

November export orders

Export orders resumed expected YoY growth in November; we project 2024F export orders to grow in the mid-to-high single digits

Key message

1. November export orders were up 1.0% YoY, missing our forecast of 4.2% growth YoY. Order growth from major products improved; downstream electronics outperformed.
2. Orders from the ASEAN improved the most, while orders from Japan experienced the worst decline.
3. Export orders resumed expected YoY growth in November; we project 2024F export orders to grow in the mid-to high single digits.

November export orders up 1.0% YoY; missing our forecast of 4.2% YoY

Taiwan export orders totaled US\$50.63bn in November, down 4.2% MoM (down 5.4% seasonally-adjusted), but up 1.0% YoY, returning to growth after 14 consecutive months of YoY contractions. However, the figure was below our forecast of 4.2% YoY growth and the consensus of a 5.2% YoY growth (see Figure 1).

Improved order growth for major products; electronics outperformed

Among major products, ICT orders declined 7.4% MoM, but were up 10.0% YoY to US\$16.2bn in November, resuming YoY growth after 9 consecutive months of contractions, on a low base due to lockdowns in China last year, and improved handset and server orders on higher computing performance requirements and AI demand. November electronics orders rose by 3.5% YoY to US\$17.8bn, ending 12 straight months in negative territory, on growing orders for IC design and semiconductor sales distribution. Anemic demand for end-products and continued inventory adjustments in supply chains resulted in slower orders for semiconductors and PCB, partially offsetting this growth. Optical instrument orders grew 9.8% YoY to US\$1.67bn, mainly as TV panel prices were higher than in November last year, while orders for optical lenses also rose. Orders for base metals retreated by 0.3% YoY, attributable to a slower global economy and sluggish steel demand. Nevertheless, inventory replenishment from clients was boosted as steel prices rebounded recently, narrowing the contraction from 5.4% in October. Contraction of plastics and rubber orders widened to 10.2% YoY on sluggish end consumer demand, conservative order placement from downstream clients, and as overseas competitors have ramped up new capacity, lower prices than last year. Chemicals orders faced the same headwinds, though the contraction narrowed to 7.9% YoY from 11.5% YoY in October. Machinery orders slipped by 12.5% YoY, as manufacturers remained conservative on capex due to murky global economic prospects and weak end demand (see Figures 2 & 3).

Among major regions, orders from the ASEAN improved the most, while orders from Japan experienced the worst decline

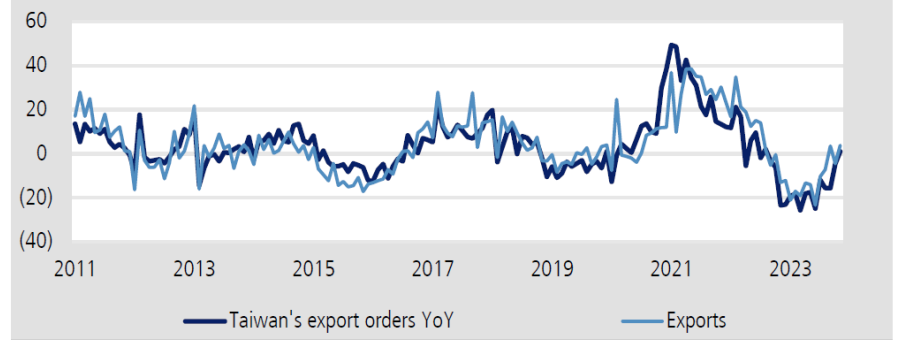
Orders from the US fell 2.4% YoY in November, with electronics exports down by US\$210mn. Orders from China and Hong Kong grew 8.8% YoY, with electronics orders registering the largest increase, at US\$ 930mn (up 18.7%), while plastics/ rubber orders fell US\$120mn, down 21.2% YoY, partially offsetting overall growth. Contraction for orders from Europe narrowed to down 21.1% YoY, with ICT down the most at 23.2% YoY. Orders from the ASEAN grew by 69.4% YoY, with ICT orders up the most, at 381.1% YoY, while total orders from Japan were down 29.0% YoY, with ICT orders declining the most, by 31.2% YoY to US\$270mn (see Figures 4 & 5).

