

Economy

Export orders to grow by 25% YoY in June from a low base, while pull-in demand will fall

Key message

1. Taiwan export orders totaled US\$57.93bn in May, up 18.5% YoY, slightly missing consensus of 19.4% YoY growth, but very close to our forecast of 18.8% YoY growth.
2. Electronics orders outperformed raw materials, while machinery orders exceeded expectations. Orders from the US, Japan & ASEAN saw strong YoY growth, while orders from China have begun to decline.
3. We forecast export orders in June will grow by 25% YoY, mainly due to the low base in the same period last year. However, the outlook appears less favorable than it was in May.

Event

Taiwan export orders totaled US\$57.93bn in May, up 2.7% MoM, but down 0.5% MoM once seasonally-adjusted, and up 18.5% YoY, slightly missing consensus of 19.4% YoY growth (Figure 1), but very close to our forecast of 18.8% YoY growth.

Analysis

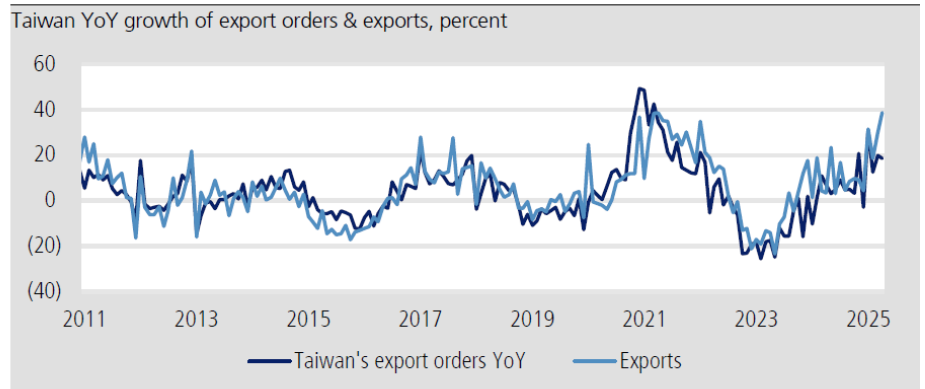
Electronics orders outperformed raw materials, while machinery orders exceeded expectations. Among major products, ICT export orders were up by 16.3% MoM and 29.5% YoY to US\$18.2bn in May, as demand uptrends for AI applications and from the cloud industry were sustained, resulting in stronger server, networking and graphics card orders. Electronics orders fell by 6.6% MoM and 27.7% YoY to US\$21.57bn, but strong demand for high-power computing (HPC) and AI was sustained, resulting in more orders for IC and PCB manufacturers, as well as wafer distributors. Optical instrument orders rose by 5.4% MoM and 2.8% YoY to US\$1.82bn, as orders for semiconductor optical inspection, measuring equipment and backlight modules continued to grow. However, orders for panels declined, partially eroding overall sales growth. Besides plastics and rubber, orders for raw materials were down MoM and YoY. Base metals orders fell by 10.7% YoY, due to sluggish steel demand and lower steel prices, capping orders. Plastics and rubber orders were down by 14.3% YoY, due to excess capacity and competition by overseas peers, as the orders for plastic raw materials were undermined by price cuts. Orders for chemicals dipped by 9.8% MoM and 17.4% YoY due to competition from overseas peers and price cuts, while lower oil prices dragged down prices. Machinery orders grew by 5.4% MoM and 6.8% YoY, on robust orders for automation equipment and machine tools (Figures 2 & 3).

Orders from the US, Japan & ASEAN saw strong YoY growth, while orders from China have begun to decline. Orders from the US rose by 40.1% YoY in May, with electronics up the most, by 57.3%, or US\$3.43bn. Orders from China and Hong Kong fell 2.4% YoY, with Plastics and rubber down the most, by 28.2%, or US\$150mn. Orders from Europe increased by 1.5% YoY, with those for ICT up the most, by 7.5% YoY. Orders from the ASEAN and Japan grew by 25.1% and 23.2% YoY, respectively, with the latter boosted by game console orders. Overall, precautionary stocking was a key factor shaping corporate strategies in countries with robust export demand (Figures 4 & 5).

