

July export orders

Export orders to trend up by 10.8% YoY in August

Key message

1. July export orders up 4.8% YoY, beating consensus of 2.7% YoY growth & our forecast of a 3% YoY decline.
2. Electronics downstream outperformed upstream; mixed performances across conventional industries, with surprisingly strong machinery sales growth YoY. By region, orders from Europe outperformed, while those from the ASEAN were weak on a high base effect YoY.
3. Export orders to trend up by 10.8% YoY in August; more positives for computer peripherals, communications networks, electronic components, semiconductors, optoelectronics, and electrical machinery.

July export orders were up by 4.8% YoY, beating consensus of 2.7% YoY growth & our forecast of a 3% YoY decline

Taiwan export orders totaled US\$50.03bn in July, up 9.8% MoM (up 4.8% seasonally-adjusted) and up 4.8% YoY, above the 3.1% YoY growth seen in June, beating consensus of 2.7% YoY growth and our forecast of a 3% YoY decline (see Figure 1).

Electronics downstream outperformed upstream; mixed performances across conventional industries, with surprisingly strong machinery orders growth YoY

Among major products, ICT orders were down by 10.9% MoM, but up 11% YoY, to US\$14.13bn in July, on robust demand for AI applications and the cloud industry, boosting server orders. Orders for notebooks and graphic cards also increased. July electronics orders were up by 16.5% MoM and 2.2% YoY to US\$18.1bn, as demand for high-power computing and AI remained robust, coupled with a pull-in effect from a new smartphone model, which pushed up orders for foundries and wafer distributors. Optical instrument orders rose by 7.8% YoY, to US\$1.78bn, partially due to pull-in demand for new handsets, with higher orders for optical lenses, optical inspections and measuring equipment. Orders for raw materials were mixed. Base metals orders grew by 4.8% YoY in July. However, orders for steel coils and plates slipped YoY, partially offsetting base metal orders growth. Plastics and rubber orders were up 4.1% YoY, on a demand recovery for rubber products, as well as inventory replenishment from rubber gloves clients. Orders for chemicals, which dipped by 0.6% YoY, were the worst in the sector, on new capacity ramp-ups from overseas competitors. Nevertheless, prices for petrochemicals were boosted by rising oil prices, partially offsetting the decline in orders for chemicals. July machinery orders were up by 13.4% YoY, on aggressive capacity expansion by semiconductor companies, as demand for semiconductor and automation equipment continued to grow (see Figures 2 & 3).

Orders from Europe outperformed, while those from the ASEAN underperformed on a high base effect YoY

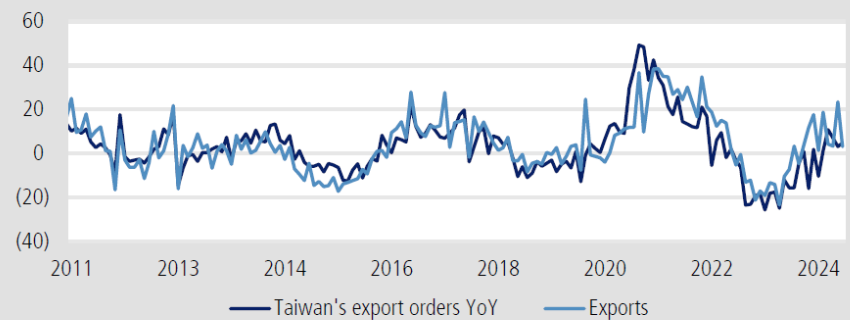
Orders from the US rose 14.3% YoY in June, with electronics up the most, by 36.4%, or US\$1.82bn. Orders from China and Hong Kong were down by 0.1% YoY, with chemicals down the most, by 28.5%, or US\$150mn. Orders from Europe were up by 6.5% MoM, with orders for ICT products up the most, by 11.5% YoY. Orders from the ASEAN and Japan were down by 6.2% YoY on a high base effect, and up 2.4% YoY, respectively (see Figures 4 & 5). ASEAN orders were particularly strong over the same period in 2023, in contrast to the Eurozone. Orders from Japan improved on sharp yen appreciation since mid-July, slashing import prices.

