Economy

July export orders to grow by 54% YoY, with growth unlikely to slow until after August

Key message

1. Taiwan export orders reached US$95.26bn in June, up 6.5% MoM (up 8.1% MoM seasonally-adjusted) and 59.4% YoY, surpassing our forecast of 57% YoY and well ahead of consensus of 47.3% YoY.
2. AI remains the key driver across sectors. Within electronics, optical instruments was the only laggard, while among non-electronics, basic metals & machinery delivered the strongest performance due to AI exposure; regionally, robust growth persisted across all major markets, led by the US.
3. The AI-driven upcycle is firmly intact. Consistent with our previous view, base-effect headwinds are unlikely to emerge until after August, implying that export order growth should remain elevated in the near term before gradually moderating. We therefore forecast July export orders to increase 54% YoY.

Event

Taiwan export orders reached US$95.26bn in June, up 6.5% MoM (up 8.1% MoM seasonally-adjusted) and 59.4% YoY, surpassing our forecast of 57% YoY and well ahead of consensus of 47.3% YoY (Figure 1).

Analysis

AI remains the key driver across sectors; within electronics, optical instruments was the only laggard, while in non-electronics, basic metals & machinery delivered the strongest performance due to AI exposure. Among major product categories, ICT export orders reached US$34.15bn, up 5.5% MoM and 81.9% YoY, driven by expanding AI and cloud demand, which continued to boost orders for server and networking equipment. Electronics orders totaled US$40.5bn, up 8.7% MoM and 79.9% YoY, supported by sustained strength in AI and high-performance computing (HPC) demand, which fueled order growth across the IC manufacturing, chip distribution, and memory subsectors. Optical instrument orders amounted to US$1.94bn, up 2.4% MoM and down 3.3% YoY, reflecting softer panel restocking demand. That said, demand for optical inspection and metrology equipment tied to AI semiconductor applications partially offset the decline. Raw materials orders also showed signs of improvement, with basic metals standing out. Orders for basic metals rose 1.6% MoM and 16.5% YoY, supported by robust demand for copper foil and CCL from AI supply chains, as well as higher copper prices. Plastics and rubber products declined 1.4% MoM but grew 1.8% YoY, benefiting from stronger demand for selected industrial and electronics-related plastic products. Chemical products grew 2.8% MoM and 3.4% YoY, on increased orders for industrial chemicals. Machinery orders expanded 17.6% YoY, supported by global semiconductor capacity expansion and growing demand for automation equipment (Figures 2-3).

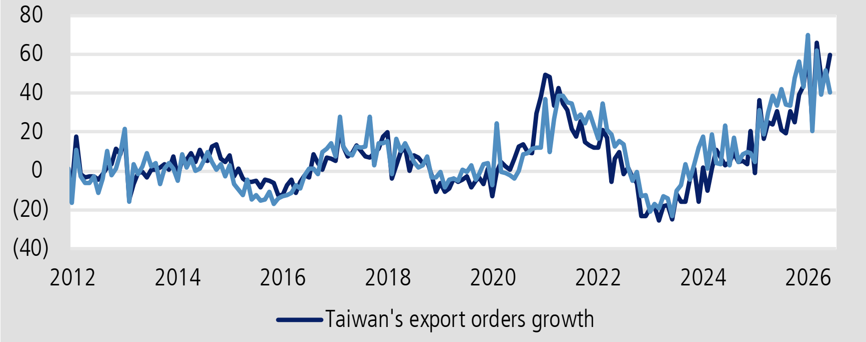
Robust growth across all major regions, led by the US. Orders from the US rose 83.6% YoY, with ICT products contributing the most, rising by US$8.59bn (or 115.8%). Orders from China and Hong Kong grew 37.2% YoY, driven by electronic products, which grew by US$4.06bn (or 54.4%). Orders from Europe rose 53.9% YoY, led by 88.5% growth in ICT products. Meanwhile, orders from ASEAN and Japan increased 52.3% and 37.9% YoY, respectively (Figures 4-5).

Conclusion

As anticipated, June export orders continued to post exceptionally strong growth. AI remains the primary driver of this robust expansion, with its benefits extending beyond electronics into non-electronics sectors with exposure to AI-related supply chains. The export order diffusion index for July stood at 50.3 based on the number of firms and 48.7 based on order value (Figure 6). This suggests that the benefits of the AI-driven demand cycle are becoming more broadly distributed, with small and mid-sized enterprises also experiencing improved order momentum, rather than growth being concentrated solely among large companies. We believe the AI-driven upcycle is firmly intact. Consistent with our previous view, base-effect headwinds are unlikely to emerge until after August, implying that export order growth should remain elevated in the near term before gradually moderating. We therefore forecast July export orders to increase 54% YoY, representing another month of robust growth.

