

May export orders

Outlook – Export orders to climb 12.5% YoY in June; diffusion indices point to more positives for computer peripherals, communications networks, plastics & rubber

Key message

1. May export orders were up 7.0% YoY, beating our forecast of 6% and consensus of 6.2% growth YoY.
2. Electronics downstream outperformed midstream and upstream; orders for raw materials (e.g. plastics and rubber) rebounded meaningfully, while orders for base metals and machinery declined YoY. Orders from major regions outside Japan all saw YoY growth; YoY growth of orders from the ASEAN led the pack.
3. Outlook – Export orders to climb by 12.5% YoY in June; diffusion indices point to more positives for computer peripherals, communications networks, plastics and rubber.

May export orders up 7.0% YoY, beating our forecast of 6% & consensus of 6.2%

Taiwan export orders totaled US\$48.89bn in May, up 3.8% MoM (seasonally-adjusted up 0.6%) and 7.0% YoY, beating our forecast of 6% and consensus of 6.2% YoY growth (see Figure 1).

Electronics downstream outperformed midstream & upstream; orders for raw materials (e.g. plastics, rubber) rebounded meaningfully, while orders for base metals & machinery declined YoY

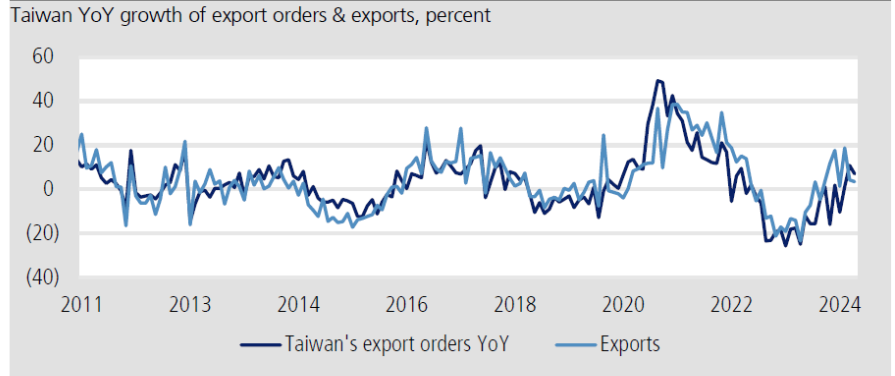
Among major products, ICT orders were up by 7.8% MoM and 11.4% YoY, to US\$14.06bn in May, on robust demand from AI applications and the cloud industry, boosting server orders, while orders for graphics cards also rose YoY. May electronics orders were down by 1.2% MoM, but up 9.2% YoY to US\$16.89bn, on rising demand for high-power computing and AI, pushing up orders for foundries and wafer distributors. However, orders for fabless were down YoY, partially offsetting the growth. Optical instrument orders were up by 7.0% YoY to US\$1.77bn, as prices of large-sized panels remained high. Rising orders for optical lenses also contributed to order growth. Orders for raw materials saw a wide divergence. Base metals orders fell 1.5% YoY in May, as demand from the steel industry eased. Plastics and rubber orders were up MoM and YoY on stronger inventory replenishment by downstream clients, while product prices were bolstered by the rising cost of raw materials. Chemicals orders edged up by 17.1% YoY, as prices of petrochemicals were boosted by rising oil prices, coupled with improvement in processing spreads of products. May machinery orders edged down 0.5% YoY on an uncertain global macroeconomic outlook, resulting in conservative equipment investment by businesses. However, orders for automation equipment edged up, partially offsetting the decline (see Figures 2 & 3).

Orders from major regions outside Japan all registered YoY growth; YoY growth of orders from the ASEAN led the pack

Orders from the US rose 3.1% YoY in May, with electronics up the most, by 11.9%, or US\$640mn. Orders from China and Hong Kong were up 10.1% YoY, with electronics orders up the most, by 17.2%, or US\$820mn. Orders from Europe improved MoM despite coming in flattish YoY, with orders for ICT products up the most, by 14.1% YoY. Orders from the ASEAN and Japan increased 19.7% YoY but fell 15.1% YoY, respectively (see Figures 4 & 5). Orders from Japan were particularly weak due mainly to sharp depreciation of the yen during the period, pushing up import prices.

