

Strategy

Export orders to grow 14% YoY in September; key electronics orders solid ahead of 4Q25; we are most positive on ICT-related stocks

Key message

1. Taiwan export orders totaled US\$60.02bn in August, up 19.5% YoY, beating our forecast of 13% YoY growth and consensus of 12.8% YoY growth, as the reciprocal US tariff rate increase on August 7 has not yet been applied to Taiwan's major exports to the US, such as semiconductors and ICT products.
2. In electronics categories, the upstream outperformed, while raw materials remained weak, highlighting a clear divergence between the two sectors. By region, orders from the US, ASEAN and Japan were strong, while those from China and Europe declined.
3. We forecast export orders in September to grow by 14% YoY. Ahead of 4Q25, we expect key electronics-related orders to remain solid. Taking individual diffusion indices into consideration, the ICT category showed a particularly notable improvement, with corresponding stocks including computer peripherals and communications networks.

Event

Taiwan export orders totaled US\$60.02bn in August, down 0.7% MoM but up by 0.4% MoM once seasonally-adjusted, and up 19.5% YoY, beating our forecast of 13% YoY growth and consensus of 12.8% YoY growth (Figure 1).

Analysis

In electronics, the upstream outperformed; raw materials export orders remained weak, highlighting a clear divergence between the two sectors. Among major products, ICT export orders were down 2.8% MoM but up 20.6% YoY to US\$17.06bn, as demand growth for AI applications and from the cloud industry sustained, resulting in rising server, networking and graphics card orders. Electronics orders grew by 3.4% MoM and 39.5% YoY to US\$24.88bn, as strong demand for high-performance computing (HPC) and AI-related products held up well, resulting in more orders for IC and PCB manufacturers, as well as OSATs. Optical instrument orders rose by 2.5% MoM and 9.8% YoY to US\$2.08bn, as orders for optical inspection and measuring equipment continued to grow. For raw materials, all categories saw both MoM and YoY declines once again, which reinforces our view from last month that the brief monthly rebound may not signal a bottom yet and still requires further observation. Base metal orders fell by 9.3% YoY, due mainly to continued weak demand for stainless steel, galvanized steel and metal products, with customers remaining cautious in placing orders. Plastics and rubber orders were down by 15.3% YoY, as excess capacity among overseas peers continued to suppress orders. Orders for chemicals were down by 9.5% YoY, due to competition from overseas peers and price cuts, while lower oil prices compared with the same period last year dragged down petrochemicals prices. Machinery orders declined by 2.7% MoM but grew by 3.0% YoY, supported by demand growth for automation and semiconductor equipment (Figures 2 & 3).

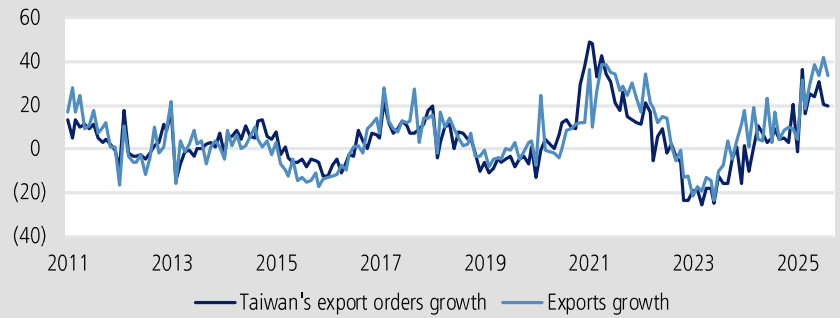
Strong orders from US, ASEAN & Japan; China & Europe orders declined. Orders from the US increased by 33.6% YoY in August, with electronics products contributing the most, up by 65.5%, or US\$4.63bn. Orders from China and Hong Kong fell by 0.7% YoY, with ICT products down the most, by 18.8%, or US\$220mn. Orders from Europe fell 0.3% YoY, with those for base metals down the most, by 29.3% YoY. Orders from ASEAN and Japan grew 40.3% and 21% YoY, respectively, showing continued solid performance (Figures 4 & 5).