Figure 1: June export orders grew by 59.4% YoY, maintaining strong growth

Taiwan export orders growth YoY & exports growth YoY, percent



Source: Bloomberg; KGI Research

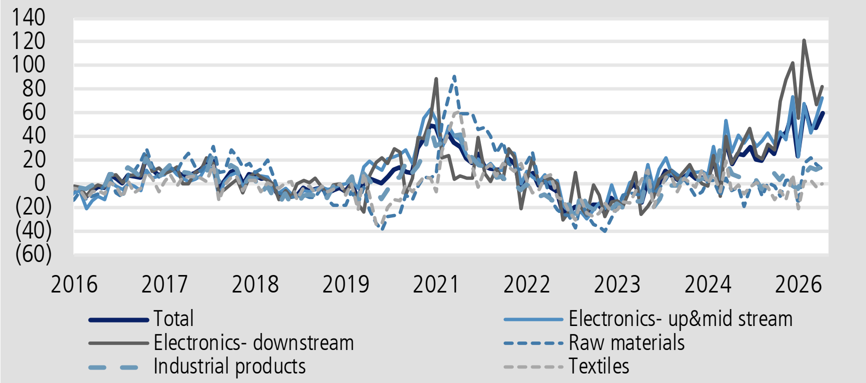
Figure 2: Main export order categories

	Jun-26			From Jan-25 to Jun-25		
	Value (US$bn)	MoM (%)	YoY (%)	Value (US$bn)	Weighting (%)	YoY (%)
ICT	34.2	5.5	81.9	180.1	35.7	85.1
Electronics	40.5	8.7	79.9	209.2	41.5	60.4
Optics	1.9	2.4	(3.3)	11.1	2.2	1.4
Base metals	2.2	1.6	16.5	12.3	2.4	5.8
Machinery	2.2	0.4	17.6	12.1	2.4	20.9
Plastics/rubber	1.4	(1.4)	1.8	8.8	1.7	1.8
Chemicals	1.5	2.8	3.4	8.7	1.7	1.9
Total	**95.3**	**6.5**	**59.4**	**504.1**	**100.0**	**50.9**

Source: Bloomberg; KGI Research

Figure 3: AI-related demand still driving most order categories; among electronics-related segments, only optical instruments products showed relative weakness, while base metals & machinery led growth among non-electronics categories due to greater exposure to AI-related demand

Taiwan export orders growth YoY (by category), percent

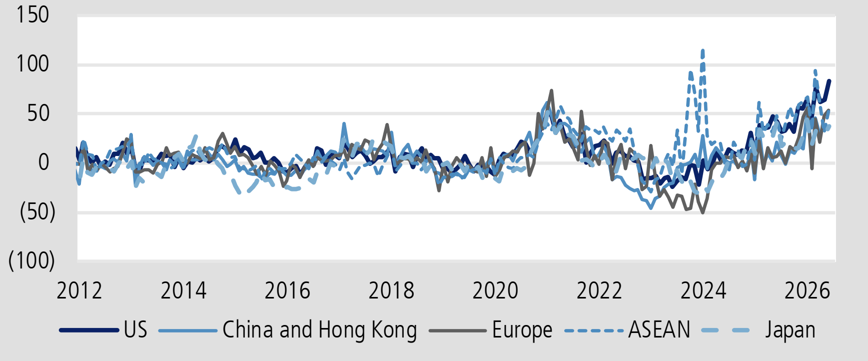


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastic & rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: Order growth was strong across all major regions, while demand from the US was exceptionally robust

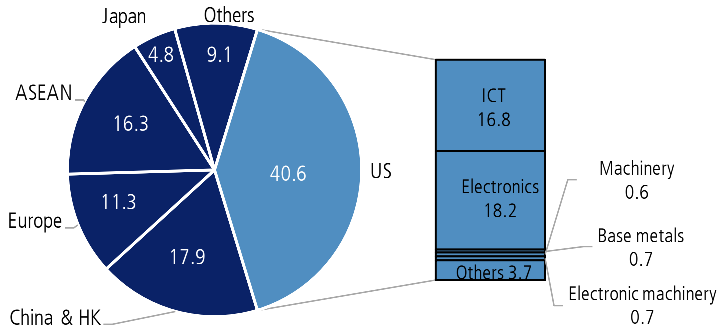
Taiwan export orders growth YoY (by region), percent