Conclusion

From the perspective of inventory pull-in demand from foreign companies, US firms have not slowed their export orders to Taiwan. However, this trend may not hold, especially as we move into 2H25F. The Taiwan household-based diffusion index was at 45.0 in May, and the order value-based diffusion index was at 48.9 (see Figure 6). We forecast export orders in June will grow by 25% YoY, due to the low base in the same period last year. However, the outlook appears less favorable than it was in May. Based on individual trend indicators, orders for machinery and electrical equipment are expected to perform relatively well.

Figure 1: Taiwan export orders in May rose by 18.5%YoY; very close to our forecast of 18.8% YoY growth



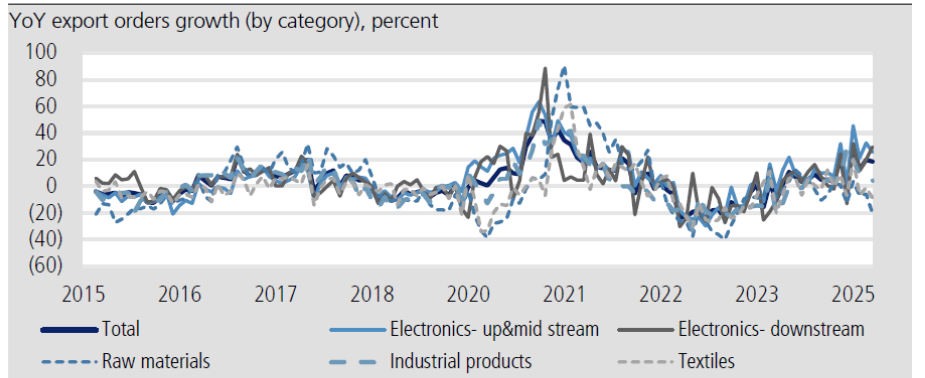
Source: Bloomberg; KGI Research

Figure 2: Main export order categories

	May-25			From Jan-25 to May-25		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	18.2	16.3	29.5	74.5	28.2	15.1
Electronics	21.6	(6.6)	27.7	102.1	38.7	25.8
Optics	1.8	5.4	2.8	8.7	3.3	6.5
Base metals	2.0	(0.8)	(10.7)	9.7	3.7	(9.4)
Machinery	1.8	5.4	6.8	8.2	3.1	4.4
Plastics/rubber	1.5	0.2	(14.3)	7.2	2.7	(9.3)
Chemicals	1.4	(9.8)	(17.4)	7.0	2.7	(8.2)
Total	57.9	2.7	18.5	263.8	100.0	15.0

Source: Bloomberg; KGI Research

Figure 3: Electronics orders outperformed raw materials; machinery orders also exceeded expectations



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 the US, Japan & ASEAN saw strong YoY growth, while those from China have begun to decline

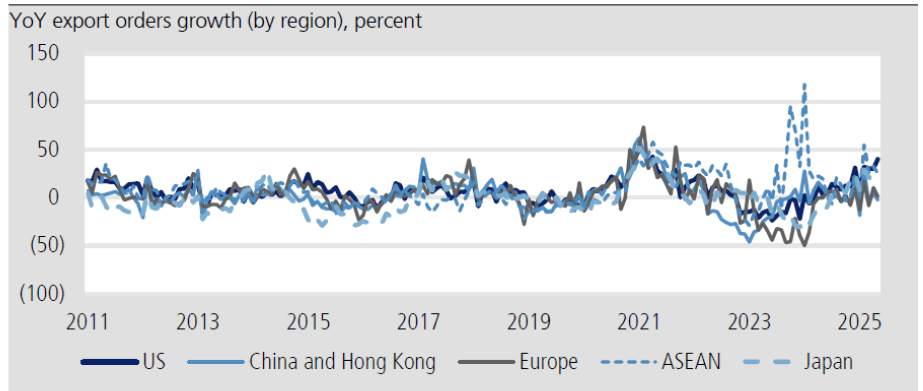


Figure 5: Weightings of orders from the US expanded MoM, while those from China continued to retreat