Conclusion

Taiwan export orders in August outperformed our expectations. As we noted last month, although the new reciprocal US tariff rates officially took effect on August 7, the scope of taxation currently excludes major Taiwanese exports to the US, such as semiconductors and ICT products. These key export items have instead seen stronger pull-in demand due to the continued availability of a 'green channel'. For Taiwanese exporters, the future performance of export orders may hinge on when US tariff rates for semiconductors and ICT products are determined and implemented. The diffusion index based on the number of firms is at 44.9 as of September, and the diffusion index based on order value is at 52.4 (Figure 6), indicating a certain degree of divergence in how companies are affected by tariffs. We forecast export orders in September to grow by 14% YoY. Ahead of 4Q25, we expect key electronics-related orders to remain solid. Taking individual diffusion indices into consideration, the ICT category has shown a particularly notable improvement, with corresponding stocks including computer peripherals and communications networks.

Figure 1: Taiwan export orders in August rose by 19.5% YoY, mainly as the reciprocal US tariff rate increase on August 7 has not yet been applied to Taiwan's major exports to the US, such as semiconductors & ICT products

Taiwan export orders growth YoY & exports growth, percent



Source: Bloomberg; KGI Research

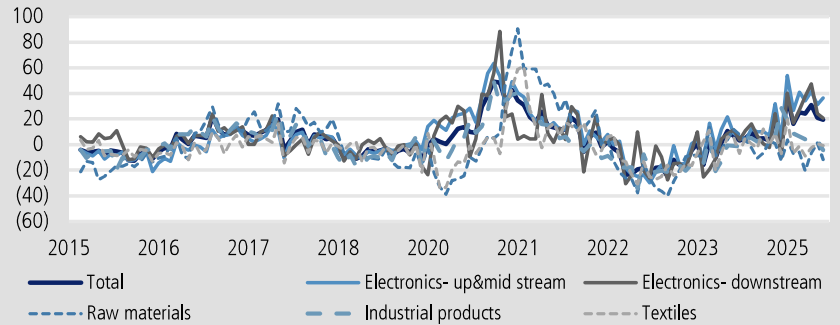
Figure 2: Main export order categories

	Aug-25			From Jan-25 to Aug-25		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	17.1	(2.8)	20.6	131.9	29.1	24.7
Electronics	24.9	3.4	39.5	174.0	39.5	35.3
Optics	2.1	2.6	9.8	15.1	3.3	11.1
Base metals	1.8	(2.6)	(9.3)	15.4	3.4	(9.9)
Machinery	1.7	(2.7)	3.0	13.5	3.0	5.3
Plastics/rubber	1.4	(5.8)	(15.3)	11.5	2.5	(10.4)
Chemicals	1.4	(10.9)	(9.5)	11.5	2.5	(6.5)
Total	60.0	(0.7)	19.5	454.2	100.0	21.1

Source: Bloomberg; KGI Research

Figure 3: In electronics, the upstream outperformed; raw materials export orders remained weak, highlighting a clear divergence between the two sectors

Taiwan YoY export orders growth (by category), percent

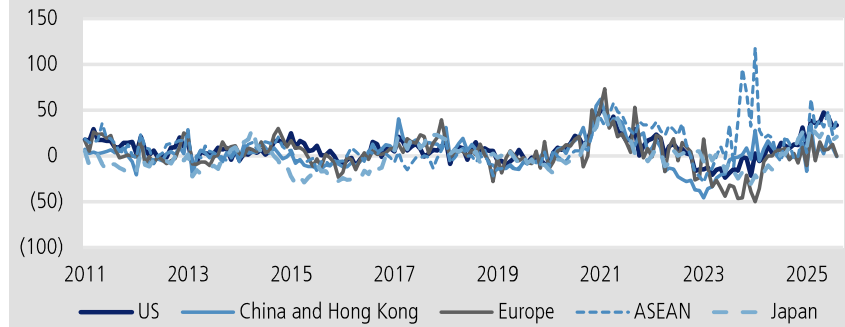


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastic & rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: Strong orders from US, ASEAN & Japan; China & Europe orders declined