Source: Bloomberg; KGI Research

Figure 5: China's share of export orders increased in June, while ASEAN's share declined more notably

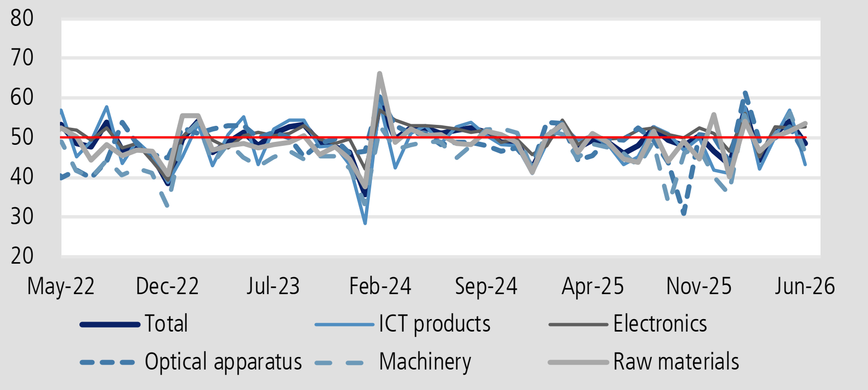
Taiwan export orders weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Order value-based diffusion index at 48.7 in July

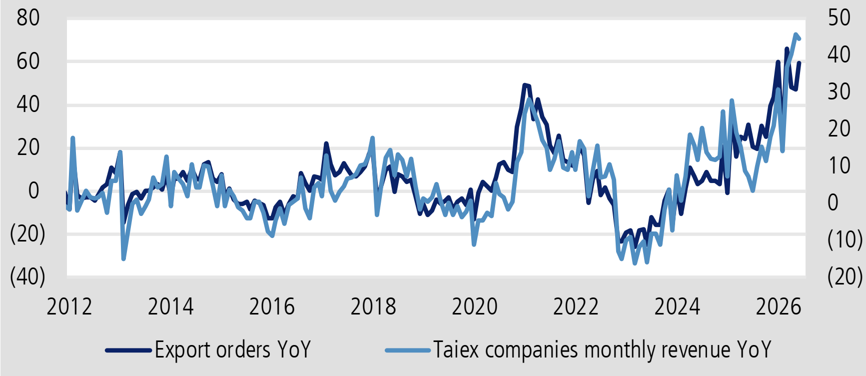
Diffusion index by order type (value), percent



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

Figure 7. Growth in export orders was somewhat 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
7/22-23	ECB meeting	Very likely to suspend rate hikes; ECB president's press meeting statement is a key factor to watch
7/24	Expiry of Section 122 of the US Trade Act	Impact of Section 301 as a substitute for Section 122 remains to be seen, but we do not expect strong responses from the market
7/28-29	FOMC meeting	Clearer outlook on rate hikes at end-2026; financial markets may fluctuate
7/30-31	BOJ meeting	The BOJ is expected to suspend rate hikes and announce the latest GDP and inflation forecasts
August	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	A key factor to watch is whether rate hikes will resume or remain on hold, depending on how the ECB prioritizes inflation management and economic stimulus
9-15-16	FOMC meeting	All eyes on the first time Warsh changes the way guidance is provided, which could give rise to transparency issues
9/17-18	BOJ meeting	Rate hike probability remains low; guidance for interest rate adjustment in 4Q26 to draw attention