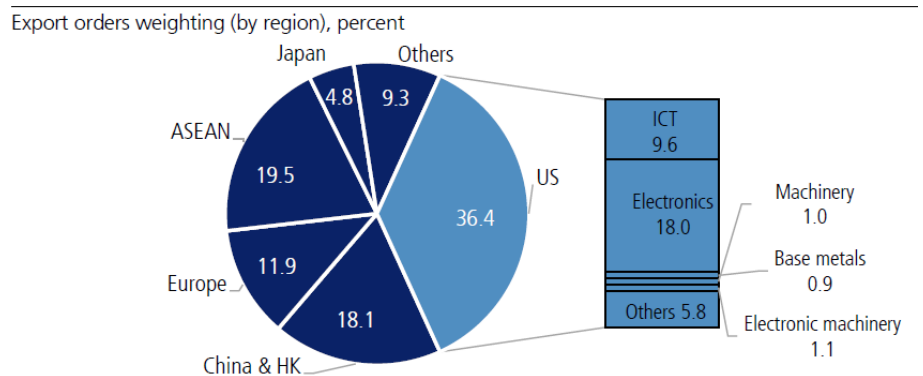


Figure 6: The order value-based diffusion index was at 48.9 in June, indicating that the outlook appears less favorable than it was in May

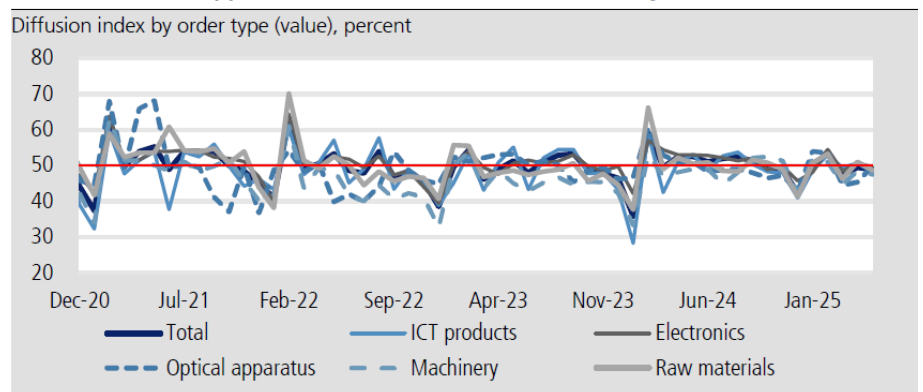
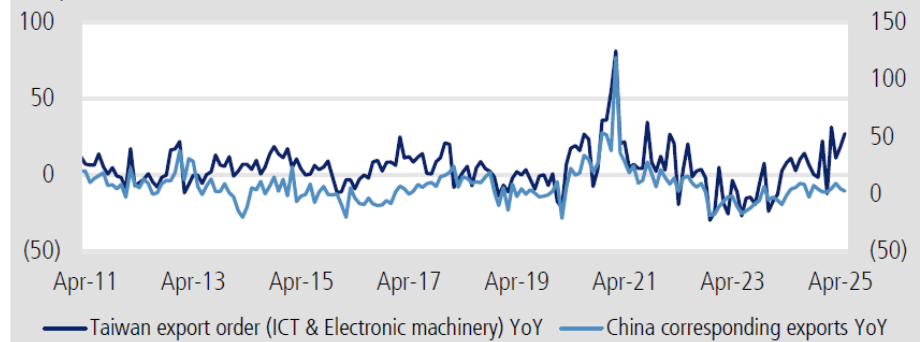


Figure 7: Orders for ICT & electronic machinery with more overseas production rebounded in April, in contrast to the trend of corresponding China exports