Export orders to trend up by 10.8% YoY in August

July export orders were higher than expected, somewhat easing concerns of lukewarm performance despite favorable seasonality. However, US economic growth has slowed, and economic rebounds in other major regions have been weaker than expected, so we do not expect positive signs across the board. The company number-based diffusion index was at 47.8 in August, while the order value-based diffusion index was at 52.0 (see Figure 6). We estimate export orders will rise by 10.8% YoY in August. Judging by individual diffusion Indices, ICT, electronics and electrical machinery will register better performances. Corresponding Taiex sectors, including computer peripherals, communications networks, electronic components, semiconductors, optoelectronics and electric machines will benefit.

Figure 1: July export orders up 4.8% YoY, beating consensus of 2.7% YoY growth & our forecast of a 3% YoY decline

Taiwan YoY growth of export orders & exports, percent



Source: Bloomberg; KGI Research

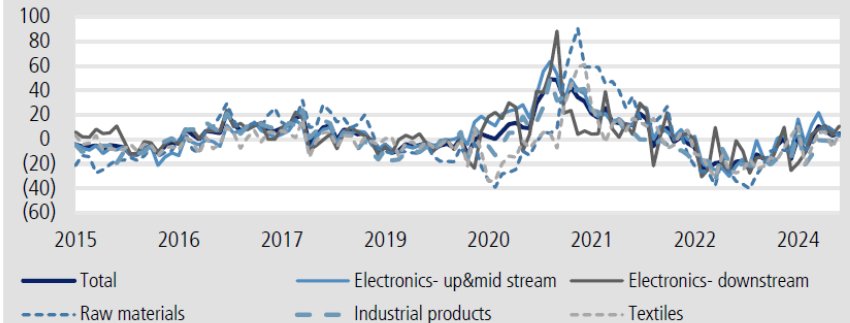
Figure 2: Main order categories

	Jul-24			From Jan-24 to Jul-24		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	14.1	10.9	11.0	91.6	28.2	0.2
Electronics	18.1	16.5	2.2	114.8	35.3	9.0
Optics	1.8	(0.4)	7.8	11.7	3.6	10.5
Base metals	2.2	3.4	4.8	15.0	4.6	0.4
Machinery	1.7	(0.4)	13.4	11.2	3.4	(1.6)
Plastics/rubber	1.6	3.0	4.1	11.2	3.5	2.0
Chemicals	1.5	(8.1)	(0.6)	10.7	3.3	4.7
Total	50.0	9.8	4.8	324.9	100.0	2.7

Source: Bloomberg; KGI Research

Figure 3: Electronics downstream outperformed upstream; mixed performances across conventional industries; surprisingly strong machinery orders growth YoY

YoY orders growth (by category), percent

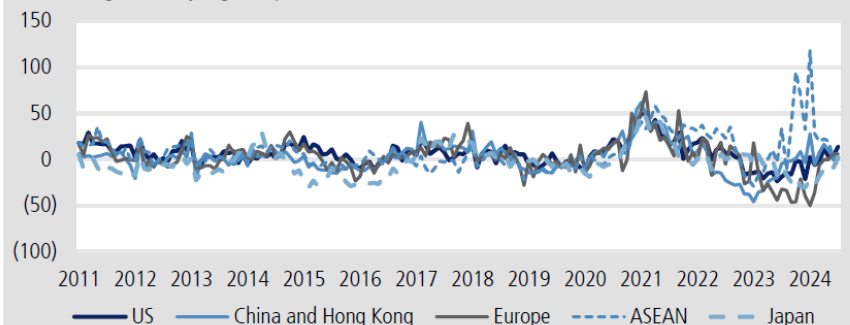


Note: Midstream/ upstream electronics are electronic products and optical apparatus; downstream electronics are information and communication products; raw materials include chemicals, plastic & rubber products, base metals and minerals; industrial products are machinery, electrical machinery products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