Source: KGI Research

Figure 9: Key economic data - US

Indicators		Units	2021	2022	2023	2024	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
GDP	GDP QoQ SAAR	QoQ %, SAAR							4.4			0.5			2.1			
	GDP YoY	YoY %	6.2	2.5	2.9	2.8			2.3			2.0			2.7			
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	2.7	2.9	3.0		2.7	2.7	2.4	2.4	3.3	3.8	4.2	3.5
	Core CPI	YoY %	3.6	6.2	4.8	3.4	3.1	3.1	3.0		2.6	2.6	2.5	2.5	2.6	2.8	2.9	2.6
	PCE price index	YoY %	4.1	6.5	3.8	2.6	2.6	2.7	2.8	2.7	2.8	2.9	2.9	2.9	3.5	3.8	4.1	
	Core PCE index	YoY %	3.6	5.3	4.2	2.9	2.9	2.9	2.8	2.8	2.8	3.0	3.1	3.0	3.3	3.3	3.4	
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.2	62.3	62.5		62.5	62.4	62.1	62.0	61.9	61.8	61.8	61.5
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.3	4.3	4.4		4.5	4.4	4.3	4.4	4.3	4.3	4.3	4.2
	Non farm payrolls	'000	7,268	4,526	2,515	1,459	64	(70)	76	(140)	41	(17)	160	(156)	214	148	129	57
	Net Change In total employment in labor force	'000	6,078	4,526	2,515	1,459	(187)	230	286			232	(895)	(185)	(64)	(226)	149	(507)
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.9)	140	13	(26)	175	24	(8)	118	(72)	(78)	(21)	3	(5)
	Opening/ hiring	x	1.56	1.75	1.58	1.42	1.36	1.34	1.37	1.38	1.36	1.24	1.35	1.41	1.24	1.45	1.47	
	Avg. hourly earnings	YoY %	4.9	4.9	4.1	4.1	4.0	4.0	3.8	3.9	3.9	3.7	3.7	3.7	3.4	3.6	3.4	3.5
Economic activity & business condition	Industrial production	YoY %	4.4	1.7	(0.2)	(0.7)	1.9	1.2	1.9	1.8	1.8	1.2	1.0	0.8	0.6	1.3	1.6	1.1
	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	3.6	5.1	9.7	4.6	10.5	12.8	9.0	7.5	2.8	19.2	(4.3)	
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	4.4	2.5	5.3	6.2	4.1	8.0	2.9	5.9	10.8	11.1	10.1	
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	1.37	1.37	1.37	1.38	1.37	1.36	1.35	1.33	1.32	1.30	1.28	
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.56	1.56	1.56	1.56	1.57	1.56	1.55	1.52	1.51	1.49	1.47	
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.29	1.28	1.28	1.29	1.28	1.28	1.28	1.27	1.26	1.26	1.25	
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	48.4	48.9	48.9	48.8	48.0	47.9	52.6	52.4	52.7	52.7	54.0	53.3
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	50.5	51.9	50.3	52.0	52.4	53.8	53.8	56.1	54.0	53.6	54.5	54.0
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	47.5	51.1	48.7	48.7	47.3	47.4	57.1	55.8	53.5	54.1	56.8	56.0
	Chicago Fed National activity Index	Point	0.37	(0.05)	(0.12)	(0.20)	0.01	(0.36)	(0.31)	(0.50)	(0.30)	(0.06)	(0.04)	0.20	(0.19)	0.19	(0.10)	
	Conference board leading index	YoY %	7.3	0.7	(7.6)	(4.7)	(3.4)	(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	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	1,734	1,685	1,516	1,474	1,400	1,347	1,444	1,418	1,414	1,482	1,393	1,540	1,363	1,423	1,410	1,367
	Housing starts	'000, SAAR	1,603	1,550	1,421	1,370	1,432	1,291	1,319	1,273	1,319	1,378	1,385	1,346	1,522	1,414	1,199	1,427
	New home sales	'000, SAAR	769	636	666	684	648	698	714	652	757	723	576	630	664	626	580	
	Existing home sales	mn, SAAR	6.1	5.1	4.1	4.1	4.0	4.0	4.1	4.1	4.1	4.3	4.0	4.1	4.0	4.0	4.2	4.1
	NAHB housing market index	Point, SA	81	59	44	45	33	32	32	37	38	39	37	37	38	34	37	36
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	4.9	6.4	4.6	1.8	1.6	1.4	1.4	1.5	1.5	1.3	1.0	0.9	1.1		
Consumption	Personal expenditures	YoY %, SA	8.8	3.0	2.6	2.9	2.6	2.8	2.4	2.5	2.2	1.6	2.0	2.4	1.9	1.7	2.1	
	Retail sales	YoY %	18.1	9.1	3.5	2.6	4.1	5.0	4.1	3.2	3.2	2.4	3.3	4.2	4.2	5.1	7.3	6.7
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	4.0	4.8	3.8	3.7	4.1	3.3	4.0	4.2	5.7	6.6	7.9	6.9
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	16.4	16.1	16.4	15.3	15.6	16.0	14.9	15.8	16.3	15.9	16.1	16.5
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	98.7	97.8	95.6	95.5	92.9	94.2	89.0	91.0	92.2	93.8	90.6	91.2
	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	61.7	58.2	55.1	53.6	51.0	52.9	56.4	56.6	53.3	49.8	44.8	49.5
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(6.4)	(6.2)	(5.8)	(5.9)	(5.3)	(5.4)	(5.3)	(5.2)	(5.9)	(5.3)	(5.3)	(5.7)
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	37.3	132.4	176.7	30.6	203.5	100.4	12.8	56.2	80.2	104.8	232.7	
Monetary & financial	Federal funds rate	%	0.25	4.50	5.50	4.50	4.50	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75
	10-Year treasury yield	%	1.51	3.87	3.88	4.57	4.37	4.23	4.15	4.08	4.01	4.17	4.24	3.94	4.32	4.37	4.44	4.47
	Dollar index	Point	95.7	103.5	101.3	108.5	100.0	97.8	97.8	99.8	99.5	98.3	97.0	97.6	100.0	98.1	98.9	101.2

