Economy

Key message

1. Taiwan export orders reached US$102.96bn in August, surpassing the US$100bn mark for the first time on record, up 5.1% MoM (up 5.9% MoM seasonally-adjusted) and 71.4% YoY, well above both our forecast and the Bloomberg consensus estimate of 63% YoY.
2. By product category, AI-related demand continued to drive outstanding growth in ICT and electronic products, while basic metals and machinery also delivered stronger performance, benefiting from spillover demand generated by AI investment. Orders from all major regions remained on a strong growth trajectory, with Europe and ASEAN recording the largest increase in YoY order growth rates from the previous month.
3. AI-related demand momentum remains robust. However, as the comparison base from September last year becomes increasingly elevated, export order growth is expected to moderate from current levels, albeit remaining strong. Taking these factors into account, we forecast September export orders to increase by 50% YoY.

September export orders to grow by 50% YoY amid sustained AI demand, though growth may moderate on base effect

Event

Taiwan export orders reached US$102.96bn in August, surpassing the US$100bn mark for the first time on record, up 5.1% MoM (up 5.9% MoM seasonally-adjusted) and 71.4% YoY, well above both our forecast and consensus of 63% YoY (Figure 1).

Analysis

AI demand underpins ICT & electronics orders, while base metals & machinery benefit from spillover effects. Among major product categories, ICT export orders reached US$34.21bn, up 2.8% MoM and 100.5% YoY, supported by the expansion in AI and cloud industries, boosting demand for servers, networking equipment, and industrial PCs, alongside stronger mobile phone orders. Electronic product orders totaled US$45.75bn, up 10.7% MoM and 83.9% YoY, reflecting accelerating adoption of AI and high-performance computing (HPC), which lifted orders for IC manufacturing, chip distribution, IC design, and memory products. In contrast, optical instrument orders stood at US$1.97bn, up 9.0% MoM but down 5.0% YoY, weighed down by weak panel demand. That said, growing demand for AI-related optical inspection and metrology equipment partially offset the decline. Among raw material categories, YoY growth improved once more, although some segments posted MoM declines. Base metal orders fell by 0.7% MoM but increased by 26.8% YoY, driven by stronger demand for copper foil and copper-clad laminates (CCLs) from AI-related supply chains, higher copper prices, and recovering demand for galvanized steel. Rubber and plastic product orders declined by 2.6% MoM but rose 6.7% YoY, reflecting higher prices amid rising raw material costs. Chemical orders grew by 2.6% MoM and 15.4% YoY, supported by stronger pharmaceutical orders and growth in demand for industrial chemicals (Figures 2-3). Machinery orders declined 4.9% MoM but increased 28.3% YoY, as sustained global AI demand growth encouraged semiconductor manufacturers to raise capex, supporting orders for production equipment and automation machinery.

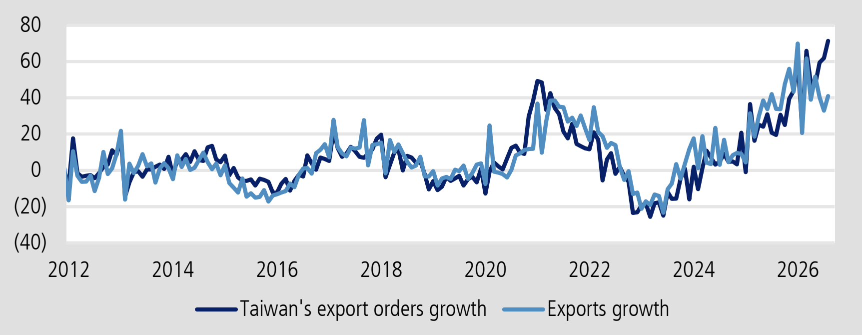
Orders from all major regions grew strongly, with Europe & ASEAN recording the largest increase in YoY order growth rates from the previous month. Orders from the US increased by 88.9% YoY, driven by ICT products, which rose by US$11.85bn (or 195.3% YoY). Orders from China and Hong Kong grew by 47.7% YoY, mainly supported by electronic product orders, which increased by US$4.69bn (or 75.7% YoY). Orders from Europe advanced 58.2% YoY, led by a 95.8% YoY order growth in ICT products. Meanwhile, orders from ASEAN and Japan rose by 70.5% and 41.1% YoY, respectively (Figures 4 and 5).