Source: Bloomberg; KGI Research

Figure 4: Orders from Europe outperformed, while those from the ASEAN were weak due to a high base effect YoY

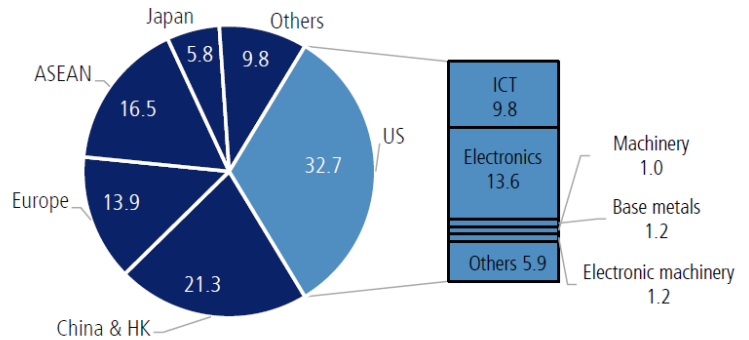
YoY orders growth (by region), percent



Source: Bloomberg; KGI Research

Figure 5: Order weightings of the ASEAN, Japan rose MoM

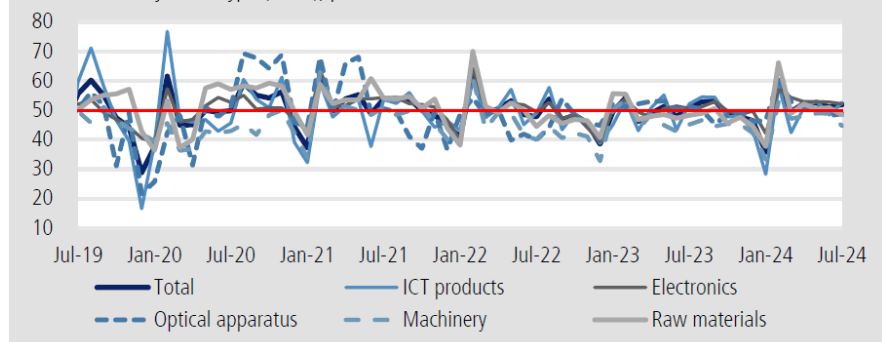
Orders weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Diffusion indices point to higher August export orders; we expect 10.8% YoY orders growth

Diffusion index by order type (value), percent

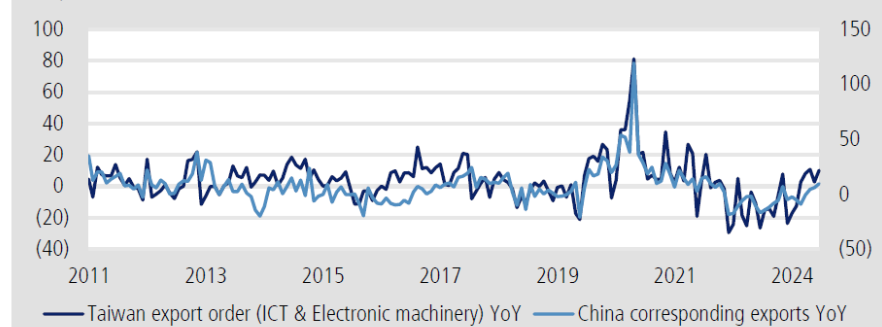


Note: Raw materials include chemicals, plastic & rubber products, base metals, and minerals

Source: Bloomberg; KGI Research

Figure 7: ICT & electronic machinery orders recovered in July; corresponding China exports also resumed growth