Outlook – Export orders resumed expected YoY growth in November; we project 2024F export orders to grow in the mid-to high single digits

November export orders resumed YoY growth as global manufacturing activities bottomed out, coupled with the seasonal retail boom. However, the figure was below our expectation of 4.2% growth. The Taiwan household-based diffusion index is at 44.7 in December, while the order value-based diffusion index is at 47.8, slightly slower than last month (see Figure 6). End demand did not meaningfully rebound amid a slowing global economy, leading to a more languid recovery in the manufacturing sector. We expect December export orders to be bolstered by pull-in demand from companies prior to the Lunar New Year. Regarding 2024F, we expect export orders to benefit from increased global manufacturing, achieving growth in the mid-to-high single digits.

Figure 1: November export orders were up 1.0% YoY, resuming YoY growth

Taiwan YoY growth in export orders and exports, percent



Source: Bloomberg; KGI Research

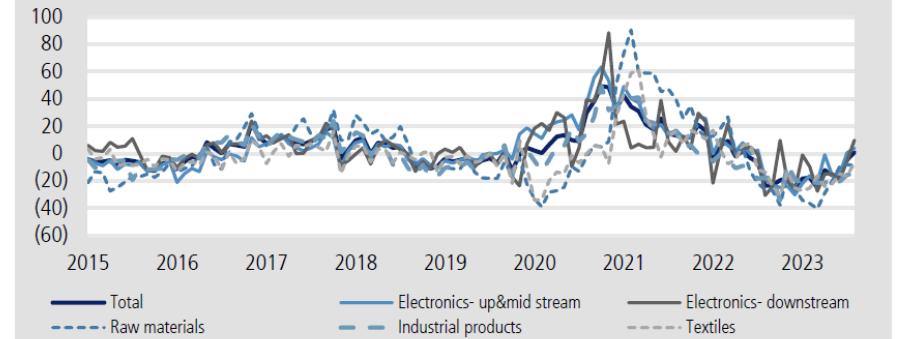
Figure 2: Main order categories

	Nov-23			From Jan-23 to Nov-23		
	Value (US\$b)	MoM (%)	YoY (%)	Value (US\$b)	Weighting (%)	YoY (%)
ICT	16.2	(7.4)	10.0	153.7	29.7	(11.4)
Electronics	17.8	(5.4)	3.5	174.9	33.8	(15.3)
Optics	1.7	(0.1)	9.8	17.5	3.4	(15.3)
Base metals	2.1	4.5	(0.3)	23.0	4.4	(22.3)
Machinery	1.6	8.0	(12.5)	17.6	3.4	(20.8)
Plastics/rubber	1.5	(1.7)	(10.2)	17.2	3.3	(26.7)
Chemicals	1.4	6.2	(7.9)	15.9	3.1	(26.8)
Total	50.6	(4.2)	1.0	517.2	100.0	(15.8)

Source: Bloomberg; KGI Research

Figure 3: Order growth from major products improved; downstream electronics outperformed

YoY order growth (by category), percent

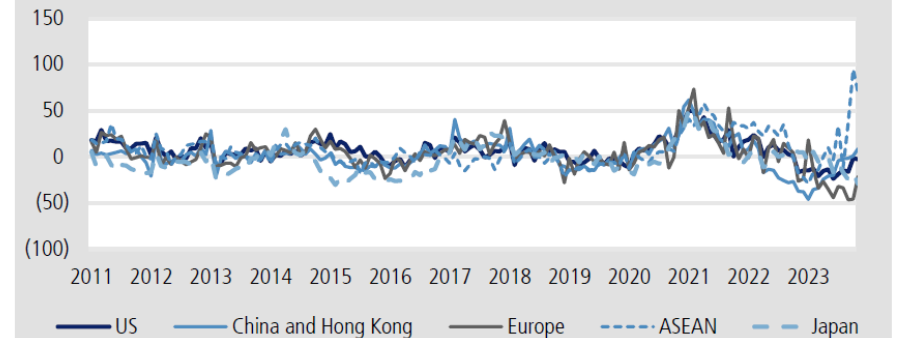


Note: Midstream/ upstream electronics comprises electronic products and optical apparatus; downstream electronics are information and communication categories; raw materials comprises chemicals, plastics/ rubber products, base metals and minerals; industrial products are machinery, electrical machinery products and transport equipment

