

June export orders

Export orders to retreat by 3% YoY in July; be aware of demand falling below seasonal norms

Key message

1. June export orders were up 3.1% YoY, missing our forecast & consensus of YoY growth above 12%.
2. Electronics, ICT, base metal and chemical orders all declined MoM, a situation rarely seen in June. Orders from major regions, besides Japan, all registered YoY growth, as those from Europe continued to rebound from a trough.
3. Outlook – Export orders to retreat by 3% YoY in July; be aware of demand falling below seasonal norms.

June export orders up 3.1% YoY, missing our forecast & consensus of YoY growth above 12%

Taiwan export orders totaled US\$45.56bn in June, down 6.8% MoM (down 5.5% seasonally-adjusted) and up 3.1% YoY, below the 7% growth seen in May, and widely missing our forecast of 12.5%, and consensus of 12.3%, YoY growth (see Figure 1).

Electronics, ICT, base metals, plastic, rubber & chemical orders all declined MoM, a situation rarely seen in June

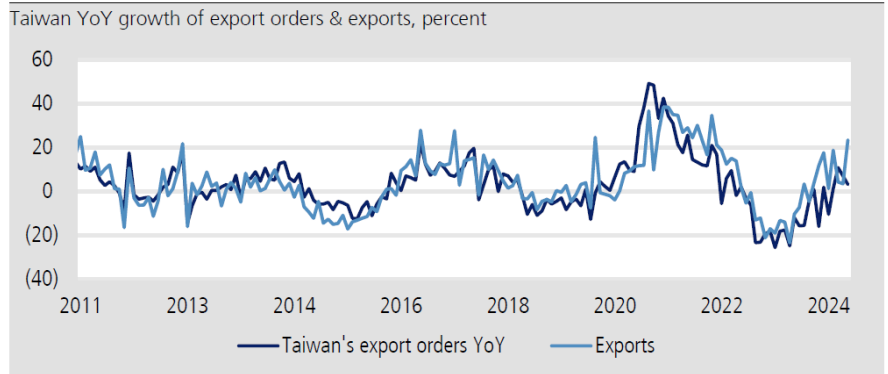
Among major products, ICT orders were down by 9.4% MoM, but up 3.6% YoY, to US\$12.74bn in June, on robust demand from AI applications and the cloud industry, boosting server orders. However, orders for handsets retreated YoY, partially offsetting the server-driven growth. June electronics orders were down by 8.0% MoM, but edged up 6.3% YoY to US\$15.54bn, as demand for high-power computing and AI remained robust, pushing up orders for foundries and wafer distributors. However, orders for fabless chip firms were down YoY, partially offsetting foundry-based growth. Optical instrument orders rose by 5.8% YoY to US\$1.79bn, as foreign investment in the semiconductor sector expanded, resulting in rising demand for optical inspection and measuring equipment, and boosting orders for backlight modules and optical lenses. Orders for raw materials declined MoM, but rose YoY, in June. Base metals orders grew by 2.5% YoY in June, as orders for stainless steel recovered. Orders for upstream electronics material copper clad also improved. Plastics and rubber orders were up 2.7% YoY, on stronger inventory replenishment by downstream clients, while product prices were bolstered by the rising cost of raw materials. Similar to May, chemicals orders, which outperformed others in the category, edged up by 9.5% YoY, as prices of petrochemicals were boosted by rising oil prices, coupled with improvement in processing spreads. June machinery orders were up 3.4% YoY, as orders for semiconductor equipment continued to grow (see Figures 2 & 3).

Orders from major regions, besides Japan, all registered YoY growth, as those from Europe continued to rebound from a trough

Orders from the US rose 3.7% YoY in June, with electronics up the most, by 17.4%, or US\$880mn. Orders from China and Hong Kong were up 3.5% YoY, with electronics orders up the most, by 10.6%, or US\$510mn. Orders from Europe were up by 6.3% YoY, continuing improvement from the region, with orders for ICT products up the most, by 13.0% YoY. Orders from the ASEAN and Japan were up by 0.2% YoY and down 9.2% YoY, respectively (see Figures 4 & 5). Orders from Japan were particularly weak, due to sharp depreciation of the yen during the period, pushing up import prices.

Export orders to retreat by 3% YoY in July; be aware of demand falling below seasonal norms

June export orders were far slower than expected, surprising the market. Although the US economy has slowed, economic rebounds in other major regions in 2H24F should be closely monitored. The Taiwan household-based diffusion index was at 50.0 in July, while the order value-based diffusion index was at 51.1 (see Figure 6). We estimate export orders will decline by 3% YoY in July. We should be aware of whether demand will fall below seasonal norms, diverging from consensus expectations.