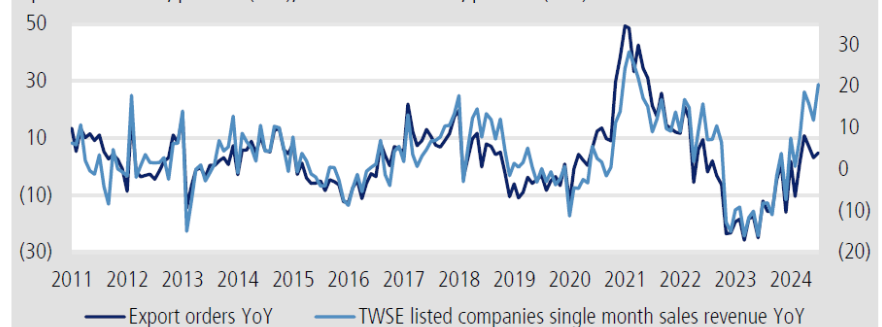
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); corresponding China exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

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

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
August 22-24	Jackson Hole Economic Symposium	Theme: Reassessing the Effectiveness and Transmission of Monetary Policy.
September 12	ECB Monetary Policy Meeting	One 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 Fed interest rate cut is most likely to take place. The market will be focused upon whether it is due to inflation or economic weakness.
September 19-20	BOJ monetary policy meeting	The BoJ may not raise interest rates again.

