

Strategy

Export orders to grow by 25% YoY in October; 4Q25F orders to beat on the back of AI demand

Key message

1. Taiwan export orders totaled US\$70.22bn in September, up 30.5% YoY, beating our forecast of 14% YoY growth and consensus of 18.7% YoY growth. The surge was primarily driven by robust demand related to AI applications.
2. By category, orders for ICT and electronic products remained particularly strong within the electronics segment, while raw materials continued to show weakness, although the pace of decline has slightly moderated. By region, orders from the US, ASEAN, and Japan were notably strong, while growth rates for orders from China and Europe also turned positive.
3. We forecast October export orders to grow 25% YoY, and expect the upward trend to continue into 4Q25F, driven by strong AI-related demand. Based on individual diffusion indices, the ICT and electronics categories are expected to perform strongly, with corresponding sectors including computer and peripherals, communications networks, electronic components, semiconductors, optoelectronics, and other electronics.

Event

Taiwan export orders reached US\$70.22bn in September, up 17.0% MoM (up 5.1% MoM once seasonally-adjusted), and up 30.5% YoY, beating our forecast of 14% YoY growth and consensus of 18.7% YoY growth (Figure 1). On a quarterly basis, 3Q25 orders were up by 6.3% QoQ and 23.8% YoY, both reflecting a strong growth trajectory.

Analysis

Orders for ICT & electronic products were particularly strong; raw materials continue to show weakness, although the pace of decline has moderated slightly. Among major products, ICT export orders were up by 37.3% MoM and 33.1% YoY to US\$23.43bn, as demand growth for AI applications and from the cloud industry was sustained, resulting in rising server and networking orders. Electronics orders grew by 11.5% MoM and 45.9% YoY to US\$27.73bn, as strong demand for high-performance computing (HPC) and AI-related products held up well, resulting in more orders for IC manufacturing, chip distribution, IC design, PCB, OSATs, passive components, and memory. Optical instrument orders rose by 0.5% MoM and 11.2% YoY to US\$2.09bn, as orders for optical inspection, measuring equipment, backlight modules and optical lenses continued to grow. The raw materials category remained sluggish overall, though signs of stabilization are emerging. Basic metals orders declined by 6.3% YoY, but rose by 1.7% MoM, due mainly to continued weakness in steel demand and cautious customer ordering. Plastics and rubber fell by 10.0% YoY, as overseas peers' excess capacity suppresses order growth. Orders for chemicals grew by 1.3% YoY, the only raw materials segment with positive YoY growth, driven by increased orders for pharmaceutical and petrochemical products. Machinery orders rose by 4.4% MoM and 11.4% YoY, supported by strong demand for semiconductor and automation equipment (Figures 2-3).

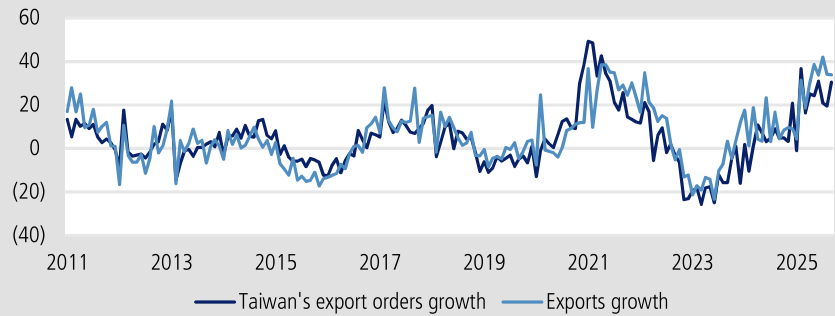
Strong orders from the US, ASEAN & Japan; China & Europe orders returned to positive growth. Orders from the US surged by 40.2% YoY in September, with electronics products contributing the most, up by 53.1%, or US\$4.05bn. Cumulatively, orders for 1Q-3Q25 increased by 35% YoY. Orders from China and Hong Kong grew by 11.6% YoY, with electronics products up the most, by 26.8%, or US\$1.53bn. Orders from Europe rose by 16.9% YoY, led by ICT products, which grew 24.4% YoY. Orders from ASEAN and Japan grew 57.5% and 22.8% YoY, respectively, continuing solid performances (Figures 4 & 5).