Conclusion

Export orders posted robust August growth, underscoring sustained strength in AI-related demand. In addition to strong growth in ICT and electronic products, orders for basic metals and machinery also improved, benefiting from spillover demand generated by AI-driven investment. The rapid expansion of AI-related capital expenditures continues to provide meaningful support to Taiwan's export orders. The export order diffusion index for September stood at 49.7 based on the number of firms, and 52.1 based on order value (Figure 6). As the comparison base from September last year is elevated, export orders are expected to maintain solid growth, although the pace is likely to moderate from recent levels. Nevertheless, order growth should remain robust. Taking these factors into account, we forecast export orders to increase by 50% YoY in September.

Figure 1: Export orders surged 71.4% YoY in August, marking an acceleration from the previous month

Taiwan export orders growth YoY & exports growth YoY, percent



Source: Bloomberg; KGI Research

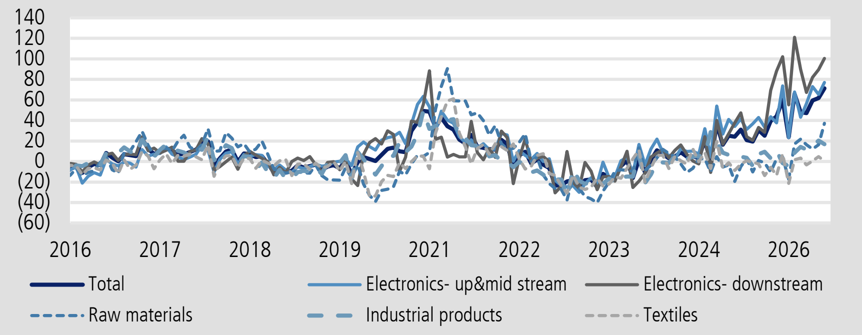
Figure 2: Main export order categories

	Aug-26			From Jan-26 to Aug-26		
	Value (US$bn)	MoM (%)	YoY (%)	Value (US$bn)	Weighting (%)	YoY (%)
ICT	34.2	2.8	100.5	247.6	35.1	87.7
Electronics	45.8	10.7	83.9	296.3	42.0	65.2
Optics	2.0	9.0	(5.0)	14.9	2.1	(1.1)
Base metals	2.3	(0.7)	26.8	17.0	2.4	10.6
Machinery	2.2	(4.9)	28.3	16.7	2.4	23.2
Plastics/rubber	1.5	(2.6)	6.7	11.8	1.7	2.6
Chemicals	1.6	2.6	15.4	11.9	1.7	3.3
Total	**103.0**	**5.1**	**71.4**	**705.0**	**100.0**	**55.0**

Source: Bloomberg; KGI Research

Figure 3: AI-related demand drives exceptional growth in ICT & electronic product orders

Taiwan export orders growth YoY (by category), percent

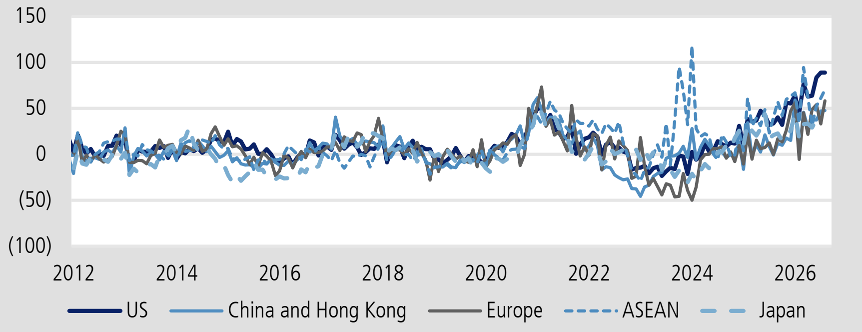


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastic & rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: Orders from all major regions were strong, with Europe & ASEAN recording the largest increase in YoY growth rates from the previous month