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May export orders were better than expected. Although the US economy has slowed, economic rebounds in other major regions in 2H24F are to be closely monitored. The Taiwan household-based diffusion index was at 48.8 in June, while the order value-based diffusion index was at 52.5 (see Figure 6). We estimate export orders will climb by 12.5% YoY in June, with YoY growth outperforming May. Judging by diffusion indices (by category), the figures point to more positives for export orders of ICT, plastics and rubber products in June, benefiting computer peripherals, communications networks, plastics and rubber plays.

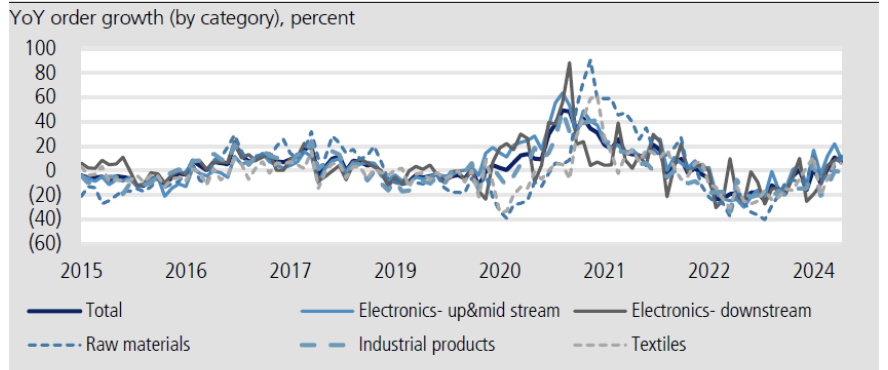
Figure 1: May export orders up 7.0% YoY, beating our forecast of 6% & consensus of 6.2% growth YoY


Source: Bloomberg; KGI Research

Figure 2: Main order categories

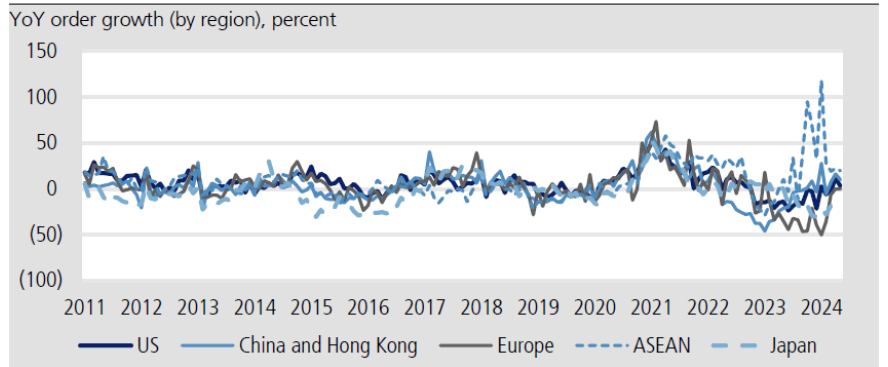
	May-24			From Jan-24 to May-24		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	14.1	7.8	11.4	64.7	28.2	(2.5)
Electronics	16.9	(1.2)	9.2	81.2	35.4	11.2
Optics	1.8	6.8	7.0	8.1	3.5	12.2
Base metals	2.2	(1.3)	(1.5)	10.7	4.7	(0.8)
Machinery	1.7	4.5	(0.5)	7.8	3.4	(5.2)
Plastics/rubber	1.7	6.6	8.5	8.0	3.5	1.5
Chemicals	1.7	9.2	17.1	7.7	3.3	4.9
Total	48.9	3.8	7.0	229.3	100.0	2.2

Source: Bloomberg; KGI Research

Figure 3: Electronics downstream outperformed midstream & upstream; orders for raw materials saw wide divergence; orders for plastics & chemicals outperformed, while those for base metals were sluggish