Conclusion

September export orders far exceeded our expectations, and were driven by robust demand for AI-related products, resulting in impressive overall growth, despite a notable divergence between tech and traditional sectors. We anticipate this trend will continue, especially as the US and Europe enter the year-end sales season in 4Q25F. Consequently, our previous forecast of a sharp decline in 4Q25F orders requires revision. The diffusion index based on the number of firms is at 43.2 as of October, and the diffusion index based on order value is at 49.5 (Figure 6). We forecast October export orders to grow by 25% YoY. Based on individual diffusion indices, the ICT and electronics categories are expected to perform strongly, along with corresponding sectors, including computers and peripherals, communications networks, electronic components, semiconductors, optoelectronics, and other electronics.

Figure 1: Taiwan September export orders rose by 30.5% YoY, with 1Q-3Q25 reaching 23.8% growth YoY

Taiwan export orders growth YoY & exports growth, percent



Source: Bloomberg; KGI Research

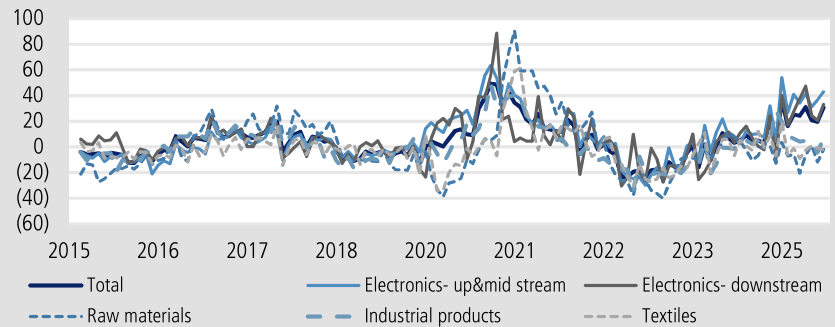
Figure 2: Main export order categories

	Sep-25			From Jan-25 to Sep-25		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	23.4	37.3	33.1	155.4	29.6	25.9
Electronics	27.7	11.5	45.9	207.1	39.5	36.6
Optics	2.1	0.5	11.2	17.2	3.3	11.1
Base metals	1.9	1.7	(6.3)	17.2	3.3	(9.5)
Machinery	1.8	4.4	11.4	15.3	2.9	6.0
Plastics/rubber	1.4	(1.0)	(10.0)	12.9	2.5	(10.4)
Chemicals	1.4	(1.3)	1.4	12.9	2.5	(5.7)
Total	70.2	17.0	30.5	524.4	100.0	22.3

Source: Bloomberg; KGI Research

Figure 3: In electronics, orders for ICT & electronic products outperformed; raw materials export orders remained weak, but improved slightly

Taiwan YoY export orders growth (by category), percent

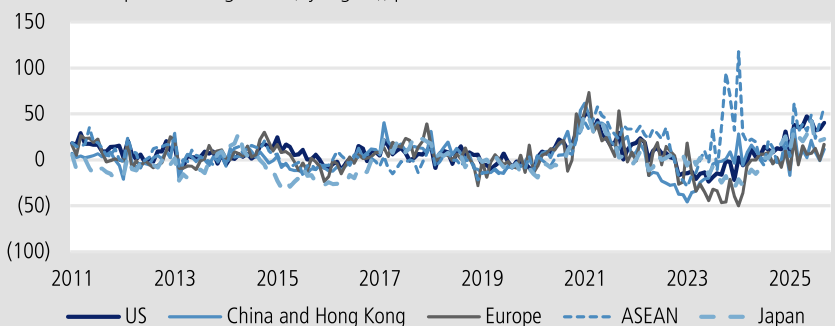


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastic & rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: Strong orders from US, ASEAN & Japan; China & Europe orders also returned to positive growth

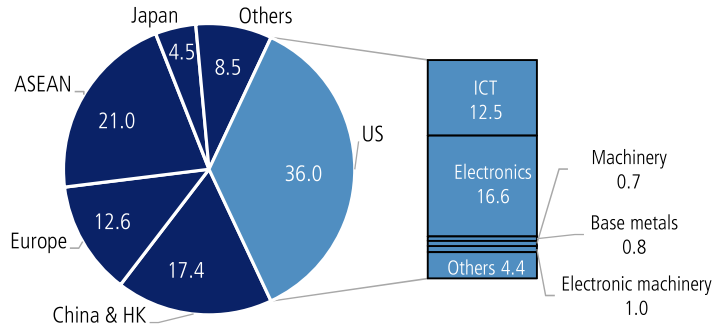
Taiwan YoY export orders growth (by region), percent



Source: Bloomberg; KGI Research

Figure 5: This month, the order shares of ASEAN & Europe increased; those of other regions declined