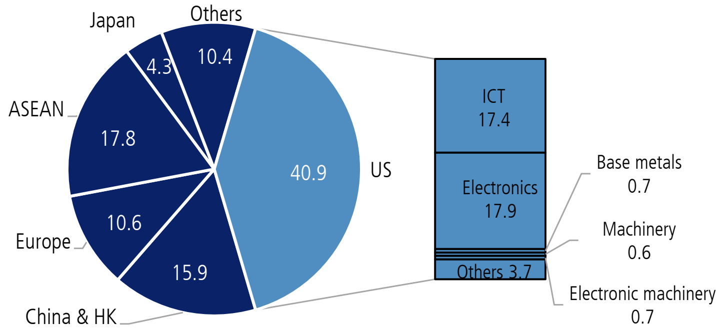
Taiwan export orders growth YoY (by region), percent



Source: Bloomberg; KGI Research

Figure 5: China's order share declined MoM in August

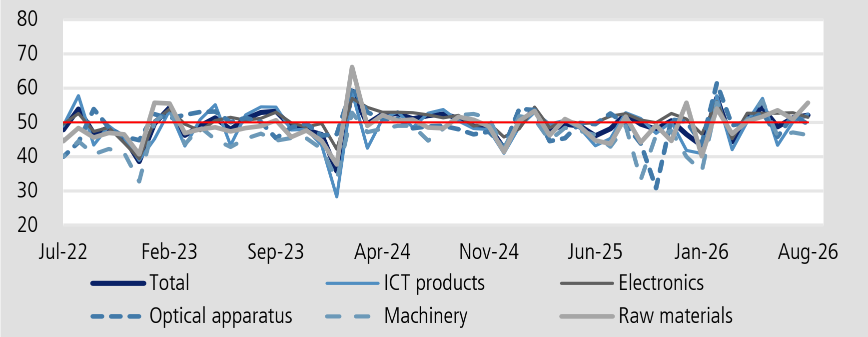
Taiwan export orders weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Order value-based diffusion index at 52.1 in August

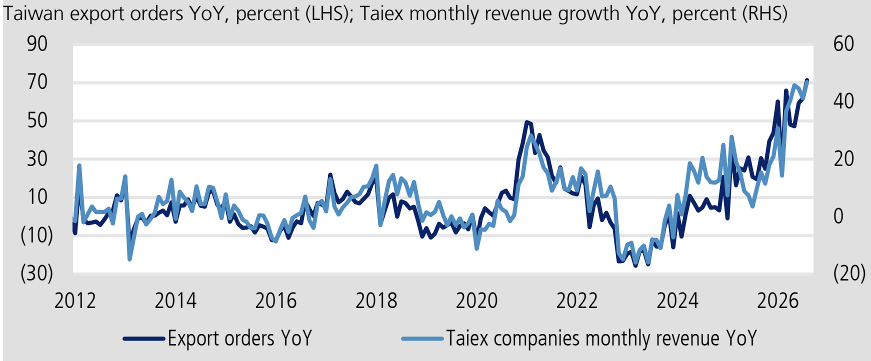
Diffusion index by order type (value), percent