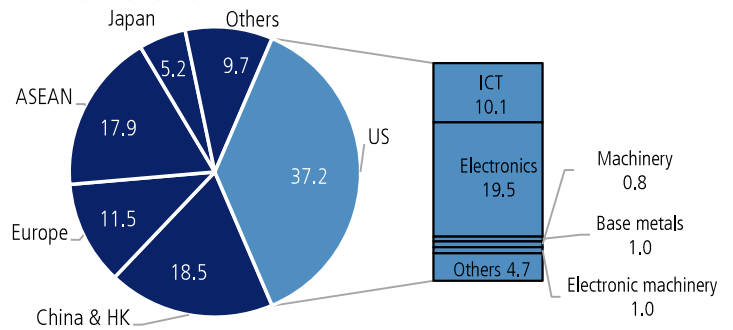
Taiwan YoY export orders growth (by region), percent



Source: Bloomberg; KGI Research

Figure 5: Higher weightings of orders from US & ASEAN; Europe weighting fell

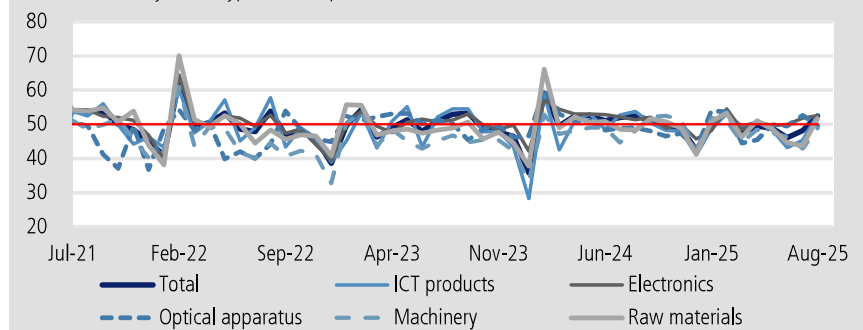
Taiwan export orders weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Order value-based diffusion index at 52.4 in September

Diffusion index by order type (value), percent

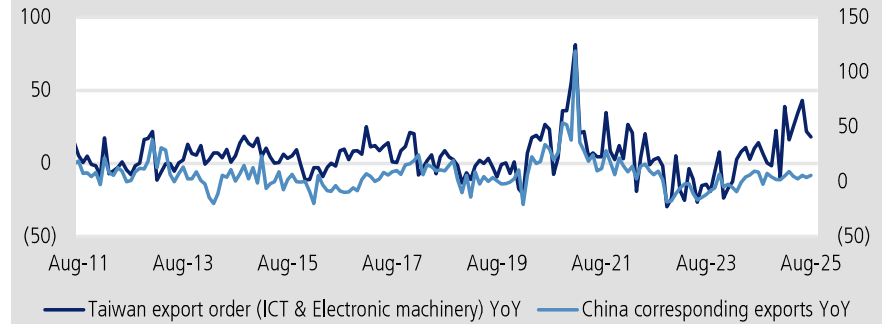


Note: Raw materials are chemicals, plastics & rubber products, base metals, and minerals

Source: Bloomberg; KGI Research

Figure 7: Orders for ICT & electronic machinery slowed in August, while corresponding China exports were flattish