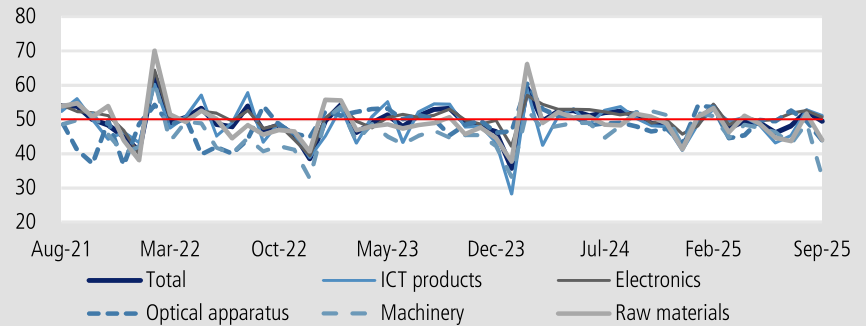
Taiwan export orders weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Order value-based diffusion index at 49.5 in October

Diffusion index by order type (value), percent

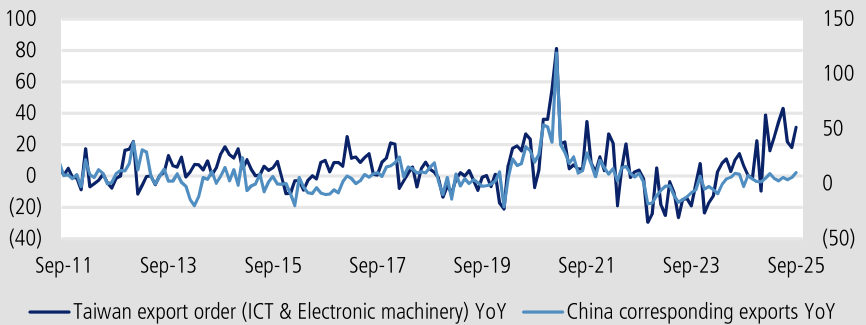


Note: Raw materials are chemicals, plastics & rubber products, base metals, and minerals

Source: Bloomberg; KGI Research

Figure 7: In September, orders for ICT & electronic machinery with a high overseas production ratio increased, while corresponding China exports ticked up

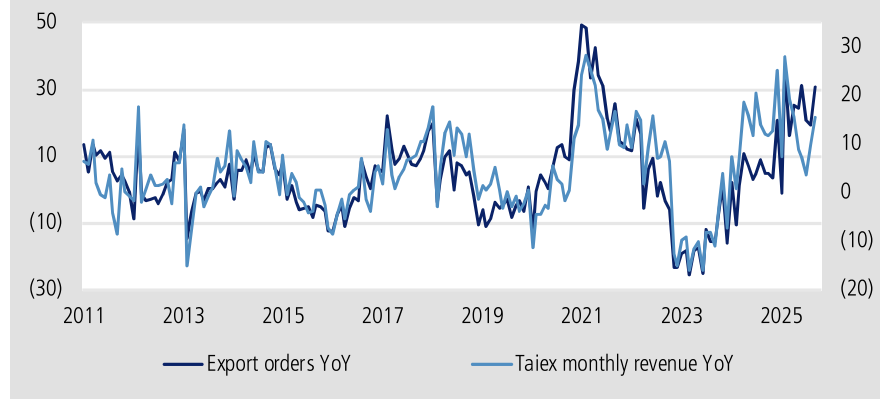
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); corresponding China exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 8: Export orders & Taixex revenue growth both increased

Taiwan export orders YoY, percent (LHS); Taixex monthly revenue growth YoY, percent (RHS)



Source: Bloomberg; KGI Research

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

Date	Major event	Possible effect
10/28-29	FOMC Meeting	A possible rate cut; however, market reaction may be muted.
10/29-30	BOJ Meeting	Rates likely to remain unchanged; market awaits next potential hike.
10/30	ECB Meeting	Rates expected to stay unchanged; market believes the current easing cycle may be over.
Late October	CPC Politburo Meeting (China)	Potential announcement of stronger stimulus to counter economic slowdown; however, scale and impact may be limited, with only short-term effect on equities.
11/22-25	20th G20 Summit	President Trump may not attend, highlighting diplomatic tensions with South Africa.
12/9-10	FOMC Meeting	Another rate cut possible; market will focus on Fed's guidance for 2026 easing path, which could provide further support to risk assets.
12/18-19	BOJ Meeting	Market expects a rate hike, though we believe it may be postponed to the next meeting.
December	Central Economic Work Conference (China)	Will set the tone for 2026 economic growth targets.
4Q	US Supreme Court ruling on Trump's trade war legality	Regardless of the outcome, Trump has incentive to ease trade tensions ahead of midterm elections. If Trump's tariff policies are ruled against, other tariff mechanisms may introduce new uncertainties.