Source: Bloomberg; KGI Research

Figure 4: Largest order growth within ASEAN; Japan posted lowest growth

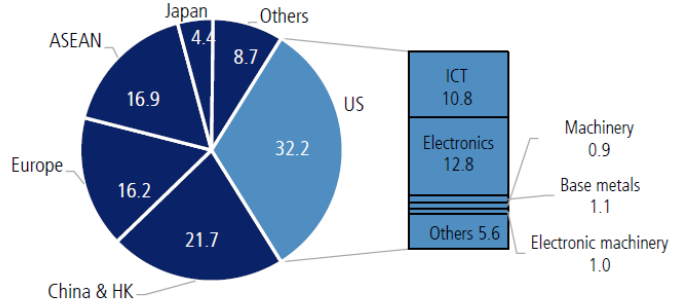
YoY order growth (by region), percent



Source: Bloomberg; KGI Research

Figure 5: Order weighting of ASEAN dipped, still larger than the eurozone

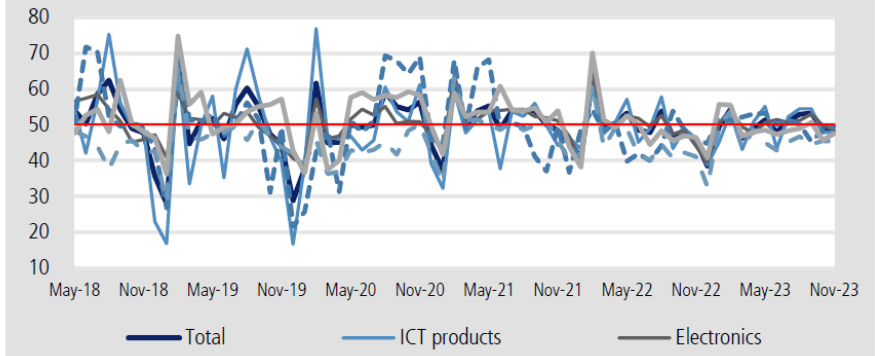
Order weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Diffusion index indicates December export orders will fall slightly MoM

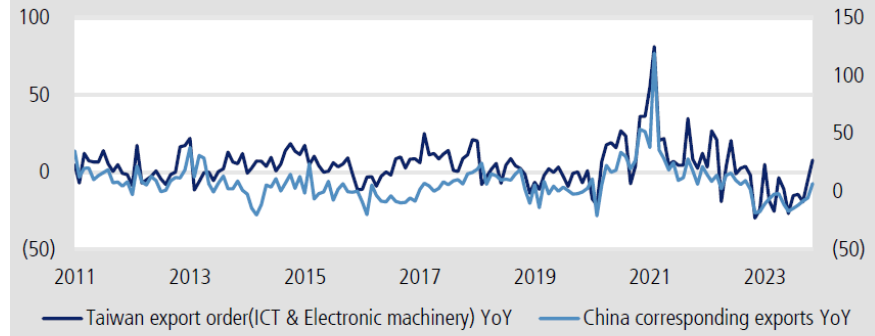
Diffusion index by order type (value), percent



Note: Raw materials include chemicals, plastic/rubber products, base metals, and minerals
Source: Bloomberg; KGI Research

Figure 7: Chinese corresponding exports improved YoY; orders for ICT & electronic machinery resumed growth in November

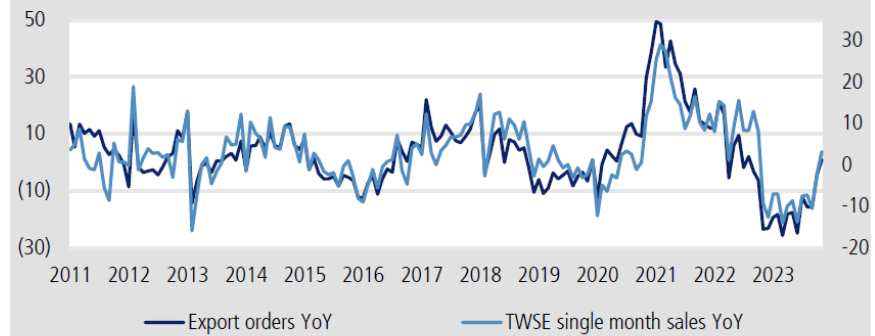
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); China corresponding exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 8: Export orders turned positive YoY, in line with YoY Taiex revenue uptrend