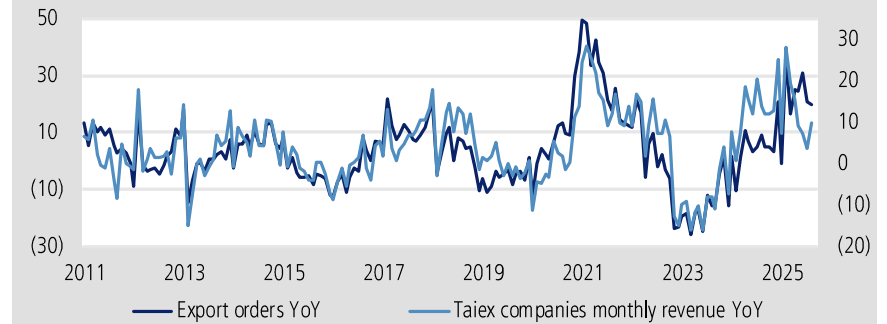
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); corresponding China exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 8: While export order growth has slowed, the revenue of Taiex-listed companies has bottomed out and begun to recover, showing a degree of decoupling between the two trends

Taiwan export orders YoY, percent (LHS); Taiex companies monthly revenue YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 9: Key economic data - US

Indicators		Units	2021	2022	2023	2024	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
GDP	GDP QoQ SAAR	QoQ % SAAR					3.1			2.4			(0.5)			3.3		
	GDP YoY	YoY %	6.1	2.5	2.9	2.8	2.7			2.5			2.0			2.1		
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	2.4	2.6	2.7	2.9	3.0	2.8	2.4	2.3	2.4	2.7	2.7	2.9
	Core CPI	YoY %	3.6	6.2	4.8	3.4	3.3	3.3	3.3	3.2	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1
	PCE price index	YoY %	4.1	6.6	3.8	2.5	2.1	2.3	2.5	2.6	2.6	2.7	2.3	2.2	2.4	2.6	2.6	
	Core PCE index	YoY %	3.6	5.4	4.2	2.8	2.7	2.8	2.8	2.9	2.7	2.9	2.7	2.6	2.7	2.8	2.9	
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	62.7	62.5	62.5	62.5	62.6	62.4	62.5	62.6	62.4	62.3	62.2	62.3
	Unemployment rate	%	5.4	3.6	3.6	4.0	4.1	4.1	4.2	4.1	4.0	4.1	4.2	4.2	4.2	4.1	4.2	4.3
	Non farm payrolls	'000	7,233	4,555	2,594	2,012	240	44	261	323	111	102	120	158	19	(13)	79	22
	Net Change In total employment in labor force	'000	6,124	4,555	2,594	2,012	377	(346)	(273)	478	2,234	(588)	201	461	(696)	93	(260)	288
	Challenger job cut announce	YoY %	(1.2)	(1.7)	2.1	(0.9)	53	51	27	11	(40)	103	205	63	47	(2)	140	13
	Opening/ hiring	x	1.56	1.75	1.58	1.43	1.29	1.42	1.51	1.40	1.45	1.39	1.33	1.32	1.41	1.40	1.35	
	Avg. hourly earnings	YoY %	5.0	4.9	4.1	4.0	3.9	4.1	4.2	4.0	3.9	3.9	3.9	3.8	3.8	3.7	3.9	3.7
Economic activity & business condition	Industrial production	YoY %	4.4	3.4	0.2	(0.3)	(0.7)	(0.4)	(0.9)	0.4	1.4	1.1	1.0	1.2	0.7	0.9	1.3	0.9
	Durable goods orders	YoY %	18.4	8.8	3.7	(1.7)	(1.8)	4.8	(5.1)	(3.4)	3.5	(0.1)	9.8	2.6	17.5	12.6	3.7	
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	0.5	0.2	(1.1)	1.9	3.3	(0.9)	2.2	0.5	2.2	4.5	4.6	
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	1.41	1.41	1.40	1.39	1.40	1.39	1.38	1.38	1.39	1.38	1.37	
	Manufacturing inventory/ sales ratio	x	1.49	1.53	1.59	1.58	1.58	1.58	1.58	1.57	1.57	1.57	1.57	1.58	1.57	1.57	1.56	
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	1.33	1.32	1.31	1.29	1.31	1.31	1.29	1.29	1.30	1.29	1.29	
	ISM manufacturing index	Point	60.6	53.5	47.1	48.2	47.5	46.9	48.4	49.2	50.9	50.3	49.0	48.7	48.5	49.0	48.0	48.7
