY, percent (LHS); Taix 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
6/15-16	BOJ meeting	We believe a rate hike is more likely to be announced during this meeting; well-paced interest rate normalization bodes well for market sentiment
6/16-17	FOMC meeting	Markets are closely watching the tone of Warsh's first FOMC meeting, as rate-cut expectations for this meeting have continued to fade, shifting the focus toward whether a rate hike could be discussed.
2Q26	Military drills in the Asia-Pacific region, South Korea, the Philippines, the Arctic, Europe, & the US	Frequent military drills indicate unstable geopolitics and looming regional risks

Source: KGI Research

Figure 9: Key economic data - US

Indicators		Units	2021	2022	2023	2024	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
GDP	GDP QoQ SAAR	QoQ % SAAR					3.8				4.4			0.5				2.0
	GDP YoY	YoY %	6.2	2.5	2.9	2.8	2.1				2.3			2.0				2.7
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	2.4	2.7	2.7	2.9	3.0		2.7	2.7	2.4	2.4	3.3	3.8
	Core CPI	YoY %	3.6	6.2	4.8	3.4	2.8	2.9	3.1	3.1	3.0		2.6	2.6	2.5	2.5	2.6	2.8
	PCE price index	YoY %	4.1	6.5	3.8	2.6	2.5	2.6	2.6	2.7	2.8		2.7	2.8	2.9	2.9	2.8	3.5
	Core PCE index	YoY %	3.6	5.3	4.2	2.9	2.8	2.8	2.9	2.9	2.8		2.8	2.8	3.0	3.1	3.0	3.2
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.4	62.3	62.2	62.3	62.5		62.5	62.4	62.1	62.0	61.9	61.8
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.3	4.1	4.3	4.3	4.4		4.5	4.4	4.3	4.4	4.3	4.3
	Non farm payrolls	'000	7,268	4,526	2,515	1,459	13	(20)	64	(70)	76	(140)	41	(17)	160	(156)	185	115
	Net Change in total employment in labor force	'000	6,078	4,526	2,515	1,459	(654)	83	(187)	230	286		232	(895)	(185)	(64)	(226)	
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.9)	47	(2)	140	13	(26)	175	24	(8)	118	(72)	(78)	(21)
	Opening/ hiring	x	1.56	1.75	1.58	1.42	1.37	1.35	1.36	1.34	1.37	1.38	1.36	1.24	1.35	1.41	1.24	
Avg. hourly earnings	YoY %	4.9	4.9	4.1	4.1	4.0	3.9	4.0	4.0	3.8	3.9	3.9	3.9	3.7	3.7	3.4	3.6	
Economic activity & business condition	Industrial production	YoY %	4.4	1.7	(0.2)	(0.7)	0.1	0.6	1.9	1.2	1.9	1.8	1.8	1.2	1.4	1.0	0.8	1.4
	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	17.5	12.6	3.6	5.1	9.7	4.6	10.5	12.8	9.0	7.5	2.8	
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	2.2	4.5	4.4	2.5	5.3	6.2	4.1	8.0	2.9	5.9	10.9	
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	1.39	1.38	1.37	1.37	1.38	1.37	1.36	1.35	1.33	1.32		
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.57	1.57	1.56	1.56	1.56	1.56	1.57	1.56	1.55	1.52	1.51	
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.30	1.29	1.29	1.28	1.28	1.29	1.28	1.28	1.28	1.27	1.26	
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	48.6	49.0	48.4	48.9	48.9	48.8	48.0	47.9	52.6	52.4	52.7	52.7
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	50.2	50.8	50.5	51.9	50.3	52.0	52.4	53.8	53.8	56.1	54.0	53.6
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	48.3	46.9	47.5	51.1	48.7	48.7	47.3	47.4	57.1	55.8	53.5	54.1
	Chicago Fed National activity Index	Point	0.37	(0.06)	(0.12)	(0.20)	(0.29)	(0.07)	0.01	(0.36)	(0.31)	(0.49)	(0.27)	(0.02)	0.08	0.03	(0.20)	
	Conference board leading index	YoY %	7.1	0.4	(7.5)	(4.8)	(3.9)	(4.0)	(3.5)	(3.5)	(3.3)	(3.3)	(3.8)	(3.9)	(3.7)	(3.3)	(3.1)	
	C&I Loans for large/medium - tightening lending standard	%	(15.1)	11.8	43.9	9.5			9.5				6.5		5.3			8.1
	C&I Loans for large/medium - stronger demand	%	(1.2)	12.4	(42.3)	(18.2)			(28.6)				11.5		16.1			4.8
	Housing market	Building Permits	'000, SAAR	1,735	1,684	1,516	1,474	1,394	1,393	1,362	1,330	1,415	1,411	1,388	1,455	1,386	1,538	1,363
Housing starts		'000, SAAR	1,603	1,552	1,421	1,371	1,282	1,382	1,420	1,291	1,328	1,272	1,324	1,373	1,398	1,356	1,502	
New home sales		'000, SAAR	769	637	665	685	627	662	639	706	719	650	748	728	583	635	682	
Existing home sales		mn, SAAR	6.1	5.1	4.1	4.1	4.0	4.0	4.0	4.0	4.1	4.1	4.1	4.3	4.0	4.1	4.0	4.0
NAHB housing market index		Point, SA	81	59	44	45	34	32	33	32	32	37	38	39	37	37	38	34
S&P/Case-Shiller 20-city composite home price index		YoY %	18.7	4.9	6.4	4.6	2.8	2.1	1.8	1.6	1.4	1.4	1.5	1.5	1.2	0.9		
Consumption	Personal expenditures	YoY % SA	8.8	3.0	2.6	2.9	2.5	2.5	2.6	2.8	2.4	2.5	2.2	1.6	2.3	2.7	2.1	
	Retail sales	YoY %	18.1	9.1	3.5	2.6	3.4	4.4	4.1	5.0	4.1	3.2	3.2	2.4	3.3	4.2	4.2	4.9
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	3.7	4.0	4.0	4.8	3.8	3.7	4.1	3.3	4.0	4.2	5.6	6.3
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	15.7	15.3	16.4	16.1	16.4	15.3	15.6	16.0	14.9	15.8	16.3	15.9
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	98.4	95.2	98.7	97.8	95.6	95.5	92.9	94.2	89.0	91.0	92.2	92.8
	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	52.2	60.7	61.7	58.2	55.1	53.6	51.0	52.9	56.4	56.6	53.3	49.8
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(6.7)	(6.3)	(6.4)	(6.2)	(5.8)	(5.9)	(5.3)	(5.4)	(5.3)	(5.2)	(5.9)	(5.3)
Int'l balance	Current account balance	As % of GDP	(3.7)	(3.8)	(3.3)	(4.1)		(4.3)			(4.0)			(3.6)				
	Net foreign securities transactions	US \$bn	907	1,321	1,005	776	257.2	157.7	37.6	132.9	177.8	30.6	203.4	100.3	12.8	57.0	81.3	
Monetary & financial	Federal funds rate	%	0.25	4.50	5.50	4.50	4.50	4.50	4.50	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.75	3.75
	10-Year treasury yield	%	1.51	3.87	3.88	4.57	4.40	4.23	4.37	4.23	4.15	4.08	4.01	4.17	4.24	3.94	4.32	4.37
	Dollar index	Point	95.7	103.5	101.3	108.5	99.3	96.9	100.0	97.8	97.8	99.8	99.5	98.3	97.0	97.6	100.0	98.1