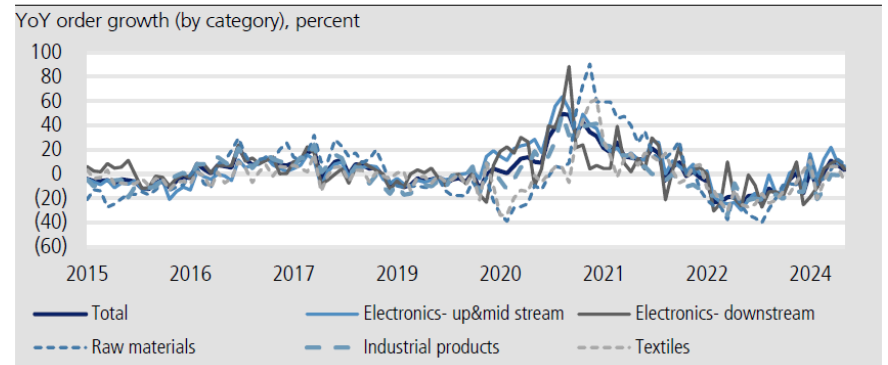
Figure 1: June export orders up 3.1% YoY, far below our forecast & consensus of YoY growth above 12%


Source: Bloomberg; KGI Research

Figure 2: Main order categories

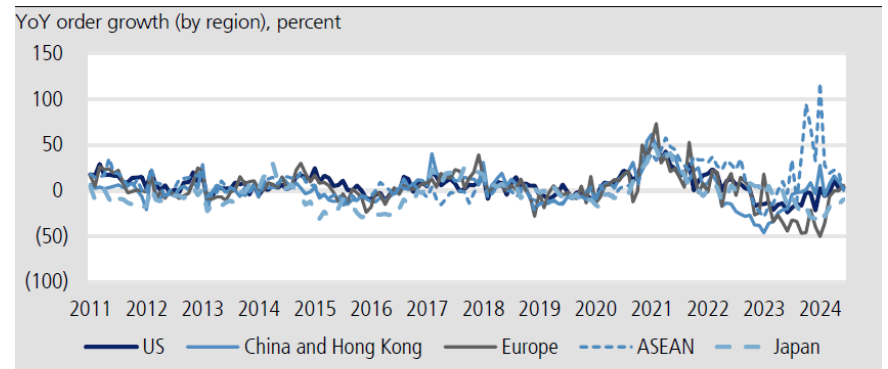
	Jun-24			From Jan-24 to Jun-24		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	12.7	(9.4)	3.6	77.5	28.2	(1.5)
Electronics	15.5	(8.0)	6.3	96.7	35.2	10.4
Optics	1.8	1.1	5.8	9.9	3.6	11.0
Base metals	2.1	(5.0)	2.5	12.8	4.7	(0.3)
Machinery	1.7	1.0	3.4	9.5	3.5	(3.8)
Plastics/rubber	1.6	(7.1)	2.7	9.6	3.5	1.7
Chemicals	1.6	(5.3)	9.5	9.3	3.4	5.6
Total	45.6	(6.8)	3.1	274.9	100.0	2.3

Source: Bloomberg; KGI Research

Figure 3: Electronics, ICT, base metals, plastic, rubber & chemical orders all declined MoM, a situation rarely seen in June


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.

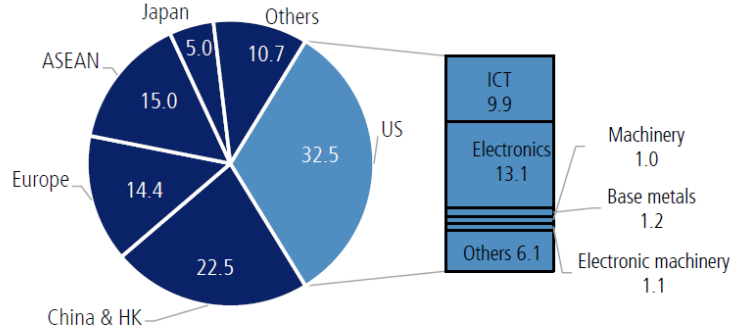
Source: Bloomberg; KGI Research

Figure 4: Orders from major regions besides Japan all registered YoY growth, as those from Europe continued to rebound from a trough