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
January 13	Taiwan presidential and legislative elections	The current ruling party will be able to maintain power, but the number of legislators will be less than half, which will be detrimental to the stability of governance and affect the risk premium of the stock market
January	People's Bank of China annual working conference	Should continue to emphasize the direction of monetary policy as in the Central Economic Work Conference at the end of 2023, but it will only have a short-term incentive effect on the market
January 23	US Democratic Party presidential primaries	Biden is still the first choice of the Democratic presidential candidate, but whether there will be concerns about age and other factors that will lead to the subsequent selection of a new candidate is the focus of observation throughout the primary election
January 25	ECB monetary policy meeting	There will have been no interest rate cut, but the meeting will give enough guidance on future rate cuts
March	China's Two Sessions	The tone of "maintaining stability" is expected to be repeated; more implementation details will be revealed
March 5	US presidential primaries Super Tuesday	The presidential candidates of both parties can be basically determined, and market uncertainties will ease, as will risk premium

Source: KGI Research

Figure 10: Key economic data, US

Indicators		Units	2020	2021	2022	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
GDP	GDP QoQ SAAR	QoQ %, SAAR				2.6			2.2			2.1			5.2		
	GDP YoY	YoY %	(2.2)	5.8	1.9	0.7			1.7			2.4			3.0		
Consumer prices	CPI	YoY %	1.2	4.7	8.0	6.5	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1
	Core CPI	YoY %	1.7	3.6	6.2	5.7	5.6	5.5	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0
	PCE price index	YoY %	1.1	4.2	6.5	5.4	5.5	5.2	4.4	4.4	4.0	3.2	3.4	3.4	3.4	3.0	
	Core PCE index	YoY %	1.3	3.6	5.2	4.9	4.9	4.8	4.8	4.8	4.7	4.3	4.3	3.8	3.7	3.5	
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.3	62.4	62.5	62.6	62.6	62.6	62.6	62.6	62.8	62.8	62.7	62.8
	Unemployment rate	%	8.1	5.4	3.6	3.5	3.4	3.6	3.5	3.4	3.7	3.6	3.5	3.8	3.8	3.9	3.7
	Non farm payrolls	'000	(8,289)	7,267	4,793	239	472	248	217	217	281	105	236	165	262	150	199
	Net Change in total employment in labor force	'000	(8,073)	6,120	4,793	717	894	177	577	139	(310)	273	268	222	86	(348)	747
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	129	440	410	319	176	287	25	(8)	267	58	9	(41)
	Opening/ hiring	x	1.07	1.57	1.74	1.80	1.67	1.62	1.61	1.69	1.54	1.54	1.53	1.62	1.58	1.48	
Economic activity & business condition	Avg. hourly earnings	YoY %	5.5	5.0	4.8	4.8	4.4	4.7	4.3	4.4	4.3	4.4	4.3	4.3	4.2	4.0	4.0
	Industrial production	YoY %	(7.2)	4.4	3.4	0.6	1.5	0.9	0.2	0.4	0.1	(0.4)	0.1	(0.0)	(0.2)	(1.0)	(0.4)
	Durable goods orders	YoY %	(4.6)	18.4	8.3	4.7	2.3	0.2	4.6	2.7	7.5	9.0	2.9	3.0	5.9	0.9	
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.0	5.6	2.7	1.9	1.0	3.2	1.4	0.4	0.6	0.5	0.8	