Source: KGI Research

Figure 10: Key economic data - US

Indicators		Units	2021	2022	2023	2024	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
GDP	GDP QoQ SAAR	QoQ %, SAAR							1.9			(0.6)			3.8			
	GDP YoY	YoY %	6.2	2.5	2.9	2.8			2.4			2.0			2.1			
Consumer prices	CPI	YoY %	4.7	8.0	4.1	3.0	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	3.2	3.3	3.1	2.8	2.8	2.8	2.9	3.1	3.1	
	PCE price index	YoY %	4.1	6.5	3.8	2.6	2.5	2.6	2.7	2.6	2.7	2.4	2.3	2.5	2.6	2.6	2.7	
	Core PCE index	YoY %	3.6	5.3	4.2	2.9	3.0	3.0	3.0	2.8	3.0	2.7	2.6	2.8	2.8	2.9	2.9	
Labor market	Labor force participation rate	%	62.0	62.3	62.5	62.5	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	4.2	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	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	(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)	51	27	11	(40)	103	205	63	47	(2)	140	13	(26)
	Opening/ hiring	x	1.56	1.75	1.58	1.43	1.42	1.51	1.40	1.45	1.39	1.32	1.32	1.41	1.40	1.38	1.41	
	Avg. hourly earnings	YoY %	5.0	4.9	4.1	4.0	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)	(0.4)	(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)	4.8	(5.1)	(3.4)	3.5	(0.1)	9.8	2.6	17.5	12.6	3.7	5.4	
	Core capital goods orders	YoY %	13.4	8.6	(2.5)	(0.6)	0.2	(1.1)	1.9	3.3	(0.9)	2.2	0.5	2.2	4.5	4.5	2.9	
	Total business inventory/ sales ratio	x	1.29	1.36	1.41	1.40	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	1.58	1.57	1.57	1.56		
	Retail inventory/ sales ratio	x	1.14	1.23	1.27	1.31	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	46.9	48.4	49.2	50.9	50.3	49.0	48.7	48.5	49.0	48.0	48.7	49.1
	ISM non-manufacturing index	Point	62.4	56.1	52.7	52.4	55.8	52.5	54.0	52.8	53.5	50.8	51.6	49.9	50.8	50.1	52.0	50.0
	ISM manufacturing index: new orders	Point	64.3	51.6	46.0	48.7	47.9	50.3	52.1	55.1	48.6	45.2	47.2	47.6	46.4	47.1	51.4	48.9
	Chicago Fed National activity Index	Point	0.38	0.00	(0.13)	(0.15)	(0.50)	(0.05)	0.36	(0.39)	0.36	0.13	(0.39)	(0.19)	(0.13)	(0.28)	(0.12)	
	Conference board leading index	YoY %	7.1	0.4	(7.5)	(4.8)	(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	1,428	1,508	1,480	1,460	1,454	1,481	1,422	1,394	1,393	1,362	1,330	
	Housing starts	'000, SAAR	1,603	1,552	1,421	1,371	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	621	675	718	662	642	660	706	627	676	664	800	
	Existing home sales	mn, SAAR	6.1	5.1	4.1	4.1	4.0	4.2	4.3	4.1	4.3	4.0	4.0	4.0	3.9	4.0	4.0	
	NAHB housing market index	Point, SA	81	59	44	45	43	46	46	47	42	39	40	34	32	33	32	32
	S&P/Case-Shiller 20-city composite home price index	YoY %	18.7	4.9	6.4	4.6	4.3	4.4	4.6	4.8	4.5	4.1	3.4	2.8	2.1	1.8		
Consumption	Personal expenditures	YoY %, SA	8.8	3.0	2.6	2.9	3.3	3.2	3.6	3.3	2.7	3.2	3.1	2.5	2.5	2.5	2.7	
	Retail sales	YoY %	18.1	9.1	3.5	2.6	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	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	16.0	16.5	16.8	15.6	16.0	17.8	17.3	15.7	15.3	16.4	16.1	16.4
	Conference board consumer confidence	Point	112.7	104.5	105.4	104.5	109.6	112.8	109.5	105.3	100.1	93.9	85.7	98.4	95.2	98.7	97.8	94.2
	Michigan Consumer Sentiment Index	Point	77.6	59.0	65.4	72.5	70.5	71.8	74.0	71.7	64.7	57.0	52.2	52.2	60.7	61.7	58.2	55.1
Fiscal	Budget balance	As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(6.9)	(7.1)	(6.9)	(7.2)	(7.2)	(7.0)	(6.8)	(6.7)	(6.3)	(6.4)	(6.2)	(5.8)
Int'l balance	Current account balance	As % of GDP	(3.7)	(3.8)	(3.3)	(4.1)			(4.0)			(4.5)			(4.4)			
	Net foreign securities transactions	US \$bn	907	1,321	1,005	772	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	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.25
	10-Year treasury yield	%	1.51	3.87	3.88	4.57	4.28	4.17	4.57	4.54	4.21	4.21	4.16	4.40	4.23	4.37	4.23	4.15
	Dollar index	Point	95.7	103.5	101.3	108.5	104.0	105.7	108.5	108.4	107.6	104.2	99.5	99.3	96.9	100.0	97.8	97.8