Source: Bloomberg; KGI Research

Figure 5: Order weighting of the ASEAN dipped significantly from a high comparison base

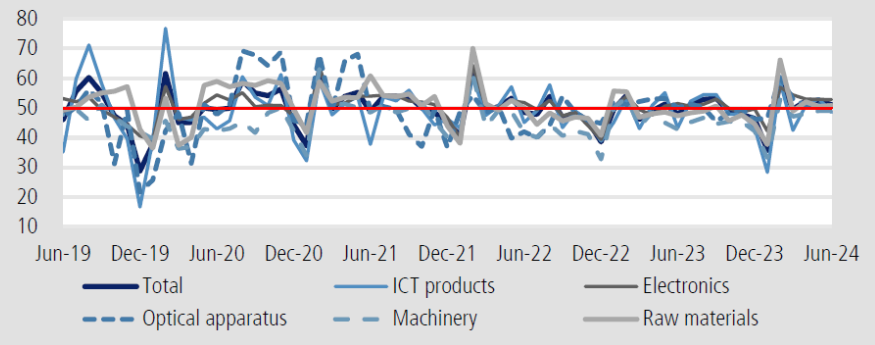
Order weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Diffusion indices point to lower July export orders YoY

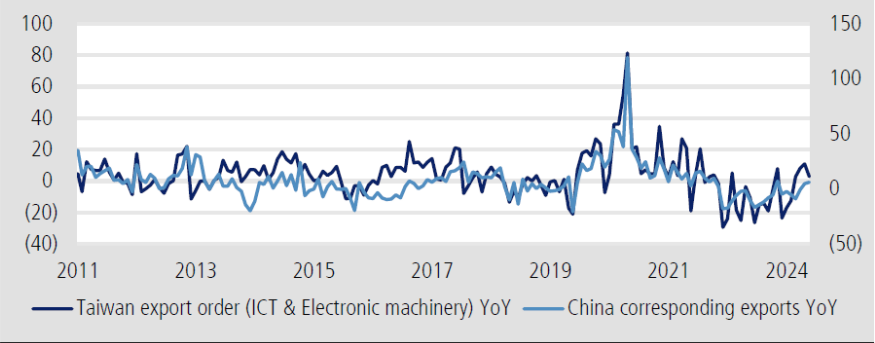
Diffusion index by order type (value), percent



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

Figure 7: ICT & electronic machinery order growth slowed in June YoY; however, corresponding China exports still edged up