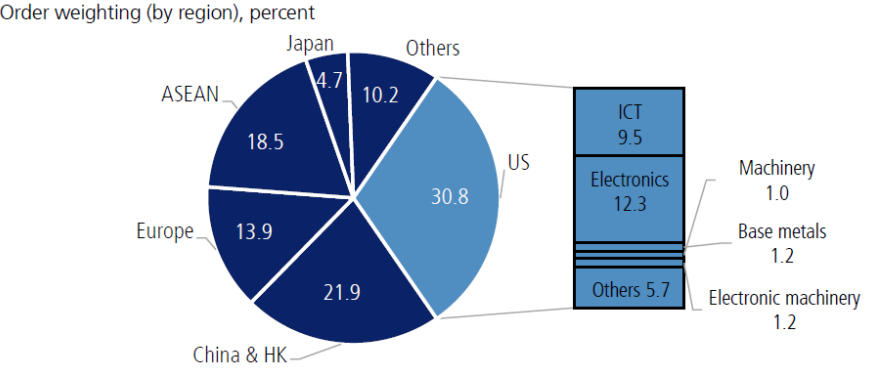
Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastics/ rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: Orders from major regions outside Japan grew YoY


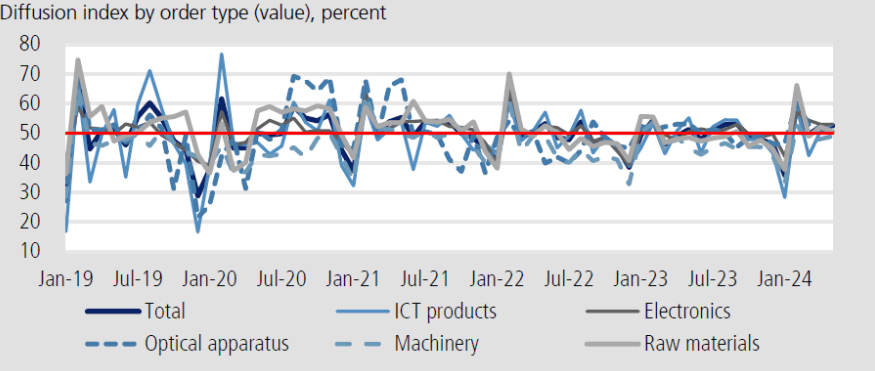
Source: Bloomberg; KGI Research

Figure 5: Order weighting of the ASEAN continued to rise



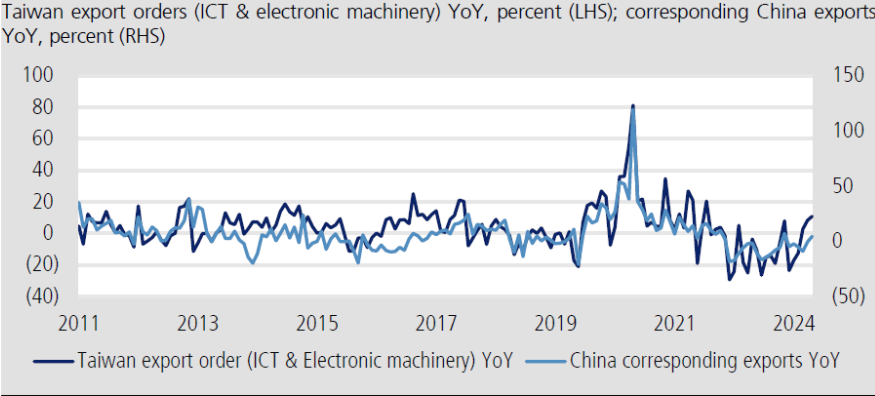
Source: Bloomberg; MOEA; KGI Research

Figure 6: Diffusion indices point to higher June export orders MoM & YoY



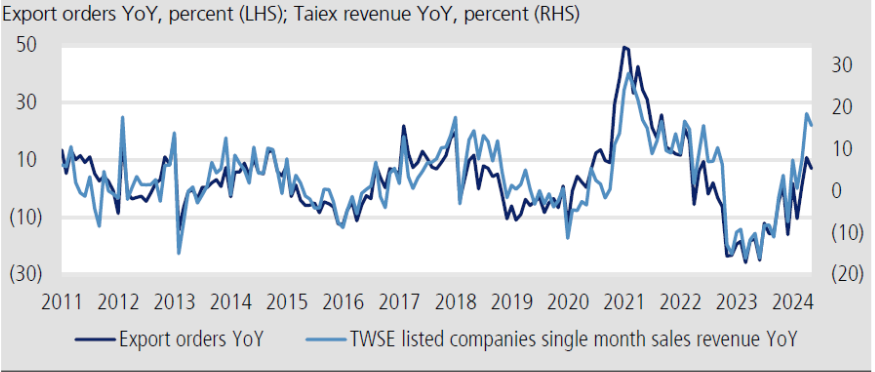
Note: Raw materials include chemicals, plastic/rubber products, base metals, and minerals
Source: Bloomberg; KGI Research

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



Source: Bloomberg; KGI Research

Figure 8: Export orders YoY growth increased, with growth magnitude slightly below Taix revenue growth YoY



Source: Bloomberg; KGI Research

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

Date	Major event	Possible effect
July	China Politburo meeting	Policies to address the current economic situation & "promoting the integration of the Yangtze River Delta".
July 15-18	US Republican National Convention	Trump is expected to participate in the Presidential election. The market will begin to react to some of his policies that are negative for the economy and markets.
July 18	ECB Monetary Policy Meeting	Interest rate cuts at this meeting are unlikely, but there may be several interest rate cuts this year. The information given will be more complete, which is generally favorable to the market.
July 30-31	Fed FOMC Meeting	Interest rate cut announcements at this meeting are unlikely, but chances are that a strong hint of rate-cut at the next meeting may be released, which may prompt bullishness in the market. However, it should be noted that the reason for an interest rate cut will be inflation reaching target or the economy declining. The former is definitely beneficial, but the latter may be relatively disadvantageous, depending on the situation.
August 19-22	US Democratic National Convention	Biden will run for re-election as president. At this point, the market is more focused on a Trump victory or defeat, and unfavorable market scenarios if Trump is elected.
August 22-24	Jackson Hole Economic Symposium	Theme: Reassessing the Effectiveness and Transmission of Monetary Policy.
September 12	ECB Monetary Policy Meeting	Another 25bps interest rate cut is highly likely. The condition of the Eurozone economy may become clearer after consecutive interest rate cuts, which will help the performance of European stocks.
September 17-18	Fed FOMC Meeting	The first interest rate cut is most likely to take place. The market will be focused upon whether it is due to inflation or economic reasons.
September 19-20	BOJ monetary policy meeting	The BoJ may raise interest rates again, which would send a signal to the market that the economy is improving, and would be bullish for Japanese stocks.