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

Figure 7: Export orders continue to support revenue growth in the Taiex

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
October 20-22	Nvidia GTC Berlin	Focus on AI infrastructure, sovereign AI & enterprise AI deployment; key updates on AI compute demand & data center build-outs
October 27-28	FOMC meeting	The first meeting following September's rate hike; with no policy action expected, markets will focus on the Fed's inflation assessment & policy guidance
October 28-29	ECB meeting	Markets expect the ECB to remain on hold following the September hike, with the ECB likely to monitor energy prices & inflation developments before taking further action
October 29-30	BOJ meeting	Another rate hike appears unlikely given limited urgency for consecutive moves in October; however, persistent inflation & yen weakness continue to support further normalization, influencing market perceptions of Takaichi's dovish policy preference
October	5th Plenary Session of the 20th CPC Central Committee	Monitor China's medium- & long-term policy direction & structural reforms; additional support for domestic demand, technological self-sufficiency, or industrial policy could affect commodities & global supply chains
November 3	US midterm elections	All 435 House seats & roughly one-third of Senate seats will be contested; markets will assess implications for fiscal, tax, tariff & industrial policies
November 30-December 3	Nvidia GTC Washington D.C.	Focus areas include AI factories, physical AI, HPC, open models & US AI policy; key signals for Nvidia, AI infrastructure & the broader data center supply chain
Mid-December	China Central Economic Work Conference	Expected to set China's 2027 economic priorities, with a focus on fiscal stimulus, monetary policy, consumption, real estate, local government debt & technology self-sufficiency
December 8-9	FOMC meeting	Markets continue to price in the possibility of another year-end rate hike amid persistent inflation pressures & will reassess the policy outlook for 2027-28
December 14-15	G20 Summit	Discussions will center on global trade, energy, international finance & geopolitics; signals on US-China & US-Europe trade & tariff policies could influence global risk assets
December 16-17	ECB meeting	If energy prices remain elevated, the ECB could deliver another 25bp rate hike despite limited evidence of second-round inflation effects; focus on updated economic & inflation forecasts
December 17-18	BOJ meeting	Upside inflation risks & resilient economic activity continue to support policy normalization; the BOJ may raise rates by another 25bps, maintaining its quarterly pace of 25bp rate hikes