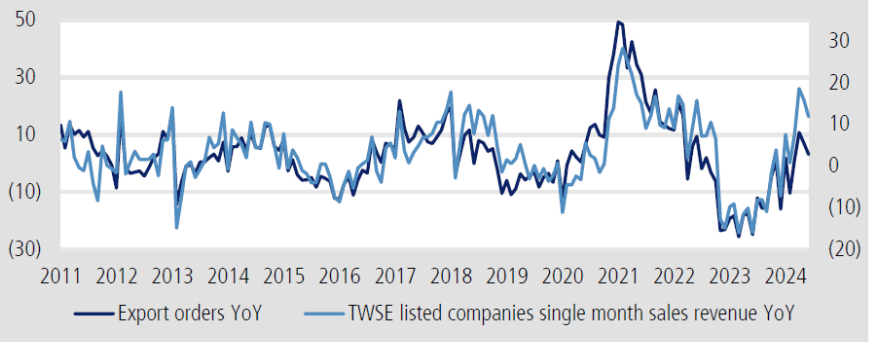
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); corresponding China exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 8: Export order growth declined YoY, 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
July 30-31	Fed FOMC Meeting	Interest rate cut announcements at this meeting are unlikely, but a strong hint of a 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 the Fed's 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 announced his withdrawal from the race. Vice President Harris Harris, California Governor Newsom, and other candidates have an opportunity to capture the Democratic nomination for President.
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 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	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	
GDP	GDP QoQ SAAR	QoQ % SAAR						4.9			3.4			1.4				
	GDP YoY	YoY %	(2.2)	5.8	1.9	2.5		2.9			3.1			2.9				
	CPI	YoY %	1.2	4.7	8.0	4.1	3.2	3.7	3.7	3.2	3.1	3.4	3.1	3.2	3.5	3.4	3.3	3.0
Consumer prices	Core CPI	YoY %	1.7	3.6	6.2	4.8	4.7	4.3	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.6	3.4	3.3
	PCE price index	YoY %	1.1	4.2	6.5	3.7	3.3	3.3	3.4	2.9	2.7	2.6	2.5	2.5	2.7	2.7	2.6	2.6
	Core PCE index	YoY %	1.3	3.6	5.2	4.1	4.2	3.7	3.6	3.4	3.2	2.9	2.9	2.8	2.8	2.8	2.6	2.6
	Labor force participation rate	%	61.5	62.0	62.3	62.5	62.6	62.8	62.8	62.7	62.8	62.5	62.5	62.5	62.7	62.7	62.5	62.6
	Unemployment rate	%	8.1	5.4	3.6	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.9	3.8	3.9	4.0	4.1	4.1
	Non farm payrolls	'000	(9,274)	7,245	4,528	3,013	184	210	246	165	182	290	256	236	310	108	218	206
Labor market	Net Change In total employment in labor force	'000	(8,856)	6,135	4,528	3,013	205	291	50	(270)	586	(683)	(31)	(184)	498	25	(408)	116
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	(8)	267	58	9	(41)	(20)	(20)	9	1	(3)	(20)	20
	Opening/ hiring	x	1.07	1.56	1.75	1.58	1.54	1.59	1.59	1.49	1.60	1.54	1.54	1.52	1.49	1.41	1.41	1.41
	Avg. hourly earnings	YoY %	5.4	5.0	4.9	4.3	4.7	4.5	4.5	4.3	4.3	4.3	4.4	4.3	4.1	3.9	4.1	3.9
	Industrial production	YoY %	(7.1)	4.4	3.4	0.2	0.0	(0.1)	(0.2)	(0.8)	(0.2)	0.8	(1.2)	(0.2)	(0.4)	(0.8)	0.3	1.6
	Durable goods orders	YoY %	(4.6)	18.4	8.2	4.4	2.9	3.0	5.9	0.7	10.0	3.4	(0.9)	4.5	(2.2)	1.2	(1.3)	
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.7	0.4	0.6	0.5	0.8	1.4	0.8	(0.2)	3.2	(0.9)	2.8	(0.3)	
	Total business inventory/ sales ratio	x	1.44	1.28	1.34	1.37	1.38	1.36	1.35	1.37	1.36	1.37	1.38	1.37	1.37	1.37	1.37	1.37
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.48	1.48	1.46	1.46	1.49	1.48	1.48	1.49	1.47	1.47	1.46	1.47	1.47
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.27	1.27	1.27	1.27	1.28	1.28	1.28	1.30	1.29	1.29	1.30	1.31	1.31
Economic activity & business condition	ISM manufacturing index	Point	52.4	60.6	53.5	47.1	46.5	47.6	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2	48.7	48.5
	ISM non-manufacturing index	Point	54.3	62.4	56.1	52.8	52.8	54.1	53.4	51.9	52.5	50.5	53.4	52.6	51.4	49.4	53.8	48.8
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	46.0	47.0	46.4	48.6	46.2	47.8	47.0	52.5	49.2	51.4	49.1	45.4	49.3
	Chicago Fed National activity index	Point	(0.46)	0.40	(0.03)	(0.12)	0.19	(0.25)	0.00	(0.61)	0.22	(0.14)	(0.80)	0.29	(0.18)	(0.26)	0.18	
	Conference board leading index	YoY %	(4.7)	7.1	0.4	(7.7)	(7.8)	(7.9)	(8.1)	(8.1)	(7.6)	(7.1)	(7.1)	(6.5)	(5.6)	(5.5)	(5.2)	(4.8)
	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)		
	Building Permits	'000, SAAR	1,478	1,738	1,682	1,518	1,501	1,578	1,515	1,534	1,508	1,530	1,508	1,563	1,485	1,440	1,399	1,446
Housing market	Housing starts	'000, SAAR	1,394	1,605	1,552	1,421	1,473	1,305	1,363	1,365	1,510	1,568	1,376	1,546	1,299	1,377	1,314	1,353
	New home sales	'000, SAAR	831	770	637	666	700	652	694	673	611	654	664	643	684	698	619	
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.1	4.1	4.0	4.0	3.9	3.9	3.9	4.0	4.4	4.2	4.1	4.1	
	NAHB housing market index	Point, SA	70	81	59	44	56	50	44	40	34	37	44	48	51	51	45	43
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.4	18.6	4.9	6.3	0.1	2.2	4.0	5.0	5.6	6.3	6.8	7.5	7.5	7.2		
	Personal expenditures	YoY % SA	(2.5)	8.4	2.5	2.2	2.5	2.0	2.1	2.1	2.9	3.3	1.9	2.0	2.6	2.3	2.4	
	Retail sales	YoY %	0.8	18.2	9.1	3.6	2.9	3.0	4.2	2.7	4.0	5.5	0.3	2.1	3.6	2.8	2.6	2.3
	Retail sales ex-autos	YoY %	1.5	17.3	10.6	3.4	1.9	2.7	3.7	2.6	3.6	4.6	0.9	2.0	3.7	3.2	3.0	3.4
Consumption	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	15.7	15.0	15.7	15.5	15.3	15.8	15.0	15.8	15.5	15.7	15.9	15.3
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.4	114.0	108.7	104.3	99.1	101.0	108.0	110.9	104.8	103.1	97.5	101.3	100.4
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	71.5	69.4	67.9	63.8	61.3	69.7	79.0	76.9	79.4	77.2	69.1	68.2
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(8.4)	(5.6)	(6.3)	(5.2)	(6.3)	(6.5)	(6.3)	(6.4)	(5.9)	(5.7)	(6.1)	(5.6)
	Current account balance	As % of GDP	(2.8)	(3.7)	(3.9)	(3.3)			(3.3)			(3.2)			(3.2)			
Int'l balance	Net foreign securities transactions	US \$bn	505	907	1,321	993	11.5	87.7	15.3	(24.1)	100.8	147.5	21.6	57.6	108.9	123.3	(54.6)	
	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	5.50
Monetary & financial	10-Year treasury yield	%	0.91	1.51	3.87	3.88	3.96	4.11	4.57	4.93	4.33	3.88	3.91	4.25	4.20	4.68	4.50	4.40
	Dollar index	Point	89.9	95.7	103.5	101.3	101.9	103.6	106.2	106.7	103.5	101.3	103.3	104.2	104.5	106.2	104.7	105.9