Source: KGI Research

Figure 10: Key economic data, US

Indicators	Units	2020	2021	2022	2023	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
GDP	GDP QoQ SAAR	QoQ %, SAAR				4.9				3.4			1.4			2.8	
	GDP YoY	YoY %	(2.2)	5.8	1.9	2.5	2.9			3.1			2.9			3.1	
Consumer prices	CPI	YoY %	1.2	4.7	8.0	4.1	3.7	3.7	3.2	3.1	3.4	3.1	3.2	3.5	3.4	3.3	2.9
	Core CPI	YoY %	1.7	3.6	6.2	4.8	4.3	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.6	3.4	3.2
	PCE price index	YoY %	1.1	4.2	6.5	3.7	3.3	3.4	2.9	2.7	2.6	2.5	2.5	2.7	2.7	2.6	2.5
	Core PCE index	YoY %	1.3	3.6	5.2	4.1	3.7	3.6	3.4	3.2	2.9	2.9	2.8	2.8	2.8	2.6	2.6
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.5	62.8	62.8	62.7	62.8	62.5	62.5	62.7	62.7	62.5	62.6	62.7
	Unemployment rate	%	8.1	5.4	3.6	3.6	3.8	3.8	3.8	3.7	3.7	3.7	3.9	3.8	3.9	4.0	4.1
	Non farm payrolls	'000	(9,274)	7,245	4,528	3,013	210	246	165	182	290	256	236	310	108	216	179
	Net Change In total employment in labor force	'000	(8,856)	6,135	4,528	3,013	291	50	(270)	586	(683)	(31)	(184)	498	25	(408)	116
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	267	58	9	(41)	(20)	(20)	9	1	(3)	(20)	9
	Opening/ hiring	x	1.07	1.56	1.75	1.58	1.59	1.59	1.49	1.60	1.54	1.54	1.52	1.49	1.41	1.46	1.53
	Avg. hourly earnings	YoY %	5.4	5.0	4.9	4.3	4.5	4.5	4.3	4.3	4.4	4.3	4.1	3.9	4.0	3.8	3.6
Economic activity & business condition	Industrial production	YoY %	(7.1)	4.4	3.4	0.2	(0.1)	(0.2)	(0.8)	(0.2)	0.8	(1.2)	(0.1)	(0.3)	(0.7)	0.3	1.1
	Durable goods orders	YoY %	(4.6)	18.4	8.2	4.4	3.0	5.9	0.7	10.0	3.4	(0.9)	4.5	(2.2)	1.2	(1.4)	(11.2)
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.7	0.6	0.5	0.8	1.4	0.8	(0.2)	3.2	(0.9)	2.8	(0.5)	(2.1)
	Total business inventory/ sales ratio	x	1.44	1.28	1.34	1.37	1.36	1.35	1.37	1.36	1.37	1.38	1.37	1.37	1.37	1.38	1.38
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.48	1.46	1.46	1.49	1.48	1.48	1.49	1.47	1.47	1.46	1.47	1.46
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.27	1.27	1.27	1.28	1.28	1.30	1.29	1.29	1.30	1.31	1.32	
	ISM manufacturing index	Point	52.4	60.6	53.5	47.1	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2	48.7	46.8
	ISM non-manufacturing index	Point	54.3	62.4	56.1	52.8	54.1	53.4	51.9	52.5	50.5	53.4	52.6	51.4	49.4	53.8	51.4
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	46.0	46.4	48.6	46.2	47.8	47.0	52.5	49.2	51.4	49.1	45.4	47.4
	Chicago Fed National activity Index	Point	(0.46)	0.40	(0.02)	(0.13)	(0.20)	0.00	(0.64)	0.21	(0.13)	(0.87)	0.30	(0.17)	(0.30)	0.23	0.05
	Conference board leading index	YoY %	(4.7)	7.1	0.4	(7.7)	(7.9)	(8.1)	(8.1)	(7.6)	(7.1)	(7.1)	(6.5)	(5.6)	(5.5)	(5.3)	(4.9)
	C&I Loans for large/medium - tightening lending standard	%	37.6	(15.1)	11.8	43.9		33.9				14.5			15.6		7.9
	C&I Loans for large/medium - stronger demand	%	(15.5)	(1.2)	12.4	(42.3)		(30.5)				(25.0)			(26.6)		0.0
Housing market	Building Permits	'000, SAAR	1,478	1,738	1,682	1,518	1,578	1,515	1,534	1,508	1,530	1,508	1,563	1,485	1,440	1,399	1,396
	Housing starts	'000, SAAR	1,394	1,605	1,552	1,421	1,305	1,363	1,365	1,510	1,568	1,376	1,546	1,299	1,377	1,315	1,329
	New home sales	'000, SAAR	831	770	637	666	652	694	673	611	654	664	643	683	730	621	617
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.1	4.0	4.0	3.9	3.9	3.9	4.0	4.4	4.2	4.1	4.1	3.9
	NAHB housing market index	Point, SA	70	81	59	44	50	44	40	34	37	44	48	51	51	45	41
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.4	18.6	4.9	6.3	2.2	4.0	5.0	5.6	6.3	6.8	7.5	7.5	7.2	6.7	
Consumption	Personal expenditures	YoY %, SA	(2.5)	8.4	2.5	2.2	2.0	2.1	2.1	2.9	3.3	1.9	2.0	2.6	2.4	2.6	2.6
	Retail sales	YoY %	0.8	18.2	9.1	3.6	3.0	4.2	2.7	4.0	5.5	0.3	2.1	3.6	2.8	2.6	2.7
	Retail sales ex-autos	YoY %	1.5	17.3	10.6	3.4	2.7	3.7	2.6	3.6	4.6	0.9	2.0	3.7	3.2	2.9	3.1
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	15.0	15.7	15.5	15.3	15.8	15.0	15.8	15.5	15.7	15.9	15.8
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.4	108.7	104.3	99.1	101.0	108.0	110.9	104.8	103.1	97.5	101.3	100.3
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	69.4	67.9	63.8	61.3	69.7	79.0	76.9	79.4	77.2	69.1	66.4
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(5.6)	(6.3)	(5.2)	(6.3)	(6.5)	(6.3)	(6.4)	(5.9)	(5.7)	(6.1)	(5.6)
Int'l balance	Current account balance	As % of GDP	(2.8)	(3.7)	(3.9)	(3.3)		(3.3)			(3.2)			(3.2)			
	Net foreign securities transactions	US \$bn	505	907	1,321	987	87.1	15.6	(25.5)	101.1	143.1	21.3	56.6	108.1	120.6	(54.1)	96.1
Monetary & financial	Federal funds rate	%	0.25	0.25	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
	10-Year treasury yield	%	0.91	1.51	3.87	3.88	4.11	4.57	4.93	4.33	3.88	3.91	4.25	4.20	4.68	4.50	4.03
	Dollar index	Point	89.9	95.7	103.5	101.3	103.6	106.2	106.7	103.5	101.3	103.3	104.2	104.5	106.2	104.7	104.1