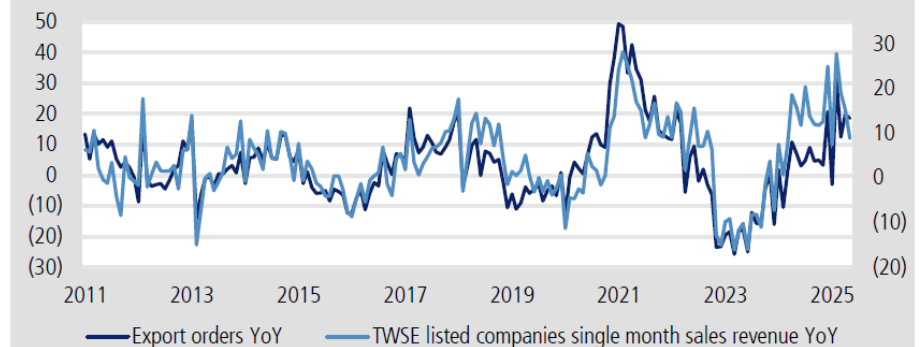
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); corresponding China exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 8: There is a discrepancy this month between the trend in export orders and the revenue growth of Taiex-listed companies

Export orders YoY, percent (LHS); Taiex revenue YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 9: Major international political & economic events over the next quarter

Date	Major event	Possible effect
6/24-26	NATO summit meeting	Whether countries will comply with future targets to raise military spending to 5% of GDP will be a key area of focus.
Q3	U.S. Fiscal Risk	Rising concerns over the U.S. fiscal outlook may lead to an initial uptick in yields, placing simultaneous pressure on both equity and fixed income markets.
July	China Politburo meeting	The meeting will outline economic policy priorities for the second half of the year, with a focus on potential countermeasures should the economy weaken further amid intensifying trade tensions.
7/20	Japan House of Councillors Election	Market attention will be on whether the ruling coalition of the Liberal Democratic Party and Komeito can retain its majority in the House of Councillors.
7/29-30	Fed FOMC meeting	The federal funds rate is widely expected to remain unchanged.
9/11	ECB Monetary Policy Meeting	The European Central Bank is expected to implement a 25 basis point rate cut.
9/16-17	Fed FOMC meeting	This meeting is currently viewed as the earliest possible window for a rate cut. However, the Federal Reserve may face a policy trade-off between persistent inflationary pressures and signs of economic deceleration.

