

April export orders

Outlook – Export orders to climb by 6% YoY in May; diffusion indices suggest more electronics positives

Key message

1. April export orders were up 10.8% YoY, in line with our forecast of 10%, but above consensus of 6.1% YoY growth.
2. The electronics midstream & upstream outperformed the downstream; orders for raw materials & conventional industries returned to YoY growth, while orders for machinery (sensitive to macroeconomic factors) declined. Orders from major regions outside Europe & Japan resumed YoY growth, while YoY growth of orders from the ASEAN led the pack.
3. Outlook – Export orders to climb by 6% YoY in May; diffusion indices suggest more positives for electronics & electric plays, including electronic components, semiconductor, optoelectronics, electric machines, electronic appliances and cables, and other electrics.

April export orders were up 10.8% YoY, in line with our forecast of 10%, but beating consensus of 6.1% growth YoY

Taiwan export orders totaled US\$47.1bn in April, down 0.1% MoM, but up 5.7% QoQ when seasonally-adjusted, and up 10.8% YoY, in line with our forecast of 10% growth YoY, but beating consensus of 6.1% YoY growth (see Figure 1).

The electronics midstream & upstream outperformed the downstream; orders for raw materials & conventional industries returned to YoY growth, while orders for machinery (sensitive to macroeconomic factors) declined

Among major products, ICT orders dipped by 1.8% MoM, but were up 8.4% YoY, to US\$13.05bn in April, on robust demand from AI applications and the cloud industry, boosting server orders, while orders for graphics cards also rose YoY. April electronics orders were up by 3.6% MoM, 22.7% YoY to US\$17.1bn, on solid demand for high power computing and AI, increasing orders for wafer distributors, foundries and PCB. Optical instrument orders were up by 13.5% YoY to US\$1.66bn, as prices for large-sized panels remained high. Rising orders for TV panels and optical lenses also contributed to order growth. Order contractions for raw materials over the past few months saw a cessation. Base metal orders were up 3.5% YoY in April, boosted by inventory replenishment from clients. Plastics and rubber orders still slumped MoM, but grew 4.2% YoY on inventory replenishment by downstream clients, while product prices were bolstered by the rising cost of raw materials. Chemicals orders were also down MoM, but up by 8.0% YoY, as prices of petrochemicals were boosted by rising oil prices. Inventory replenishment and rising drug orders also led to growth. April machinery orders slumped by 3.4% YoY, as the global macroeconomic outlook remains unsettled, resulting in conservative equipment investment by businesses. However, orders for semiconductor equipment edged up, partially offsetting the decline (see Figures 2 & 3).

Orders from major regions outside Europe & Japan resumed YoY growth; YoY growth of orders from the ASEAN led the pack

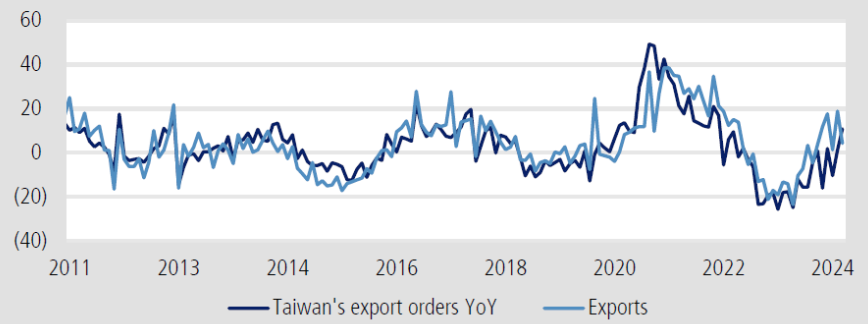
Orders from the US were up 11.8% YoY in April, with electronics up the most, by 35.8%, or US\$1.58bn. Orders from China and Hong Kong were up 16.3% YoY, with electronics orders up the most, by 28.5%, or US\$1.29bn. Orders from Europe were down by 0.2% YoY, with orders for transportation equipment and machinery down the most, by a respective 15.1% and 14.9% YoY. Orders from the ASEAN and Japan were up 22.5% YoY and down 10.5% YoY, respectively (see Figures 4 & 5).