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	54.5	55.8	52.5	54.0	52.8	53.5	50.8	51.6	49.9	50.8	50.1	52.0
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	46.7	47.9	50.3	52.1	55.1	48.6	45.2	47.2	47.6	46.4	47.1	51.4
	Chicago Fed National activity Index	Point	0.38	(0.00)	(0.13)	(0.15)	(0.21)	(0.50)	(0.05)	0.36	(0.39)	0.36	0.16	(0.41)	(0.18)	(0.18)	(0.19)	
	Conference board leading index	YoY %	7.1	0.4	(7.5)	(4.8)	(4.3)	(3.7)	(3.0)	(3.0)	(2.7)	(3.0)	(3.6)	(4.3)	(3.9)	(4.0)	(3.4)	(3.6)
	C&I Loans for large/medium - tightening lending standard	%	(15.1)	11.8	43.9	9.5		0.0			6.2			18.5			9.5	
	C&I Loans for large/medium - stronger demand	%	(1.2)	12.4	(42.3)	(18.2)		(21.3)			9.4			(20.3)			(28.6)	
Housing market	Building Permits	'000, SAAR	1,735	1,684	1,516	1,474	1,434	1,428	1,508	1,480	1,460	1,454	1,481	1,422	1,394	1,393	1,362	1,312
	Housing starts	'000, SAAR	1,603	1,552	1,421	1,371	1,357	1,352	1,295	1,514	1,358	1,490	1,355	1,398	1,282	1,382	1,429	1,307
	New home sales	'000, SAAR	769	637	665	685	717	621	675	718	662	642	660	706	630	656	652	
	Existing home sales	mn, SAAR	6.1	5.1	4.1	4.1	3.9	4.0	4.2	4.3	4.1	4.3	4.0	4.0	4.0	3.9	4.0	
	NAHB housing market index	Point, SA	81	59	44	45	41	43	46	46	47	42	39	40	34	32	33	32
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	5.0	6.5	4.6	4.6	4.3	4.4	4.6	4.8	4.5	4.1	3.4	2.8	2.1		
Consumption	Personal expenditures	YoY % SA	8.8	3.0	2.5	2.8	3.2	3.1	3.1	3.1	2.9	2.5	2.8	2.9	2.2	2.2	2.1	
	Retail sales	YoY %	18.1	9.1	3.5	2.6	2.0	3.1	3.9	4.6	4.6	3.9	5.1	5.0	3.4	4.4	4.1	5.0
	Retail sales ex-autos	YoY %	17.2	10.6	3.3	2.8	2.5	3.0	3.1	3.7	4.4	4.3	4.2	4.1	3.7	4.0	3.9	4.9
	Domestic vehicles sales	mn, SA	179.2	164.8	185.2	189.3	15.8	16.0	16.5	16.8	15.6	16.0	17.8	17.3	15.7	15.3	16.4	16.1
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	99.2	109.6	112.8	109.5	105.3	100.1	93.9	85.7	98.4	95.2	98.7	97.4
	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	70.1	70.5	71.8	74.0	71.7	64.7	57.0	52.2	52.2	60.7	61.7	58.2
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(6.2)	(6.9)	(7.1)	(6.9)	(7.2)	(7.2)	(7.0)	(6.8)	(6.7)	(6.3)	(6.4)	(6.2)
Int'l balance	Current account balance	As % of GDP	(3.7)	(3.8)	(3.4)	(4.1)	(3.8)			(4.0)			(4.6)					
	Net foreign securities transactions	US \$bn	907	1,321	1,005	772	210.3	119.4	49.1	47.8	(42.3)	106.5	162.7	(4.1)	266.8	151.0	49.2	
Monetary & financial	Federal funds rate	%	0.25	4.50	5.50	4.50	5.00	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
	10-Year treasury yield	%	1.51	3.87	3.88	4.57	3.78	4.28	4.17	4.57	4.54	4.21	4.21	4.16	4.40	4.23	4.37	4.23
	Dollar index	Point	95.7	103.5	101.3	108.5	100.8	104.0	105.7	108.5	108.4	107.6	104.2	99.5	99.3	96.9	100.0	97.8