Source: KGI Research

Figure 9: Key economic data - US

Indicators		Units	2021	2022	2023	2024	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
GDP	GDP QoQ SAAR	QoQ %, SAAR					4.4			0.5			2.1			1.5		
	GDP YoY	YoY %	6.2	2.5	2.9	2.8	2.3			2.0			2.7			2.1		
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	3.0		2.7	2.7	2.4	2.4	3.3	3.8	4.2	3.5	3.4	3.4
	Core CPI	YoY %	3.6	6.2	4.8	3.4	3.0		2.6	2.6	2.5	2.5	2.6	2.8	2.9	2.6	2.5	2.4
	PCE price index	YoY %	4.1	6.5	3.8	2.6	2.8	2.7	2.8	2.9	2.9	2.9	3.5	3.8	4.1	3.7	3.7	
	Core PCE index	YoY %	3.6	5.3	4.2	2.9	2.8	2.8	2.8	3.0	3.1	3.0	3.3	3.3	3.5	3.3	3.3	
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.5		62.5	62.4	62.1	62.0	61.9	61.8	61.8	61.5	61.4	61.6
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.4		4.5	4.4	4.3	4.4	4.3	4.3	4.3	4.2	4.1	4.1
	Non farm payrolls	'000	7,268	4,526	2,515	1,459	76	(140)	41	(17)	160	(156)	214	148	63	31	21	162
	Net Change In total employment in labor force	'000	6,078	4,526	2,515	1,459	286			232	(895)	(185)	(64)	(226)	149	(507)	(87)	569
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.8)	(26)	175	24	(8)	118	(72)	(78)	(21)	3	(5)	(46)	(39)
	Opening/ hiring	x	1.56	1.75	1.58	1.42	1.37	1.38	1.36	1.24	1.35	1.41	1.24	1.45	1.44	1.35	1.44	
	Avg. hourly earnings	YoY %	4.9	4.9	4.1	4.1	3.8	3.9	3.9	3.7	3.7	3.7	3.4	3.6	3.3	3.4	3.2	3.1
Economic activity & business condition	Industrial production	YoY %	4.4	1.7	(0.2)	(0.7)	1.9	1.8	1.8	1.2	1.0	0.8	0.7	1.4	1.7	1.3	1.1	1.4
	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	9.7	4.6	10.5	12.8	9.0	7.5	2.8	19.2	(4.4)	9.2	13.0	
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	5.3	6.2	4.1	8.0	2.9	5.9	10.8	11.1	10.0	14.9	13.2	
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	1.37	1.38	1.37	1.36	1.35	1.33	1.32	1.30	1.28	1.30	1.30	
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.56	1.56	1.57	1.56	1.55	1.52	1.51	1.49	1.47	1.47	1.47	
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.28	1.29	1.28	1.28	1.28	1.27	1.26	1.26	1.26	1.25	1.27	
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	48.9	48.8	48.0	47.9	52.6	52.4	52.7	52.7	54.0	53.3	55.6	54.6
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	50.3	52.0	52.4	53.8	53.8	56.1	54.0	53.6	54.5	54.0	54.1	55.4
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	48.7	48.7	47.3	47.4	57.1	55.8	53.5	54.1	56.8	56.0	56.7	53.7
	Chicago Fed National activity Index	Point	0.37	(0.05)	(0.12)	(0.19)	(0.31)	(0.50)	(0.31)	(0.06)	(0.07)	0.22	(0.11)	0.13	(0.10)	(0.01)	0.08	(0.04)
	Conference board leading index	YoY %	7.3	0.7	(7.6)	(4.7)	(3.2)	(3.1)	(3.7)	(3.7)	(3.6)	(3.1)	(3.0)	(1.6)	(1.4)	(1.1)	(1.0)	(0.7)
	C&I Loans for large/medium - tightening lending standard	%	(15.1)	11.8	43.9	9.5		6.5			5.3			8.1			0.0	
	C&I Loans for large/medium - stronger demand	%	(1.2)	12.4	(42.3)	(18.2)		11.5			16.1			4.8			16.1	
Housing market	Building Permits	'000, SAAR	1,734	1,685	1,516	1,474	1,444	1,418	1,414	1,482	1,393	1,540	1,363	1,423	1,410	1,374	1,433	1,394
	Housing starts	'000, SAAR	1,603	1,550	1,421	1,370	1,319	1,273	1,319	1,378	1,385	1,346	1,522	1,414	1,182	1,439	1,309	1,275
	New home sales	'000, SAAR	769	636	666	684	714	652	757	723	576	630	659	641	630	678	607	
	Existing home sales	mn, SAAR	6.1	5.1	4.1	4.1	4.1	4.1	4.1	4.3	4.0	4.1	4.0	4.0	4.2	4.1	4.1	4.0
	NAHB housing market index	Point, SA	81	59	44	45	32	37	38	39	37	37	38	34	37	36	34	35
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	4.9	6.4	4.6	1.4	1.4	1.5	1.5	1.3	1.0	1.0	1.2	1.6	2.1		
Consumption	Personal expenditures	YoY %, SA	8.8	3.0	2.6	2.9	2.4	2.5	2.2	1.6	2.0	2.4	1.9	1.9	2.4	2.6	2.1	
	Retail sales	YoY %	18.1	9.1	3.5	2.6	4.1	3.2	3.2	2.4	3.3	4.2	4.2	5.1	7.2	6.8	5.0	6.0
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	3.8	3.7	4.1	3.3	4.0	4.2	5.7	6.6	7.8	6.9	5.8	6.9
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	16.4	15.3	15.6	16.0	14.9	15.8	16.3	15.9	16.1	16.5	16.3	16.8
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	95.6	95.5	92.9	94.2	89.0	91.0	92.2	93.8	90.6	92.2	90.2	89.4
	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	55.1	53.6	51.0	52.9	56.4	56.6	53.3	49.8	44.8	49.5	55.2	51.7
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.8)	(5.7)	(5.8)	(5.2)	(5.3)	(5.2)	(5.2)	(5.1)	(5.3)	(5.2)	(5.6)	(6.0)	(5.4)
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	779	176.7	30.6	203.5	102.3	12.9	55.8	79.7	105.3	231.2	174.4	(27.9)	
Monetary & financial	Federal funds rate	%	0.25	4.50	5.50	4.50	4.25	4.00	4.00	3.75	3.75	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	4.15	4.08	4.01	4.17	4.24	3.94	4.32	4.37	4.44	4.47	4.73	4.75
	Dollar index	Point	95.7	103.5	101.3	108.5	97.8	99.8	99.5	98.3	97.0	97.6	100.0	98.1	98.9	101.2	99.9	99.4