Source: KGI Research

Figure 10: Key economic data, US

Indicators	Units	2020	2021	2022	2023	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	
GDP	GDP QoQ SAAR	QoQ % SAAR				2.1			4.9			3.4					1.3	
	GDP YoY	YoY %	(2.2)	5.8	1.9	2.5	2.4		2.9			3.1					2.9	
Consumer prices	CPI	YoY %	1.2	4.7	8.0	4.1	3.0	3.2	3.7	3.2	3.1	3.4	3.1	3.2	3.5	3.4	3.3	
	Core CPI	YoY %	1.7	3.6	6.2	4.8	4.8	4.7	4.3	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.6	3.4
	PCE price index	YoY %	1.1	4.2	6.5	3.7	3.2	3.3	3.3	3.4	2.9	2.7	2.6	2.5	2.5	2.7	2.7	
	Core PCE index	YoY %	1.3	3.6	5.2	4.1	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	62.8	62.8	62.7	62.8	62.5	62.5	62.5	62.7	62.7	62.5
	Unemployment rate	%	8.1	5.4	3.6	3.6	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7	3.9	3.8	3.9	4.0
	Non farm payrolls	'000	(9,274)	7,245	4,528	3,013	240	184	210	246	165	182	290	256	236	310	165	272
	Net Change in total employment in labor force	'000	(8,856)	6,135	4,528	3,013	297	205	291	50	(270)	586	(683)	(31)	(184)	498	25	(408)
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	25	(8)	267	58	9	(41)	(20)	(20)	9	1	(3)	(20)
	Opening/ hiring	x	1.07	1.56	1.75	1.58	1.55	1.54	1.59	1.59	1.49	1.60	1.54	1.54	1.52	1.49	1.43	
	Avg. hourly earnings	YoY %	5.4	5.0	4.9	4.3	4.7	4.7	4.5	4.5	4.3	4.3	4.3	4.4	4.3	4.1	4.0	4.1
Economic activity & business condition	Industrial production	YoY %	(7.2)	4.4	3.4	0.2	(0.4)	0.1	(0.1)	(0.2)	(0.8)	(0.2)	1.1	(0.8)	0.0	(0.2)	(0.7)	0.4
	Durable goods orders	YoY %	(4.6)	18.4	8.2	4.4	9.0	2.9	3.0	5.9	0.7	10.0	3.4	(0.9)	4.5	(2.2)	1.2	
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.7	1.4	0.4	0.6	0.5	0.8	1.4	0.8	(0.2)	3.2	(0.9)	2.9	
	Total business inventory/ sales ratio	x	1.44	1.28	1.34	1.37	1.39	1.38	1.36	1.35	1.37	1.36	1.37	1.38	1.37	1.37	1.37	
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.48	1.49	1.48	1.46	1.46	1.49	1.48	1.48	1.49	1.47	1.47	1.45	
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.27	1.28	1.27	1.27	1.27	1.28	1.28	1.28	1.30	1.29	1.29	1.30	
	ISM manufacturing index	Point	52.4	60.6	53.5	47.1	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2	48.7
	ISM non-manufacturing index	Point	54.3	62.4	56.1	52.8	53.6	52.8	54.1	53.4	51.9	52.5	50.5	53.4	52.6	51.4	49.4	53.8
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	46.0	45.7	47.0	46.4	48.6	46.2	47.8	47.0	52.5	49.2	51.4	49.1	45.4
	Chicago Fed National activity index	Point	(0.46)	0.40	(0.03)	(0.12)	(0.40)	0.19	(0.25)	0.00	(0.60)	0.23	(0.14)	(0.79)	0.31	(0.04)	(0.23)	
	Conference board leading index	YoY %	(4.7)	7.1	0.4	(7.7)	(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	1,493	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	1,415	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	831	770	637	666	666	700	652	694	673	611	654	664	631	665	634	
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.1	4.1	4.1	4.0	4.0	3.9	3.9	3.9	4.0	4.4	4.2	4.1	
	NAHB housing market index	Point, SA	70	81	59	44	55	56	50	44	40	34	37	44	48	51	51	45
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.4	18.6	4.9	6.3	(1.3)	0.1	2.2	4.0	5.0	5.5	6.3	6.7	7.4	7.4		
Consumption	Personal expenditures	YoY % SA	(2.5)	8.4	2.5	2.2	2.1	2.5	2.0	2.1	2.1	2.9	3.3	1.9	2.2	2.8	2.6	
	Retail sales	YoY %	0.8	18.2	9.1	3.6	1.6	2.9	3.0	4.2	2.7	4.0	5.5	0.3	2.1	3.6	2.7	2.3
	Retail sales ex-autos	YoY %	1.5	17.3	10.6	3.4	0.7	1.9	2.7	3.7	2.6	3.6	4.6	0.9	2.0	3.7	3.0	2.5
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	15.7	15.7	15.0	15.7	15.5	15.3	15.8	15.0	15.8	15.5	15.7	15.9
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.4	110.1	114.0	108.7	104.3	99.1	101.0	108.0	110.9	104.8	103.1	97.5	102.0
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	64.2	71.5	69.4	67.9	63.8	61.3	69.7	79.0	76.9	79.4	77.2	69.1
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(8.3)	(8.4)	(5.6)	(6.3)	(5.2)	(6.3)	(6.5)	(6.3)	(6.4)	(5.9)	(6.1)	
	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	1,001	196.0	12.6	88.2	16.0	(24.1)	100.9	147.4	21.7	55.3	102.6	123.1	
	Federal funds rate	%	0.25	0.25	4.50	5.50	5.25	5.50	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	3.84	3.96	4.11	4.57	4.93	4.33	3.88	3.91	4.25	4.20	4.68	4.50
	Dollar index	Point	89.9	95.7	103.5	101.3	102.9	101.9	103.6	106.2	106.7	103.5	101.3	103.3	104.2	104.5	106.2	104.7