Source: Bloomberg; KGI Research

Figure 10: Key economic data - Taiwan

Indicators	Units	2021	2022	2023	2024	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
GDP	GDP YoY	YoY %	6.7	2.7	1.1	4.8	4.2		3.8			5.5			8.0		
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	1.8	1.7	2.1	2.1	2.7	1.6	2.3	2.0	1.5	1.4	1.5
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.8	1.6	1.7	1.7	2.3	1.0	1.7	1.7	1.6	1.5	1.7
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	3.3	3.3	3.3	
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	11.8	8.9	10.6	19.8	4.9	18.2	12.8	23.7	22.1	18.3	18.1
	Markit Taiwan manufacturing PMI	Point			46.3	50.9	50.8	50.2	51.5	52.7	51.1	51.5	49.8	47.8	48.6	47.2	46.2
	NDC monitoring light signal						Yellow-red	Yellow-red	Yellow-red	Red	Yellow-red	Yellow-red	Yellow-red	Yellow-red	Green	Green	Green
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	34.0	32.0	34.0	38.0	35.0	37.0	35.0	33.0	31.0	29.0	29.0
	NDC composite leading index	YoY %	4.7	(3.2)	(1.5)	2.4	8.8	8.9	8.9	8.7	8.4	7.8	6.9	5.7	4.6	3.7	2.9
	NDC composite coincident index	YoY %	8.6	(1.5)	(9.3)	4.7	9.8	10.0	10.4	11.1	12.0	12.9	13.7	14.3	14.6	14.6	14.7
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	3.4	(0.5)	2.2	3.1	5.5	(3.8)	0.4	(0.6)	(1.4)	(2.9)	(3.6)
Trade	Exports	US\$bn	446.6	479.7	432.6	475.3	40.6	41.3	41.1	43.6	38.7	41.3	49.6	48.7	51.7	53.3	56.7
	Imports	US\$bn	381.3	428.1	352.1	394.7	33.5	34.4	33.2	37.5	28.7	34.8	42.6	41.5	39.1	41.3	42.3
	Trade balance	US\$bn	65.3	51.6	80.5	80.5	7.1	6.9	7.9	6.1	10.0	6.6	7.0	7.2	12.6	12.1	14.3
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	4.5	8.4	9.7	9.1	4.4	31.4	18.5	29.9	38.6	33.7	42.0
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	17.3	6.0	19.7	30.4	(17.2)	47.5	28.8	32.3	25.0	17.2	20.8
	Export orders	US\$bn	674.1	666.8	561.0	589.5	53.8	55.5	52.3	52.9	47.0	49.5	53.0	56.4	57.9	56.8	57.6
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	4.7	4.9	3.3	20.8	(3.0)	31.1	12.5	19.8	18.5	24.6	15.2
Monetary & financial	M1B	YoY %	12.8	4.1	3.1	4.0	4.1	4.9	4.6	4.0	4.4	3.1	1.8	1.9	2.0	2.4	2.9
	M2	YoY %	8.0	7.1	5.3	5.5	5.6	5.8	5.5	5.5	5.5	5.2	4.4	3.9	3.3	3.5	3.4
	Foreign reserves	US\$bn	548.4	554.9	570.6	576.7	577.9	576.9	578.0	576.7	577.6	577.6	578.0	582.8	593.0	598.4	597.9
	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
	Exchange rate	USD/TWD	27.7	30.7	30.6	32.8	31.7	32.0	32.5	32.8	32.7	32.9	33.2	32.0	29.9	29.2	29.9

Source: Bloomberg; KGI Research

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