

August export orders

Export orders to edge up by 0.5% YoY in September

Key message

1. August export orders were up 9.1% YoY, beating consensus of 8.2% YoY growth, but missing our forecast of 10.8% growth.
2. YoY growth of electronics export orders outperformed on the base effect, while MoM growth lagged positive seasonality; orders for raw materials were sluggish. By region, orders from Europe and the ASEAN outperformed on ICT products (new handset models).
3. We forecast export orders to rise 0.5% YoY in September; more positives in ICT, chemicals, plastics and rubber products.

August export orders up 9.1% YoY, beating consensus of 8.2% YoY growth, but missing our forecast of 10.8%

Taiwan export orders totaled US\$50.22bn in August, up 0.4% MoM (up 1.1% MoM seasonally-adjusted) and up 9.1% YoY, beating consensus of 8.2% YoY growth, but missing our forecast of 10.8% YoY growth (see Figure 1).

YoY growth of electronics export orders outperformed on base effect; MoM growth lagged positive seasonality; raw materials orders sluggish

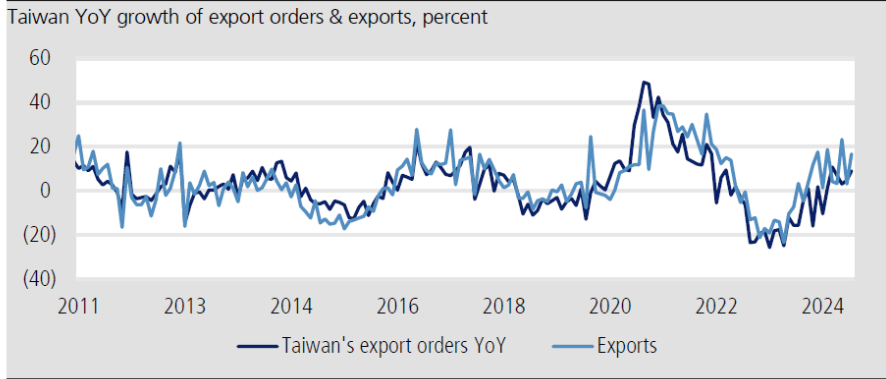
Among major products, ICT orders were up by 0.1% MoM and 16% YoY to US\$14.14bn in August, on robust demand for AI applications and from the cloud industry, resulting in stronger server orders, as well as pull-in demand for new handsets and improved orders for notebooks. Electronics orders fell 1.4% MoM but were up 13.2% YoY to US\$17.84bn, as demand for high-power computing (HPC) and AI were robust. Together with the pull-in effect from new smartphone models, orders for IC manufacturers, wafer distributors, fabless, PCB makers and memory vendors increased. Optical instrument orders rose by 5.1% YoY to US\$1.89bn on increased pull-in demand for new handsets, resulting in stronger optical lens orders, and boosting orders for optical inspection, measuring equipment and backlight module. Regarding orders for raw materials, only chemicals outperformed. Base metals orders grew by 0.2% YoY in August, partially due to stronger pull-in for steel and metal products. However, orders for steel coil and plate continued to slip, partially offsetting base metal order growth. Plastics and rubber orders fell 3.2% YoY, as orders to Taiwan upstream petrochemicals suppliers were impacted by new capacity ramp-ups by overseas competitors. However, orders from downstream rubber glove clients were solid, partially offsetting overall petrochemicals order decline. Orders for chemicals, which rose 7.7% YoY, were best in the sector (opposite from last month) as prices for petrochemicals were boosted by rising oil prices, coupled with higher drugs orders. August machinery orders were up by 4.0% YoY on aggressive capacity expansion by semiconductor makers under the AI boom, spurring demand for semiconductor equipment, while home repair equipment orders continued to grow (Figures 2 & 3).