Source: Bloomberg; KGI Research

Figure 11: Key economic data, Taiwan

Indicators		Units	2020	2021	2022	2023	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
GDP	GDP YoY	YoY %	3.4	6.6	2.6	1.3			2.2			4.8				6.6		
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	1.9	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	2.7	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	3.4	3.5	3.4	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)	(15.4)	(10.7)	(6.7)	(2.2)	(1.8)	(3.8)	15.6	(1.3)	4.2	14.5	16.1	
	Markit Taiwan manufacturing PMI	Point			47.7	46.3	44.1	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	Blue	Yellow-blue	Blue	Yellow-blue	Yellow-blue	Green	Green	Green	Yellow-red	Yellow-red	
	NDC monitoring indicators	Point	24.3	39.0	24.2	14.4	15.0	15.0	17.0	16.0	20.0	22.0	27.0	29.0	31.0	35.0	35.0	
	NDC composite leading index	YoY %	(0.5)	4.6	(3.0)	(1.2)	(3.0)	(2.8)	(2.6)	(2.6)	(2.6)	(2.6)	(2.8)	(2.7)	(2.1)	(1.0)	0.2	
	NDC composite coincident index	YoY %	(1.0)	8.2	(1.2)	(7.2)	(10.3)	(8.3)	(6.1)	(3.9)	(1.9)	0.1	1.8	3.5	4.9	6.1	7.0	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	9.7	9.0	7.7	10.2	8.5	12.0	4.5	3.5	12.3	5.7	1.6	2.4	
Trade	Exports	US\$bn	345.2	446.6	479.7	432.6	38.7	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	30.3	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	8.5	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)	(10.4)	(7.3)	3.4	(4.6)	3.7	11.7	17.7	1.3	18.8	4.3	3.5	23.5
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(21.1)	(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	47.7	46.0	51.4	52.9	50.6	43.8	48.4	37.7	47.2	47.1	48.9	
	Export order growth	YoY %	10.1	26.3	(1.1)	(15.9)	(12.0)	(15.7)	(15.6)	(4.6)	1.0	(16.0)	1.9	(10.4)	1.2	10.8	7.0	
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	3.1	3.7	2.9	2.8	3.3	3.0	3.1	3.6	4.5	5.4	4.9	5.0	
	M2	YoY %	8.5	8.0	7.1	5.3	6.9	6.5	6.0	5.7	5.3	5.3	5.4	5.6	6.2	6.1	6.0	
	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	566.5	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	1.9	2.0	2.0	2.0	2.0
	Exchange rate	USD/TWD	28.5	27.7	30.7	30.7	31.4	31.9	32.3	32.4	31.3	30.7	31.3	31.6	32.0	32.5	32.4	32.5

Source: Bloomberg; KGI Research

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