	Total business inventory/ sales ratio	x	1.44	1.29	1.34	1.39	1.37	1.38	1.40	1.40	1.40	1.40	1.39	1.37	1.36	1.37	
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.49	1.48	1.49	1.48	1.50	1.49	1.48	1.47	1.46	1.46	1.48	
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.30	1.27	1.28	1.30	1.29	1.30	1.30	1.30	1.30	1.30	1.30	
	ISM manufacturing index	Point	52.4	60.7	53.5	48.4	47.4	47.7	46.3	47.1	46.9	46.0	46.4	47.6	49.0	46.7	46.7
	ISM non-manufacturing index	Point	54.3	62.4	56.1	49.2	55.2	55.1	51.2	51.9	50.3	53.9	52.7	54.5	53.6	51.8	52.7
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	45.1	42.5	47.0	44.3	45.7	42.6	45.6	47.3	46.8	49.2	45.5	48.3
	Chicago Fed National activity Index	Point	(0.46)	0.40	(0.02)	(0.44)	0.40	(0.29)	(0.50)	0.09	(0.16)	(0.43)	0.18	(0.15)	(0.02)	(0.49)	
	Conference board leading index	YoY %	(4.6)	6.6	0.9	(6.0)	(6.0)	(6.8)	(7.9)	(8.1)	(7.9)	(7.9)	(7.5)	(7.6)	(7.8)	(7.6)	
	C&I Loans for large/medium - tightening lending standard	%	37.6	(15.1)	11.8		44.8			46.0				50.8			33.9
	C&I Loans for large/medium - stronger demand	%	(15.5)	(1.2)	12.4		(31.3)			(55.6)				(51.6)			(30.5)
Housing market	Building Permits	'000, SAAR	1,479	1,740	1,666	1,409	1,354	1,482	1,437	1,417	1,496	1,441	1,443	1,541	1,471	1,498	1,460
	Housing starts	'000, SAAR	1,397	1,606	1,551	1,357	1,340	1,436	1,380	1,348	1,583	1,418	1,451	1,305	1,356	1,359	1,560
	New home sales	'000, SAAR	833	769	637	636	649	625	640	679	710	683	728	662	719	679	
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.0	4.0	4.6	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.8	
	NAHB housing market index	Point, SA	70	81	59	31	35	42	44	45	50	55	56	50	44	40	34
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.3	18.6	4.8	4.8	2.8	0.6	(1.0)	(1.7)	(1.8)	(1.2)	0.1	2.2	4.0		
Consumption	Personal expenditures	YoY %, SA	(2.5)	8.4	2.5	1.3	2.3	2.3	1.7	1.6	1.8	2.1	2.6	2.2	2.2	2.2	
	Retail sales	YoY %	0.9	18.2	9.7	6.0	7.4	5.3	2.2	1.3	2.1	1.5	2.8	2.8	4.0	2.2	4.1
	Retail sales ex-autos	YoY %	1.7	17.2	11.3	7.2	8.4	6.4	2.5	1.6	1.4	0.5	1.7	2.4	3.4	2.0	3.6
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	13.3	15.7	14.9	14.8	15.9	15.1	15.7	15.7	15.0	15.7	15.5	15.3
	Conference board consumer confidence	Point	101.0	112.7	104.5	109.0	106.0	103.4	104.0	103.7	102.5	110.1	114.0	108.7	104.3	99.1	102.0
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	59.8	64.9	66.9	62.0	63.7	59.0	64.2	71.5	69.4	67.9	63.8	61.3
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(5.4)	(5.9)	(6.1)	(6.7)	(7.2)	(7.8)	(8.3)	(8.4)	(5.6)	(6.3)	(5.2)	(6.3)
	Current account balance	As % of GDP	(2.8)	(3.5)	(3.8)	(3.7)			(3.4)			(3.2)					
Int'l balance	Net foreign securities transactions	US \$bn	505	907	1,321	152.8	30.8	81.6	196.0	127.3	18.8	159.6	11.8	92.6	0.9	3.3	
	Federal funds rate	%	0.25	0.25	4.50	4.50	4.50	4.75	5.00	5.00	5.25	5.25	5.50	5.50	5.50	5.50	5.50
Monetary & financial	10-Year treasury yield	%	0.91	1.51	3.87	3.87	3.51	3.92	3.47	3.42	3.64	3.84	3.96	4.11	4.57	4.93	4.33
	Dollar index	Point	89.9	95.7	103.5	103.5	102.1	104.9	102.5	101.7	104.3	102.9	101.9	103.6	106.2	106.7	103.5