Europe & ASEAN orders outperformed on ICT products (new handset models)

Export orders from the US rose 11.2% YoY in August, with electronics up the most, by 22%, or US\$1.27bn. Orders from China and Hong Kong rose 2.6% YoY, with electronics up the most, by 6.9%, or US\$380mn. Orders from Europe increased 8.3% YoY, with orders for ICT products up the most, by 18.6% YoY. Orders from the ASEAN and Japan were up by 21.2% YoY and 2.1% YoY, respectively (see Figures 4 & 5).

We forecast export orders to grow 0.5% YoY in September; more positives in ICT, chemicals, plastics & rubber

In August, Taiwan export orders were higher than expected, as demand for AI, HPC and cloud products were solid, coupled with pull-in for new consumer electronics products. However, this trend may not necessarily continue as MoM growth of electronics export orders lagged seasonal strength. The corporate number-based diffusion index is at 46.2 in September, while the order value-based diffusion index is at 52.4 (see Figure 6). We estimate export orders will rise by 0.5% YoY in September. Judging by individual diffusion indices, ICT, chemicals, plastics and rubber products will outperform, along with the corresponding Taiex sectors of computer peripherals, communications networks, chemicals, electromechanical, plastics and rubber.

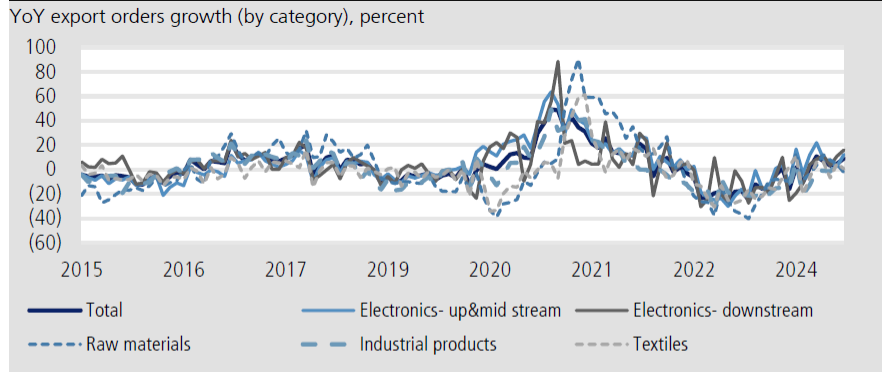
Figure 1: August export orders up 9.1% YoY, beating consensus of 8.2% YoY


Source: Bloomberg; KGI Research

Figure 2: Main export order categories

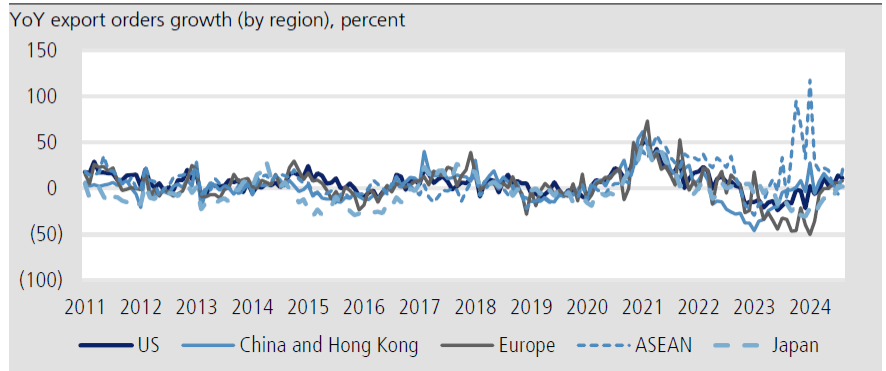
	Aug-24			From Jan-24 to Aug-24		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	14.1	0.1	16.0	105.8	28.2	2.1
Electronics	17.8	(1.4)	13.2	132.6	35.4	9.5
Optics	1.9	6.1	5.1	13.6	3.6	9.7
Base metals	2.0	(6.2)	0.2	17.0	4.5	0.4
Machinery	1.7	0.4	4.0	12.8	3.4	(0.9)
Plastics/rubber	1.6	(0.3)	(3.2)	12.9	3.4	1.3
Chemicals	1.6	6.2	7.7	12.3	3.3	5.1
Total	50.2	0.4	9.1	375.1	100.0	3.5

Source: Bloomberg; KGI Research

Figure 3: YoY growth of electronics export orders outperformed on base effect; raw materials orders sluggish


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.