Source: Bloomberg; KGI Research

Figure 10: Key economic data - Taiwan

Indicators		Units	2021	2022	2023	2024	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
GDP	GDP YoY	YoY %	6.7	2.7	1.1	5.3			8.4			13.0			14.6			
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	1.5	1.6	1.3	1.5	1.2	1.3	0.7	1.8	1.2	1.7	2.2	2.6
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.7	1.8	1.5	1.8	1.7	1.8	1.3	2.6	1.9	1.9	2.1	2.5
Labor market	Unemployment rate	%	3.7	3.6	3.4	3.4	3.3	3.3	3.4	3.3	3.4	3.4	3.4	3.3	3.4	3.3	3.3	
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	20.1	15.2	18.2	15.9	18.4	23.1	27.9	16.6	26.1	14.9	11.8	
	Markit Taiwan manufacturing PMI	Point				50.9	46.2	47.4	46.8	47.7	48.8	50.9	51.7	55.2	53.3	55.3	56.1	55.2
	NDC monitoring light signal						Green	Green	Yellow-red	Yellow-red	Yellow-red	Red	Red	Red	Red	Red	Red	
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	29.0	31.0	34.0	35.0	37.0	38.0	39.0	41.0	39.0	40.0	39.0	
	NDC composite leading index	YoY %	4.9	(3.2)	(1.7)	2.1	9.0	9.8	11.0	12.4	13.6	14.8	15.7	16.8	18.3	19.8	21.2	
	NDC composite coincident index	YoY %	8.8	(1.3)	(9.5)	2.8	16.6	17.0	17.6	18.5	19.4	20.3	21.2	21.8	22.4	22.8	23.7	
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	(3.6)	0.4	(1.6)	1.9	1.6	0.9	(3.4)	7.7	3.3	5.2	4.9	
Trade	Exports	US$bn	446.6	479.7	432.6	475.3	56.7	58.4	54.2	60.9	64.1	62.5	65.8	49.8	80.2	67.6	78.5	74.8
	Imports	US$bn	381.3	428.1	352.1	394.7	42.3	41.7	41.9	39.2	48.0	43.0	46.8	37.0	58.9	53.3	60.6	62.6
	Trade balance	US$bn	65.3	51.6	80.5	80.6	14.4	16.8	12.4	21.7	16.1	19.4	18.9	12.8	21.3	14.4	17.9	12.2
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	42.0	33.9	33.7	47.5	56.0	43.4	69.9	20.6	61.8	39.0	51.7	40.3
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	20.4	29.5	25.1	14.5	44.9	14.9	63.5	6.8	38.3	29.2	54.9	51.8
	Export orders	US$bn	674.1	666.8	561.0	589.6	60.5	60.1	70.3	69.4	73.0	76.2	76.9	63.9	91.1	87.4	89.5	
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	20.8	19.5	30.6	25.0	39.5	43.8	60.1	23.8	65.9	48.1	47.2	
Monetary & financial	M1B	YoY %	12.8	4.1	3.1	4.0	2.9	4.5	5.2	4.8	4.9	4.9	5.6	7.1	7.8	8.3	9.6	
	M2	YoY %	8.0	7.1	5.3	5.5	3.4	4.8	5.4	5.0	5.1	5.0	5.2	5.4	5.8	6.5	7.8	
	Foreign reserves	US$bn	548.4	554.9	570.6	576.7	597.9	597.4	602.9	600.2	599.8	602.6	604.5	605.5	596.9	602.5	605.1	597.2
	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	29.9	30.6	30.5	30.7	31.4	31.4	31.5	31.3	32.1	31.7	31.4	31.8

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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Not Rated (NR)	The stock is not rated by KGI Securities.
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	Total return = (12M target price - current price) / current price

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