Outlook – Export orders to climb by 6% YoY in May; diffusion indices suggest more positives for electronics & electric plays

April export orders still saw bright spots in the market. However, we currently believe the global economy is about to enter a downtrend as the US economy, the strongest in the world, has slowed down. Hence, growth of the Taiwanese export order will be weighed on, as other major regions will be unable to buck the trend. The Taiwan household-based diffusion index was at 51.2 in May, while the order value-based diffusion index was at 52.4 (see Figure 6). We believe export orders will climb by 6% YoY in May, with YoY growth underperforming April. Judging by diffusion indices (by category), the figures suggest more positives to export orders for electronics and electric machine products in May, benefiting plays including electronic components, semiconductors, optoelectronics, electric machines, electronic appliances and cables, and other electrics.

Figure 1: April export orders up 10.8% YoY

Taiwan YoY growth of export orders & exports, percent



Source: Bloomberg, KGI Research

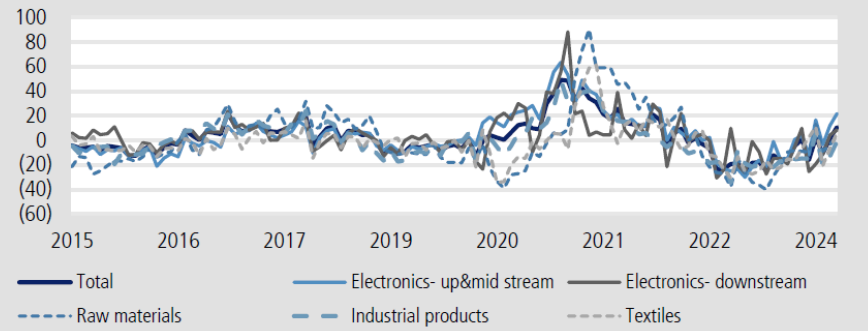
Figure 2: Main order categories

	Apr-24			From Jan-24 to Apr-24		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	13.0	(1.8)	8.4	50.7	28.1	(5.7)
Electronics	17.1	3.6	22.7	64.3	35.6	11.7
Optics	1.7	(3.1)	13.5	6.4	3.5	13.8
Base metals	2.2	0.3	3.5	8.5	4.7	(0.7)
Machinery	1.6	(4.6)	(3.4)	6.2	3.4	(6.4)
Plastics/rubber	1.6	(2.2)	4.2	6.3	3.5	(0.3)
Chemicals	1.5	(3.3)	8.0	6.0	3.3	1.9
Total	47.1	(0.1)	10.8	180.4	100.0	1.0

Source: Bloomberg, KGI Research

Figure 3: The electronics midstream & upstream outperformed the downstream; orders for raw materials & conventional industries resumed YoY growth, while orders for machinery (sensitive to macroeconomic factors) declined

YoY order growth (by category), percent

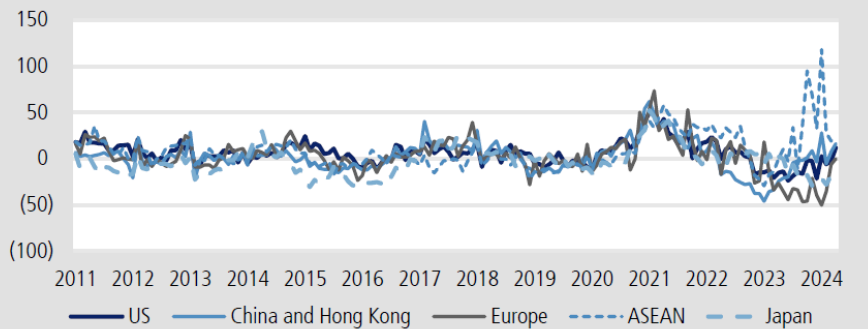


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastics/ rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg, KGI Research