Source: Bloomberg; KGI Research

Figure 10: Key economic data - Taiwan

Indicators	Units	2021	2022	2023	2024	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26		
GDP	GDP YoY	YoY %	6.7	2.7	1.1	5.3	7.7				8.4				12.7				
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	1.5	1.4	1.5	1.6	1.3	1.5	1.2	1.3	0.7	1.8	1.2	1.7	
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.6	1.5	1.7	1.8	1.5	1.8	1.7	1.8	1.3	2.6	1.9	1.9	
Labor market	Unemployment rate	%	3.7	3.6	3.4	3.4	3.3	3.4	3.3	3.3	3.4	3.3	3.4	3.4	3.4	3.3	3.4		
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	24.6	20.6	20.1	15.2	18.2	15.9	18.4	23.1	27.9	16.6	28.7		
	Markit Taiwan manufacturing PMI	Point	50.9				48.6	47.2	46.2	47.4	46.8	47.7	48.8	50.9	51.7	55.2	53.3	55.3	
	NDC monitoring light signal						Green	Green	Green	Green	Yellow-red	Yellow-red	Yellow-red	Red	Red	Red	Red		
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	31.0	29.0	29.0	31.0	34.0	35.0	37.0	38.0	39.0	41.0	39.0		
	NDC composite leading index	YoY %	4.8	(3.3)	(1.6)	2.1	8.9	8.7	9.0	9.9	11.1	12.4	13.5	14.5	15.1	15.5	16.2		
	NDC composite coincident index	YoY %	8.8	(1.3)	(9.5)	3.0	16.3	16.4	16.6	16.9	17.6	18.5	19.5	20.6	21.8	23.0	24.3		
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	(1.4)	(2.9)	(3.6)	0.4	(1.6)	1.9	1.6	0.9	(3.4)	7.7	3.2		
Trade	Exports	US\$bn	446.6	479.7	432.6	475.3	51.7	53.3	56.7	58.4	54.2	60.9	64.1	62.5	65.8	49.8	80.2	67.6	
	Imports	US\$bn	381.3	428.1	352.1	394.7	39.1	41.3	42.3	41.7	41.9	39.2	48.0	43.0	46.8	37.0	58.9	53.3	
	Trade balance	US\$bn	65.3	51.6	80.5	80.6	12.6	12.1	14.4	16.8	12.4	21.7	16.1	19.4	18.9	12.8	21.3	14.4	
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	38.6	33.7	42.0	33.9	33.7	47.5	56.0	43.4	69.9	20.6	61.8	39.0	
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	24.8	17.2	20.4	29.5	25.1	14.5	44.9	14.9	63.5	6.8	38.3	29.2	
	Export orders	US\$bn	674.1	666.8	561.0	589.6	60.8	59.8	60.5	60.1	70.3	69.4	73.0	76.2	76.9	63.9	91.1		
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	24.2	31.0	20.8	19.5	30.6	25.0	39.5	43.8	60.1	23.8	65.9		
Monetary & financial	M1B	YoY %	12.8	4.1	3.1	4.0	2.0	2.4	2.9	4.5	5.2	4.8	4.9	5.6	7.1	7.8			
	M2	YoY %	8.0	7.1	5.3	5.5	3.3	3.5	3.4	4.8	5.4	5.0	5.1	5.0	5.4	5.8			
	Foreign reserves	US\$bn	548.4	554.9	570.6	576.7	593.0	598.4	597.9	597.4	602.9	600.2	599.8	602.6	604.5	605.5	596.9	602.5	
	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	2.0	
	Exchange rate	USD/TWD	27.7	30.7	30.7	32.8	29.9	29.6	29.9	30.6	30.5	30.7	31.4	31.4	31.5	31.2	32.0	31.7	

Source: Bloomberg; KGI Research

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