Source: KGI Research

Figure 10: Key economic data - US

Indicators	Units	2021	2022	2023	2024	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
GDP	GDP QoQ SAAR	QoQ % SAAR				3.0			3.1			2.4			(0.2)		
	GDP YoY	YoY %	6.1	2.5	2.9	2.8	3.0		2.7			2.5			2.1		
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	3.0	2.9	2.5	2.4	2.7	2.9	3.0	2.8	2.4	2.3	2.4
	Core CPI	YoY %	3.6	6.2	4.8	3.4	3.3	3.2	3.2	3.3	3.3	3.2	3.3	3.1	2.8	2.8	2.8
	PCE price index	YoY %	4.1	6.6	3.8	2.5	2.4	2.5	2.3	2.1	2.3	2.5	2.6	2.5	2.6	2.3	2.1
	Core PCE index	YoY %	3.6	5.4	4.2	2.8	2.6	2.7	2.7	2.8	2.8	2.9	2.7	2.9	2.7	2.5	
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.6	62.7	62.7	62.7	62.5	62.5	62.6	62.4	62.5	62.6	62.4
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.1	4.2	4.2	4.1	4.1	4.2	4.1	4.0	4.1	4.2	4.2
	Non farm payrolls	'000	7,233	4,555	2,594	2,012	87	88	71	240	44	261	323	111	102	120	139
	Net Change In total employment in labor force	'000	6,124	4,555	2,594	2,012	(9)	64	206	377	(346)	(273)	478	2,234	(588)	201	461
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.9)	20	9	1	53	51	27	11	(40)	103	205	63
	Opening/ hiring	x	1.56	1.75	1.58	1.43	1.46	1.38	1.46	1.29	1.42	1.51	1.40	1.45	1.39	1.33	1.33
	Avg. hourly earnings	YoY %	5.0	4.9	4.1	4.0	3.9	3.6	4.0	3.9	4.1	4.2	4.0	3.9	3.9	3.9	3.9
Economic activity & business condition	Industrial production	YoY %	4.4	3.4	0.2	(0.3)	0.9	(0.5)	(0.1)	(0.7)	(0.4)	(0.9)	0.4	1.4	1.2	1.2	1.4
	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	(9.8)	2.2	(1.0)	(1.8)	4.8	(5.1)	(3.4)	3.5	(0.1)	9.8	2.6
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	(4.0)	(0.6)	(1.8)	0.5	0.2	(1.1)	1.9	3.3	(0.9)	2.2	0.4
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	1.41	1.40	1.41	1.41	1.40	1.39	1.40	1.39	1.38	1.38	
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.58	1.57	1.58	1.58	1.58	1.58	1.57	1.57	1.57	1.58	
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.32	1.31	1.33	1.33	1.32	1.31	1.29	1.31	1.31	1.29	1.29
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	48.3	47.0	47.5	47.5	46.9	48.4	49.2	50.9	50.3	49.0	48.7
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	49.2	51.4	51.6	54.5	55.8	52.5	54.0	52.8	53.5	50.8	49.9
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	48.9	47.6	45.6	46.7	47.9	50.3	52.1	55.1	48.6	45.2	47.2
	Chicago Fed National activity Index	Point	0.38	(0.00)	(0.13)	(0.15)	(0.13)	(0.34)	(0.05)	(0.21)	(0.50)	(0.05)	0.37	(0.25)	0.37	0.03	(0.25)
	Conference board leading index	YoY %	7.1	0.4	(7.5)	(4.8)	(4.5)	(4.7)	(4.6)	(4.3)	(3.7)	(3.0)	(3.0)	(2.7)	(3.0)	(3.6)	(4.0)
	C&I Loans for large/medium - tightening lending standard	%	(15.1)	11.8	43.9	9.5		7.9			0.0		6.2			18.5	
	C&I Loans for large/medium - stronger demand	%	(1.2)	12.4	(42.3)	(18.2)		0.0			(21.3)		9.4			(20.3)	
Housing market	Building Permits	'000, SAAR	1,735	1,684	1,516	1,474	1,461	1,436	1,476	1,434	1,428	1,508	1,480	1,460	1,454	1,481	1,422
	Housing starts	'000, SAAR	1,603	1,552	1,421	1,371	1,327	1,265	1,391	1,357	1,352	1,295	1,514	1,358	1,490	1,355	1,392
	New home sales	'000, SAAR	769	637	665	685	671	710	693	717	621	675	718	662	653	670	743
	Existing home sales	mn, SAAR	6.1	5.1	4.1	4.1	3.9	4.0	3.9	3.9	4.0	4.2	4.3	4.1	4.3	4.0	4.0
	NAHB housing market index	Point, SA	81	59	44	45	43	41	39	41	43	46	46	47	42	39	40
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	4.9	6.4	4.6	6.5	5.9	5.2	4.6	4.3	4.4	4.6	4.8	4.5	4.1	
Consumption	Personal expenditures	YoY % SA	8.8	3.0	2.5	2.8	2.9	2.9	2.9	3.2	3.1	3.1	3.1	3.0	2.7	3.1	3.2
	Retail sales	YoY %	18.1	9.1	3.5	2.6	2.0	3.0	1.9	2.0	3.1	3.9	4.6	4.6	3.9	5.1	5.0
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	3.4	3.4	2.2	2.5	3.0	3.1	3.7	4.4	4.3	4.2	4.1
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	15.3	15.8	15.1	15.8	16.0	16.5	16.8	15.6	16.0	17.8	17.3
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	97.8	101.9	105.6	99.2	109.6	112.8	109.5	105.3	100.1	93.9	85.7
	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	68.2	66.4	67.9	70.1	70.5	71.8	74.0	71.7	64.7	57.0	52.2
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(5.4)	(5.4)	(7.0)	(6.2)	(6.9)	(7.1)	(6.9)	(7.2)	(7.2)	(7.0)	(6.8)
Int'l balance	Current account balance	As % of GDP	(3.7)	(3.9)	(3.3)	(3.9)	(3.3)			(3.6)			(3.8)				
	Net foreign securities transactions	US \$bn	907	1,321	1,005	774	23.1	103.1	96.6	210.3	119.2	50.6	48.2	(42.1)	113.2	162.4	(7.8)
Monetary & financial	Federal funds rate	%	0.25	4.50	5.50	4.50	5.50	5.50	5.50	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50
	10-Year treasury yield	%	1.51	3.87	3.88	4.57	4.40	4.03	3.90	3.78	4.28	4.17	4.57	4.54	4.21	4.21	4.16
	Dollar index	Point	95.7	103.5	101.3	108.5	105.9	104.1	101.7	100.8	104.0	105.7	108.5	108.4	107.6	104.2	99.5