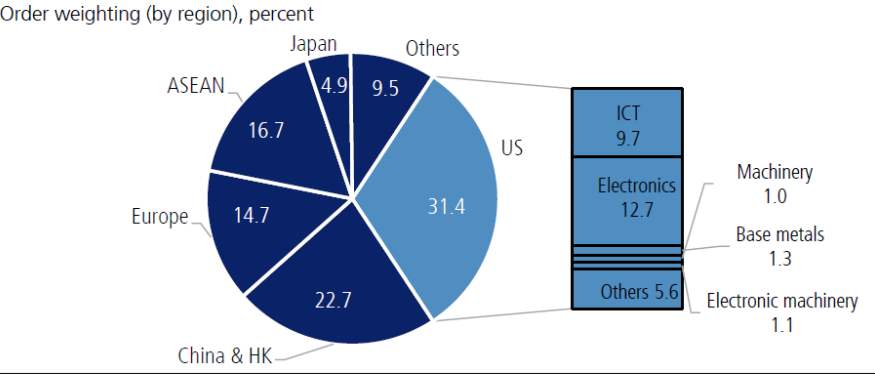
Figure 4: Orders from major regions outside Europe & Japan resumed YoY growth

YoY order growth (by region), percent



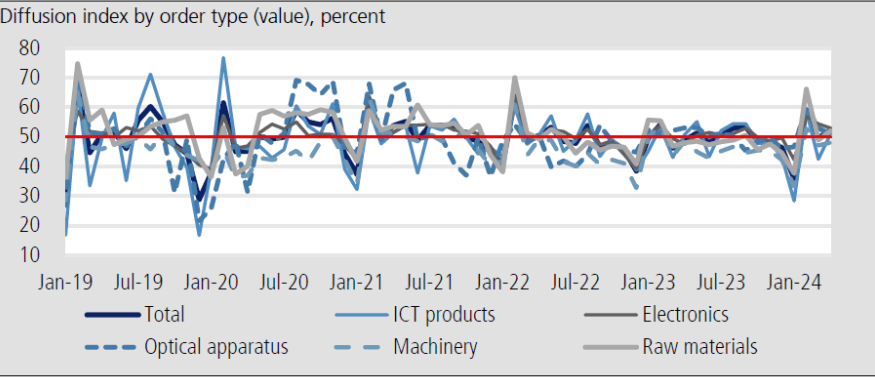
Source: Bloomberg, KGI Research

Figure 5: Order weighting of the ASEAN continued to rise, while changes in other regions were relatively small



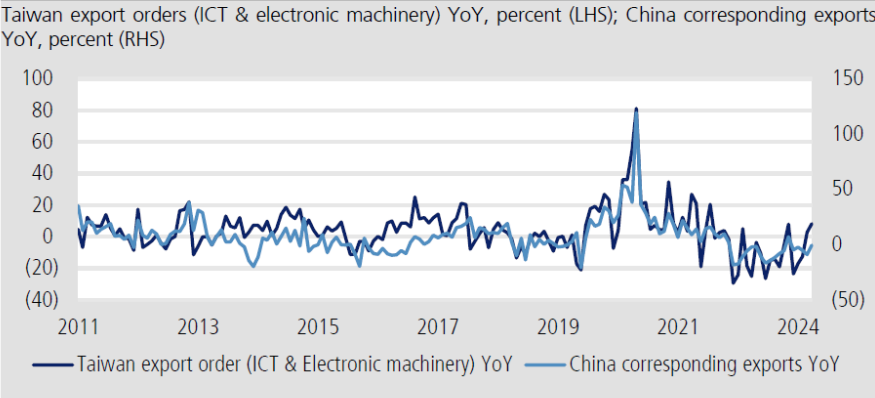
Source: Bloomberg; MOEA; KGI Research

Figure 6: Diffusion index suggests May export orders will be up MoM & YoY



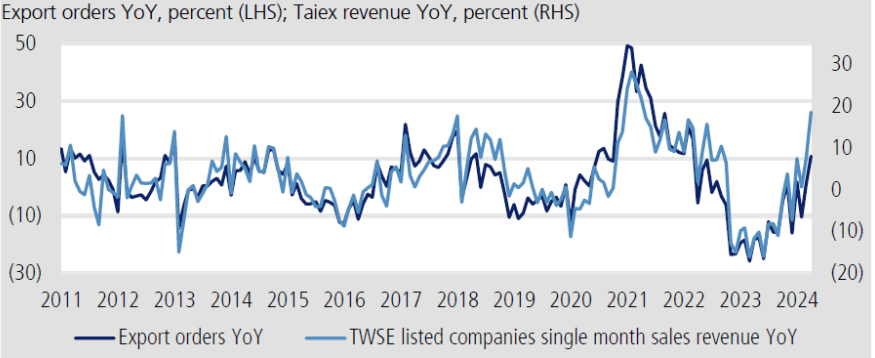
Note: Raw materials include chemicals, plastic/rubber products, base metals, and minerals
Source: Bloomberg; KGI Research