Source: Bloomberg; KGI Research

Figure 11: Key economic data, Taiwan

Indicators		Units	2020	2021	2022	2023	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
GDP	GDP YoY	YoY %	3.4	6.6	2.6	1.3	1.4						4.8			6.6		
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	1.8	1.9	2.5	2.9	3.0	2.9	2.7	1.8	3.1	2.2	1.9	2.2
	Core CPI	YoY %	0.7	1.9	2.7	2.4	2.6	2.7	2.6	2.5	2.5	2.4	2.4	1.7	2.9	2.1	1.8	1.8
Labor market	Unemployment rate	%	3.8	3.7	3.6	3.4	3.4	3.4	3.4	3.5	3.4	3.4	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)	(17.2)	(15.4)	(10.7)	(6.7)	(2.2)	(1.8)	(3.8)	15.6	(1.3)	4.2	14.6	
	Markit Taiwan manufacturing PMI	Point			47.7	46.3	44.8	44.1	44.3	46.4	47.6	48.3	47.1	48.8	48.6	49.3	50.2	50.9
	NDC monitoring light signal						Blue	Blue	Blue	Yellow-blue	Blue	Yellow-blue	Yellow-blue	Green	Green	Green	Yellow-red	
	NDC monitoring indicators	Point	24.3	39.0	24.2	14.4	13.0	15.0	15.0	17.0	16.0	20.0	22.0	27.0	29.0	31.0	35.0	
	NDC composite leading index	YoY %	(0.5)	4.6	(3.0)	(1.0)	(3.4)	(3.0)	(2.8)	(2.6)	(2.6)	(2.6)	(2.7)	(3.0)	(3.1)	(2.7)	(2.1)	
	NDC composite coincident index	YoY %	(1.0)	8.2	(1.2)	(6.9)	(12.1)	(10.3)	(8.2)	(6.0)	(3.8)	(1.7)	0.2	1.9	3.3	4.5	5.4	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	9.7	18.4	9.0	7.7	10.2	8.5	12.0	4.5	3.5	12.3	5.7	1.6	
Trade	Exports	US\$bn	345.2	446.6	479.7	432.6	32.3	38.7	37.4	38.8	38.1	37.5	39.9	37.2	31.4	41.8	37.5	37.4
	Imports	US\$bn	285.8	381.3	428.1	352.1	26.4	30.3	28.8	28.5	32.3	27.7	28.8	34.7	23.6	33.1	31.0	31.3
	Trade balance	US\$bn	59.4	65.3	51.6	80.5	6.0	8.5	8.6	10.3	5.8	9.8	11.1	2.5	7.9	8.7	6.5	6.1
	Export growth	YoY %	4.9	29.4	7.4	(9.8)	(23.4)	(10.4)	(7.3)	3.4	(4.6)	3.7	11.7	17.7	1.3	18.8	4.3	3.5
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(30.2)	(21.1)	(23.0)	(12.2)	(12.4)	(15.0)	(6.8)	19.0	(17.9)	7.1	6.6	0.6
	Export orders	US\$bn	533.7	674.1	666.8	561.0	44.2	47.7	46.0	51.4	52.9	50.6	43.8	48.4	37.7	47.2	47.1	
	Export order growth	YoY %	10.1	26.3	(1.1)	(15.9)	(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	2.4	3.7	2.9	2.8	3.3	3.0	3.1	3.6	4.5	5.4	4.9	
	M2	YoY %	8.5	8.0	7.1	5.3	5.9	6.9	6.5	6.0	5.7	5.3	5.3	5.4	5.6	6.2	6.1	
	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	564.8	566.5	565.5	564.0	561.1	567.5	570.6	569.5	569.4	568.1	567.0	572.8
	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	2.0	2.0	2.0
	Exchange rate	USD/TWD	28.3	27.7	30.7	30.7	31.1	31.4	31.9	32.3	32.4	31.3	30.7	31.3	31.6	32.0	32.6	32.4

Source: Bloomberg; KGI Research

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