Source: Bloomberg; KGI Research

Figure 10: Key economic data - Taiwan

Indicators		Units	2021	2022	2023	2024	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
GDP	GDP YoY	YoY %	6.7	2.7	1.1	5.3	8.4			13.0			15.4			12.9		
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	1.3	1.5	1.2	1.3	0.7	1.8	1.2	1.7	2.2	2.6	2.5	2.0
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.5	1.8	1.7	1.8	1.3	2.6	1.9	1.9	2.1	2.4	2.4	2.3
Labor market	Unemployment rate	%	3.7	3.6	3.4	3.4	3.4	3.3	3.4	3.4	3.4	3.3	3.4	3.3	3.3	3.3	3.3	3.3
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	18.2	15.9	18.4	23.1	27.9	16.6	26.1	14.9	11.9	22.6	25.6	
	Markit Taiwan manufacturing PMI	Point				50.9	46.8	47.7	48.8	50.9	51.7	55.2	53.3	55.3	56.1	55.2	55.1	54.7
	NDC monitoring light signal						Yellow-red	Yellow-red	Yellow-red	Red	Red	Red	Red	Red	Red	Red	Red	
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	34.0	35.0	37.0	38.0	39.0	41.0	39.0	40.0	39.0	41.0	41.0	
	NDC composite leading index	YoY %	4.9	(3.2)	(1.7)	2.0	11.3	12.6	13.9	15.0	16.0	17.1	18.7	20.4	22.0	23.3	24.4	
	NDC composite coincident index	YoY %	8.8	(1.3)	(9.5)	2.7	17.6	18.5	19.4	20.3	21.2	21.8	22.2	22.5	23.0	23.7	24.4	
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	(1.6)	1.9	1.6	0.9	(3.4)	7.7	3.3	5.2	5.3	8.0	7.7	
Trade	Exports	US$bn	446.6	479.7	432.6	475.3	54.2	60.9	64.1	62.5	65.8	49.8	80.2	67.6	78.5	74.8	75.3	82.4
	Imports	US$bn	381.3	428.1	352.1	394.7	41.9	39.2	48.0	43.0	46.8	37.0	58.9	53.3	60.5	62.6	58.1	60.1
	Trade balance	US$bn	65.3	51.6	80.5	80.6	12.4	21.7	16.1	19.4	18.9	12.8	21.3	14.4	17.9	12.2	17.2	22.3
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	33.7	47.5	56.0	43.4	69.9	20.6	61.8	39.0	51.7	40.3	32.9	41.0
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	25.1	14.5	44.9	14.9	63.5	6.8	38.3	29.2	54.8	51.7	37.4	44.3
	Export orders	US$bn	674.1	666.8	561.0	589.6	70.3	69.4	73.0	76.2	76.9	63.9	91.1	87.4	89.5	95.3	97.9	103
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	30.6	25.0	39.5	43.8	60.1	23.8	65.9	48.1	47.2	59.4	61.9	71.4
Monetary & financial	M1B	YoY %	12.8	4.1	3.1	4.0	5.2	4.8	4.9	4.9	5.6	7.1	7.8	8.3	9.6	9.4	7.3	
	M2	YoY %	8.0	7.1	5.3	5.5	5.4	5.0	5.1	5.0	5.2	5.4	5.8	6.5	7.8	8.1	7.4	
	Foreign reserves	US$bn	548.4	554.9	570.6	576.7	602.9	600.2	599.8	602.6	604.5	605.5	596.9	602.5	605.1	597.2	594.3	601.9
	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	30.5	30.7	31.4	31.4	31.5	31.3	32.1	31.7	31.4	31.8	32.3	31.7

Source: Bloomberg; KGI Research

KGI Locations

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KGI's Ratings

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return* of the KGI coverage universe in the related market over a 12-month investment horizon.
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.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return* of the KGI coverage universe in the related market over a 12-month investment horizon.
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.
	Total return = (12M target price - current price) / current price

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