Figure 7: ICT & electronic machinery continued to recover MoM in April, in line with the trend of China corresponding exports



Source: Bloomberg; KGI Research

Figure 8: Export orders YoY growth rose, in line with YoY Taiex revenue uptrend



Source: Bloomberg; KGI Research

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

Date	Major event	Possible effect
June 6	ECB Monetary Policy Meeting	The ECB will announce the first interest rate cut of a cycle, and the market will be concerned about the pace of subsequent interest rate cuts.
June 11-12	Fed FOMC Meeting	The probability of an interest rate cut has dropped sharply of late, and the market currently predicts that the Fed's first interest rate cut will be postponed to September.

Source: KGI Research

Figure 10: Key economic data, US

Indicators		Units	2020	2021	2022	2023	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	
GDP	GDP QoQ SAAR	QoQ % SAAR					2.1				4.9			3.4				1.6	
	GDP YoY	YoY %	(2.2)	5.8	1.9	2.5	2.4				2.9			3.1				3.0	
Consumer prices	CPI	YoY %	1.2	4.7	8.0	4.1	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4	3.1	3.2	3.5	3.4	
	Core CPI	YoY %	1.7	3.6	6.2	4.8	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.6	
	PCE price index	YoY %	1.1	4.2	6.5	3.7	4.0	3.2	3.3	3.3	3.4	2.9	2.7	2.6	2.5	2.5	2.5	2.7	
	Core PCE index	YoY %	1.3	3.6	5.2	4.1	4.7	4.3	4.2	3.7	3.6	3.4	3.2	2.9	2.9	2.8	2.8	2.8	
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.5	62.6	62.6	62.6	62.8	62.8	62.7	62.8	62.5	62.5	62.5	62.7	62.7	
	Unemployment rate	%	8.1	5.4	3.6	3.6	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7	3.9	3.8	3.9	
	Non farm payrolls	'000	(9,274)	7,245	4,528	3,013	303	240	184	210	246	165	182	290	256	236	315	175	
	Net Change In total employment in labor force	'000	(8,856)	6,135	4,528	3,013	(255)	297	205	291	50	(270)	586	(683)	(31)	(184)	498	25	
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	287	25	(8)	267	58	9	(41)	(20)	(20)	9	1	(3)	
	Opening/ hiring	x	1.07	1.56	1.75	1.58	1.51	1.55	1.54	1.59	1.59	1.49	1.60	1.54	1.54	1.52	1.54		
	Avg. hourly earnings	YoY %	5.4	5.0	4.9	4.3	4.6	4.7	4.7	4.5	4.5	4.3	4.3	4.3	4.4	4.3	4.1	3.9	
Economic activity & business condition	Industrial production	YoY %	(7.2)	4.4	3.4	0.2	0.1	(0.4)	0.1	(0.1)	(0.2)	(0.8)	(0.2)	1.1	(0.7)	0.1	0.1	(0.4)	
	Durable goods orders	YoY %	(4.6)	18.4	8.2	4.4	7.5	9.0	2.9	3.0	5.9	0.7	10.0	3.4	(0.9)	4.5	(2.3)		
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.7	3.2	1.4	0.4	0.6	0.5	0.8	1.4	0.8	(0.2)	3.2	(1.0)		
	Total business inventory/ sales ratio	x	1.44	1.28	1.34	1.37	1.38	1.39	1.38	1.36	1.35	1.37	1.36	1.37	1.38	1.37	1.37		
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.48	1.49	1.49	1.48	1.46	1.46	1.49	1.48	1.48	1.49	1.47	1.47		
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.27	1.27	1.28	1.27	1.27	1.27	1.28	1.28	1.28	1.30	1.29	1.29		