Source: Bloomberg; KGI Research

Figure 11: Key economic data - Taiwan

Indicators		Units	2021	2022	2023	2024	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
GDP	GDP YoY	YoY %	6.7	2.7	1.1	4.8	4.9			4.2			3.8			5.5		
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	2.4	2.5	2.4	1.8	1.7	2.1	2.1	2.7	1.6	2.3	2.0	1.6
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.8	1.9	1.8	1.8	1.6	1.7	1.7	2.3	1.0	1.7	1.7	1.6
Labor market	Unemployment rate	%	3.7	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	13.3	13.2	13.1	11.8	8.9	10.6	19.8	4.9	18.2	12.8	22.3	
	Markit Taiwan manufacturing PMI	Point			46.3	50.9	53.2	52.9	51.5	50.8	50.2	51.5	52.7	51.1	51.5	49.8	47.8	48.6
	NDC monitoring light signal						Red	Yellow-red	Red	Yellow-red	Yellow-red	Yellow-red	Red	Yellow-red	Yellow-red	Yellow-red	Yellow-red	
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	38.0	35.0	39.0	34.0	32.0	34.0	38.0	35.0	37.0	35.0	33.0	
	NDC composite leading index	YoY %	4.8	(3.2)	(1.6)	2.2	5.2	6.0	6.5	6.8	6.8	6.6	6.3	5.9	5.2	4.1	2.9	
	NDC composite coincident index	YoY %	8.5	(1.5)	(9.0)	5.7	9.4	9.5	9.5	9.3	9.3	9.6	10.2	10.8	11.7	12.6	13.6	
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	3.9	3.1	1.1	3.4	(0.5)	2.2	3.1	5.5	(3.8)	0.4	(0.6)	
Trade	Exports	US\$bn	446.6	479.7	432.6	475.3	39.9	39.9	43.6	40.6	41.3	41.1	43.6	38.7	41.3	49.6	48.7	51.7
	Imports	US\$bn	381.3	428.1	352.1	394.7	35.2	35.1	32.1	33.5	34.4	33.2	37.5	28.7	34.8	42.6	41.5	39.1
	Trade balance	US\$bn	65.3	51.6	80.5	80.5	4.7	4.8	11.5	7.1	6.9	7.9	6.1	10.0	6.6	7.0	7.2	12.6
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	23.4	3.1	16.8	4.5	8.4	9.7	9.1	4.4	31.4	18.5	29.9	38.6
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	33.9	15.8	11.6	17.3	6.0	19.7	30.4	(17.2)	47.5	28.8	33.0	25.0
	Export orders	US\$bn	674.1	666.8	561.0	589.5	45.6	50.0	50.2	53.8	55.5	52.3	52.9	47.0	49.5	53.0	56.4	58
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	3.1	4.8	9.1	4.7	4.9	3.3	20.8	(3.0)	31.1	12.5	19.8	18.5
Monetary & financial	M1B	YoY %	12.8	4.1	3.1	4.0	5.2	5.2	4.1	4.1	4.9	4.6	4.0	4.4	3.1	1.8	1.9	2.0
	M2	YoY %	8.0	7.1	5.3	5.5	6.3	6.2	5.8	5.6	5.8	5.5	5.5	5.5	5.2	4.4	3.9	3.3
	Foreign reserves	US\$bn	548.4	554.9	570.6	576.7	573.3	571.7	579.1	577.9	576.9	578.0	576.7	577.6	577.6	578.0	582.8	593.0
	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	32.4	32.8	32.0	31.7	32.0	32.5	32.8	32.7	32.8	33.2	32.0	29.9

Source: Bloomberg; KGI Research

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