Source: Bloomberg; KGI Research

Figure 11: Key economic data - Taiwan

Indicators	Units	2021	2022	2023	2024	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
GDP	GDP YoY	YoY %	6.7	2.7	1.1	4.8			3.8		5.5			8.0			
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	1.7	2.1	2.1	2.7	1.6	2.3	2.0	1.5	1.4	1.5	1.6
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.6	1.7	1.7	2.3	1.0	1.7	1.7	1.6	1.5	1.7	1.8
Labor market	Unemployment rate	%	3.7	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.4	
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)	11.6	8.9	10.6	19.8	4.9	18.2	12.8	23.7	22.1	18.3	18.7	14.4
	Markit Taiwan manufacturing PMI	Point			46.3	50.9	50.2	51.5	52.7	51.1	51.5	49.8	47.8	48.6	47.2	46.2	47.4
	NDC monitoring light signal						Yellow-red	Yellow-red	Red	Yellow-red	Yellow-red	Yellow-red	Yellow-red	Green	Green	Green	Green
	NDC monitoring indicators	Point	39.0	24.2	14.4	34.0	32.0	34.0	38.0	35.0	37.0	35.0	33.0	31.0	29.0	29.0	30.0
	NDC composite leading index	YoY %	4.7	(3.2)	(1.5)	2.4	9.4	9.3	9.1	8.9	8.3	7.4	6.4	5.5	4.8	4.4	4.3
	NDC composite coincident index	YoY %	8.6	(1.4)	(9.4)	4.4	10.0	10.5	11.2	12.0	13.0	13.9	14.5	14.9	15.0	15.1	15.3
Consumption	Retail sales	YoY %	3.3	7.4	9.7	3.3	(0.5)	2.2	3.1	5.5	(3.8)	0.4	(0.6)	(1.4)	(2.9)	(3.6)	0.4
Trade	Exports	US\$bn	446.6	479.7	432.6	475.3	41.3	41.1	43.6	38.7	41.3	49.6	48.7	51.7	53.3	56.7	58.5
	Imports	US\$bn	381.3	428.1	352.1	394.7	34.4	33.2	37.5	28.7	34.8	42.6	41.5	39.1	41.3	42.3	41.7
	Trade balance	US\$bn	65.3	51.6	80.5	80.5	6.9	7.9	6.1	10.0	6.6	7.0	7.2	12.6	12.1	14.3	16.8
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	8.4	9.6	9.1	4.4	31.4	18.6	29.9	38.6	33.7	42.0	34.1
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	5.9	19.6	30.2	(17.2)	47.4	28.7	32.9	24.8	17.2	20.5	29.5
	Export orders	US\$bn	674.1	666.8	561.0	589.5	55.5	52.3	52.9	47.9	51.6	54.9	59.0	60.7	59.7	60.4	60.0
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	4.9	3.3	20.8	(1.1)	36.7	16.3	25.2	24.2	31.0	20.8	19.5
Monetary & financial	M1B	YoY %	12.8	4.1	3.1	4.0	4.9	4.6	4.0	4.4	3.1	1.8	1.9	2.0	2.4	2.9	4.5
	M2	YoY %	8.0	7.1	5.3	5.5	5.8	5.5	5.5	5.5	5.2	4.4	3.9	3.3	3.5	3.4	4.8
	Foreign reserves	US\$bn	548.4	554.9	570.6	576.7	576.9	578.0	576.7	577.6	577.6	578.0	582.8	593.0	598.4	597.9	597.4
	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	30.7	32.8	32.0	32.5	32.8	32.7	32.8	33.2	32.0	29.9	29.6	29.9	30.6

Source: Bloomberg; KGI Research

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