	ISM manufacturing index	Point	52.4	60.6	53.5	47.1	46.6	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2	
	ISM non-manufacturing index	Point	54.3	62.4	56.1	52.8	51.0	53.6	52.8	54.1	53.4	51.9	52.5	50.5	53.4	52.6	51.4	49.4	
	ISM manufacturing index new orders	Point	53.9	64.3	51.6	46.0	42.9	45.7	47.0	46.4	48.6	46.2	47.8	47.0	52.5	49.2	51.4	49.1	
	Chicago Fed National activity Index	Point	(0.46)	0.40	(0.03)	(0.12)	(0.16)	(0.39)	0.17	(0.25)	0.00	(0.61)	0.22	(0.12)	(0.81)	0.09	0.15		
	Conference board leading index	YoY %	(4.7)	7.1	0.4	(7.7)	(8.2)	(8.1)	(7.8)	(7.9)	(8.1)	(8.1)	(7.6)	(7.2)	(7.2)	(6.4)	(5.5)	(5.4)	
	C&I Loans for large/medium - tightening lending standard	%	37.6	(15.1)	11.8	43.9			50.8				33.9			14.5			15.6
	C&I Loans for large/medium - stronger demand	%	(15.5)	(1.2)	12.4	(42.3)			(51.6)				(30.5)			(25.0)			(26.6)
Housing market	Building Permits	'000, SAAR	1,478	1,738	1,682	1,518	1,532	1,493	1,501	1,578	1,515	1,534	1,508	1,530	1,508	1,563	1,485	1,440	
	Housing starts	'000, SAAR	1394	1,605	1,552	1,421	1,583	1,415	1,473	1,305	1,363	1,365	1,510	1,568	1,376	1,546	1,287	1,360	
	New home sales	'000, SAAR	833	769	637	667	710	683	728	654	698	670	609	654	671	637	693		
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.1	4.2	4.1	4.1	4.0	4.0	3.9	3.9	3.9	4.0	4.4	4.2		
	NAHB housing market index	Point, SA	70	81	59	44	50	55	56	50	44	40	34	37	44	48	51	51	
Consumption	S&P/Case-Shiller 20-city composite home price index	YoY %	10.4	18.6	4.9	6.2	(1.8)	(1.3)	0.1	2.2	4.0	5.0	5.5	6.2	6.6	7.3			
	Personal expenditures	YoY % SA	(2.5)	8.4	2.5	2.2	1.8	2.1	2.5	2.0	2.1	2.1	2.9	3.3	1.9	2.3	3.1		
	Retail sales	YoY %	0.8	18.2	9.1	3.6	2.2	1.6	2.9	3.0	4.2	2.7	4.0	5.5	0.3	2.1	3.8	3.0	
	Retail sales ex-autos	YoY %	1.5	17.3	10.6	3.4	1.5	0.7	1.9	2.7	3.7	2.6	3.6	4.6	0.9	2.0	4.0	3.6	
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	15.1	15.7	15.7	15.0	15.7	15.5	15.3	15.8	15.0	15.8	15.5	15.7	
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.4	102.5	110.1	114.0	108.7	104.3	99.1	101.0	108.0	110.9	104.8	103.1	97.0	
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	59.0	64.2	71.5	69.4	67.9	63.8	61.3	69.7	79.0	76.9	79.4	77.2	
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(7.8)	(8.3)	(8.4)	(5.6)	(6.3)	(5.2)	(6.3)	(6.5)	(6.3)	(6.4)	(5.9)	(5.7)	
	Current account balance	As % of GDP	(2.8)	(3.5)	(3.8)	(3.0)		(3.2)			(3.0)			(2.9)					
Int'l balance	Net foreign securities transactions	US \$bn	505	907	1,321	1,006	16.8	195.2	12.9	91.2	15.5	(25.6)	99.1	148.3	23.2	62.9	100.5		
	Federal funds rate	%	0.25	0.25	4.50	5.50	5.25	5.25	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	
Monetary & financial	10-Year treasury yield	%	0.91	1.51	3.87	3.88	3.64	3.84	3.96	4.11	4.57	4.93	4.33	3.88	3.91	4.25	4.20	4.68	
	Dollar index	Point	89.9	95.7	103.5	101.3	104.3	102.9	101.9	103.6	106.2	106.7	103.5	101.3	103.3	104.2	104.5	106.2	