Source: Bloomberg; KGI Research

Figure 11: Key economic data, Taiwan

Indicators	Units	2020	2021	2022	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	
GDP	GDP YoY	YoY %	3.4	6.6	2.6	(0.7)			(3.5)			1.4					
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.7	3.1	2.4	2.4	2.4	2.0	1.8	1.9	2.5	2.9	3.1	2.9
	Core CPI	YoY %	0.7	1.9	2.7	2.7	3.0	2.6	2.6	2.7	2.6	2.6	2.7	2.6	2.5	2.5	2.4
Labor market	Unemployment rate	%	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.4	
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(11.5)	(23.6)	(10.0)	(16.0)	(22.6)	(15.7)	(17.3)	(15.5)	(10.8)	(6.9)	(2.3)	
	Markit Taiwan manufacturing PMI	Point		58.5	47.7	44.6	44.3	49.0	48.6	47.1	44.3	44.8	44.1	44.3	46.4	47.6	48.3
	NDC monitoring light signal					Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Yellow-blue	Blue
	NDC monitoring indicators	Point	24.3	39.0	24.2	12.0	11.0	10.0	11.0	11.0	12.0	13.0	15.0	15.0	17.0	16.0	
	NDC composite leading index	YoY %	(0.5)	4.6	(2.9)	(6.6)	(6.0)	(5.4)	(5.1)	(4.7)	(4.3)	(3.9)	(3.6)	(3.7)	(4.1)	(4.9)	
	NDC composite coincident index	YoY %	(0.7)	7.1	(1.1)	(12.0)	(13.5)	(14.4)	(14.7)	(14.3)	(13.3)	(11.8)	(9.9)	(7.6)	(5.0)	(2.3)	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	9.4	4.3	4.6	7.6	7.5	17.1	13.9	5.3	4.3	6.9	5.1	
Trade	Exports	US\$bn	345.2	446.6	479.7	35.8	31.5	31.1	35.2	36.0	36.1	32.3	38.7	37.4	38.8	38.1	37.5
	Imports	US\$bn	285.8	381.3	428.1	31.0	29.2	28.7	31.0	29.3	31.3	26.4	30.3	28.8	28.5	32.3	27.7
	Trade balance	US\$bn	59.4	65.3	51.6	4.8	2.3	2.4	4.2	6.7	4.9	6.0	8.5	8.6	10.3	5.8	9.8
	Export growth	YoY %	4.9	29.4	7.4	(12.2)	(21.2)	(17.1)	(19.1)	(13.3)	(14.1)	(23.4)	(10.4)	(7.3)	3.4	(4.5)	3.8
	Import growth	YoY %	0.1	33.4	12.3	(11.7)	(16.8)	(9.5)	(20.1)	(20.3)	(21.8)	(30.1)	(21.0)	(23.0)	(12.2)	(12.3)	(14.8)
	Export orders	US\$bn	533.7	674.1	666.8	52.2	47.5	42.1	46.6	42.5	45.7	44.2	47.7	46.0	51.4	52.9	
	Export order growth	YoY %	10.1	26.3	(1.1)	(23.2)	(19.3)	(18.3)	(25.7)	(18.1)	(17.6)	(24.9)	(12.0)	(15.7)	(15.6)	(4.6)	
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	4.1	2.7	2.0	2.0	2.7	3.3	2.4	3.7	2.9	2.8	3.3	
	M2	YoY %	8.5	8.0	7.1	7.1	6.7	6.8	6.6	6.7	6.6	5.9	6.9	6.5	6.0	5.7	
	Foreign reserves	US\$bn	529.9	548.4	554.9	554.9	557.1	558.4	560.3	561.1	562.9	564.8	566.5	565.5	564.0	561.1	567.5
	Rediscount rate	%	1.1	1.1	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
	Exchange rate	USD/TWD	28.3	27.7	30.7	30.7	30.0	30.5	30.5	30.7	30.8	31.1	31.4	31.9	32.3	32.4	31.3

Source: Bloomberg; KGI Research

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