Source: Bloomberg; KGI Research

Figure 11: Key economic data, Taiwan

Indicators	Units	2020	2021	2022	2023	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
GDP	GDP YoY	YoY %	3.4	6.6	2.6	1.3		2.2						6.6		5.1	
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	2.5	2.9	3.0	2.9	2.7	1.8	3.1	2.2	1.9	2.2	2.4
	Core CPI	YoY %	0.7	1.9	2.7	2.4	2.6	2.5	2.5	2.4	2.4	1.7	2.9	2.1	1.8	1.8	1.8
Labor market	Unemployment rate	%	3.8	3.7	3.6	3.4	3.4	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.3
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(12.5)	(10.7)	(6.7)	(2.2)	(1.8)	(3.8)	15.6	(1.3)	4.2	14.5	15.7	13.2
	Markit Taiwan manufacturing PMI	Point			47.7	46.3	44.3	46.4	47.6	48.3	47.1	48.8	48.6	49.3	50.2	50.9	53.2
	NDC monitoring light signal						Blue	Yellow-blue	Blue	Yellow-blue	Yellow-blue	Green	Green	Green	Yellow-red	Yellow-red	Red
	NDC monitoring indicators	Point	24.3	39.0	24.2	14.4	15.0	17.0	16.0	20.0	22.0	27.0	29.0	31.0	35.0	36.0	38.0
	NDC composite leading index	YoY %	(0.5)	4.7	(3.1)	(1.3)	(2.5)	(2.4)	(2.3)	(2.2)	(2.3)	(2.5)	(2.4)	(1.8)	(0.8)	0.3	1.4
	NDC composite coincident index	YoY %	(1.0)	8.2	(1.3)	(7.5)	(8.3)	(6.1)	(3.9)	(1.9)	0.0	1.9	3.6	5.2	6.6	7.8	8.8
Consumption	Retail sales	YoY %	0.2	3.3	7.4	9.7	7.7	10.2	8.5	12.0	4.5	3.5	12.3	5.7	1.6	2.6	3.9
Trade	Exports	US\$bn	345.2	446.6	479.7	432.6	37.4	38.8	38.1	37.5	39.9	37.2	31.4	41.8	37.5	37.4	39.9
	Imports	US\$bn	285.8	381.3	428.1	352.1	28.8	28.5	32.3	27.7	28.8	34.7	23.6	33.1	31.0	31.3	35.2
	Trade balance	US\$bn	59.4	65.3	51.6	80.5	8.6	10.3	5.8	9.8	11.1	2.5	7.9	8.7	6.5	6.1	4.7
	Export growth	YoY %	4.9	29.4	7.4	(9.8)	(7.3)	3.4	(4.6)	3.7	11.7	17.7	1.3	18.8	4.3	3.4	23.5
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(23.0)	(12.2)	(12.4)	(15.0)	(6.8)	19.0	(17.9)	7.1	6.6	0.6	33.9
	Export orders	US\$bn	533.7	674.1	666.8	561.0	46.0	51.4	52.9	50.6	43.8	48.4	37.7	47.2	47.1	48.9	45.6
	Export order growth	YoY %	10.1	26.3	(1.1)	(15.9)	(15.7)	(15.6)	(4.6)	1.0	(16.0)	1.9	(10.4)	1.2	10.8	7.0	3.1
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	3.1	2.9	2.8	3.3	3.0	3.1	3.6	4.5	5.4	4.9	5.0	5.2
	M2	YoY %	8.5	8.0	7.1	5.3	6.5	6.0	5.7	5.3	5.3	5.4	5.6	6.2	6.1	6.0	6.3
	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	565.5	564.0	561.1	567.5	570.6	569.5	569.4	568.1	567.0	572.8	573.3
	Rediscount rate	%	1.1	1.1	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.0
	Exchange rate	USD/TWD	28.1	27.7	30.7	30.6	31.9	32.2	32.4	31.3	30.6	31.3	31.6	32.0	32.6	32.5	32.4

Source: Bloomberg; KGI Research

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