Source: Bloomberg; KGI Research

Figure 11: Key economic data, Taiwan

Indicators	Units	2020	2021	2022	2023	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	
GDP	GDP YoY	YoY %	3.4	6.6	2.6	1.3		1.4		2.2			4.9				6.5	
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	2.0	1.8	1.9	2.5	2.9	3.0	2.9	2.7	1.8	3.1	2.2	2.0
	Core CPI	YoY %	0.7	1.9	2.7	2.4	2.6	2.6	2.7	2.6	2.5	2.5	2.4	2.4	1.7	2.9	2.1	1.8
Labor market	Unemployment rate	%	3.8	3.7	3.6	3.4	3.5	3.4	3.4	3.4	3.5	3.4	3.4	3.4	3.4	3.4	3.4	
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(12.5)	(16.0)	(17.2)	(15.4)	(10.7)	(6.7)	(2.2)	(1.8)	(3.8)	15.6	(1.3)	4.0	
	Markit Taiwan manufacturing PMI	Point			47.7	46.3	44.3	44.8	44.1	44.3	46.4	47.6	48.3	47.1	48.8	48.6	49.3	50.2
	NDC monitoring light signal						Blue	Blue	Blue	Blue	Yellow-blue	Blue	Yellow-blue	Yellow-blue	Green	Green	Green	
	NDC monitoring indicators	Point	24.3	39.0	24.2	14.4	12.0	13.0	15.0	15.0	17.0	16.0	20.0	22.0	27.0	29.0	30.0	
	NDC composite leading index	YoY %	(0.5)	4.7	(3.0)	(1.0)	(4.1)	(3.7)	(3.2)	(3.0)	(2.9)	(2.8)	(2.9)	(3.0)	(3.2)	(3.3)	(3.0)	
	NDC composite coincident index	YoY %	(1.1)	8.2	(1.1)	(6.8)	(13.3)	(12.0)	(10.3)	(8.3)	(6.2)	(4.1)	(2.0)	(0.2)	1.4	2.6	3.5	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	6.9	17.1	13.9	5.3	4.3	6.9	5.1	7.2	1.1	0.3	9.3	0.7	
Trade	Exports	US\$bn	345.2	446.6	479.7	432.6	36.1	32.3	38.7	37.4	38.8	38.1	37.5	39.9	37.2	31.4	41.8	37.5
	Imports	US\$bn	285.8	381.3	428.1	352.1	31.3	26.4	30.3	28.8	28.5	32.3	27.7	28.8	34.7	23.6	33.1	31.0
	Trade balance	US\$bn	59.4	65.3	51.6	80.5	4.9	6.0	8.5	8.6	10.3	5.8	9.8	11.1	2.5	7.9	8.7	6.5
	Export growth	YoY %	4.9	29.4	7.4	(9.8)	(14.1)	(23.4)	(10.4)	(7.3)	3.4	(4.6)	3.7	11.7	17.7	1.3	18.9	4.3
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(22.0)	(30.2)	(21.1)	(23.0)	(12.2)	(12.4)	(15.0)	(6.8)	19.0	(17.9)	7.1	6.6
	Export orders	US\$bn	533.7	674.1	666.8	561.0	45.7	44.2	47.7	46.0	51.4	52.9	50.6	43.8	48.4	37.7	47.2	47
	Export order growth	YoY %	10.1	26.3	(1.1)	(15.9)	(17.6)	(24.9)	(12.0)	(15.7)	(15.6)	(4.6)	1.0	(16.0)	1.9	(10.4)	1.2	10.8
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	3.1	3.3	2.4	3.7	2.9	2.8	3.3	3.0	3.1	3.6	4.5	5.4	
	M2	YoY %	8.5	8.0	7.1	5.3	6.6	5.9	6.9	6.5	6.0	5.7	5.3	5.3	5.4	5.6	6.2	
	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	562.9	564.8	566.5	565.5	564.0	561.1	567.5	570.6	569.5	569.4	568.1	567.0
	Rediscount rate	%	1.1	1.1	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0
	Exchange rate	USD/TWD	28.3	27.7	30.7	30.7	30.8	31.1	31.4	31.9	32.3	32.4	31.3	30.7	31.3	31.6	32.0	32.6

Source: Bloomberg; KGI Research

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