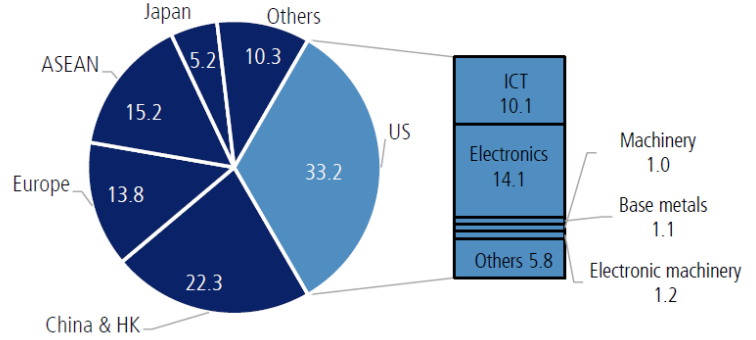
Source: Bloomberg; KGI Research

Figure 4: Orders from Europe & ASEAN outperformed


Source: Bloomberg; KGI Research

Figure 5: Export order weightings of China rose in August

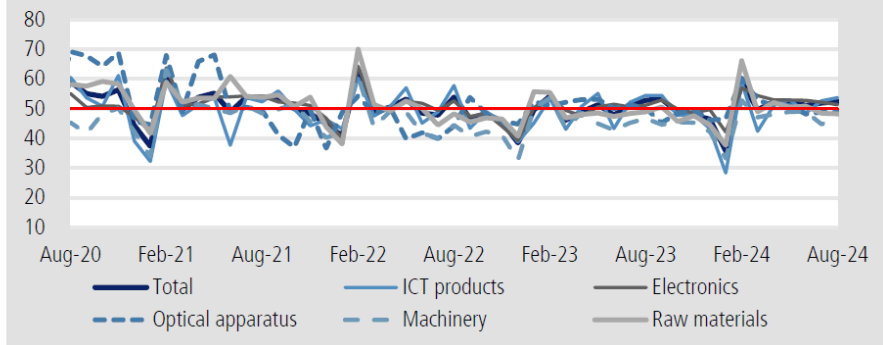
Export orders weighting (by region), percent



Source: Bloomberg; MOEA; KGI Research

Figure 6: Diffusion indices point to higher September export orders; however, we expect order growth of only 0.5% YoY

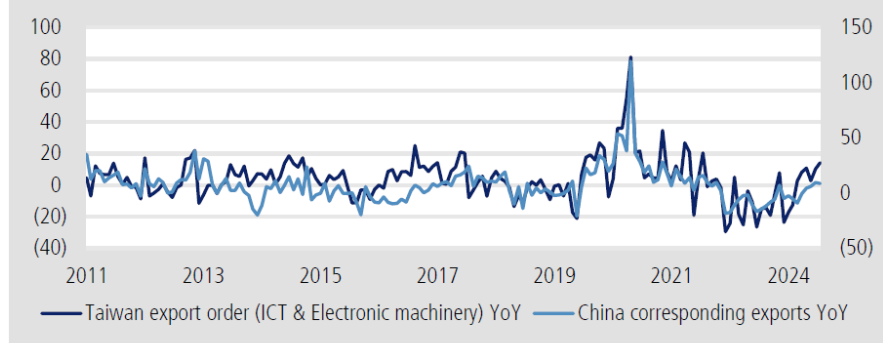
Diffusion index by order type (value), percent



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

Figure 7: ICT & electronic machinery orders recovered in August; but corresponding China exports fell slightly

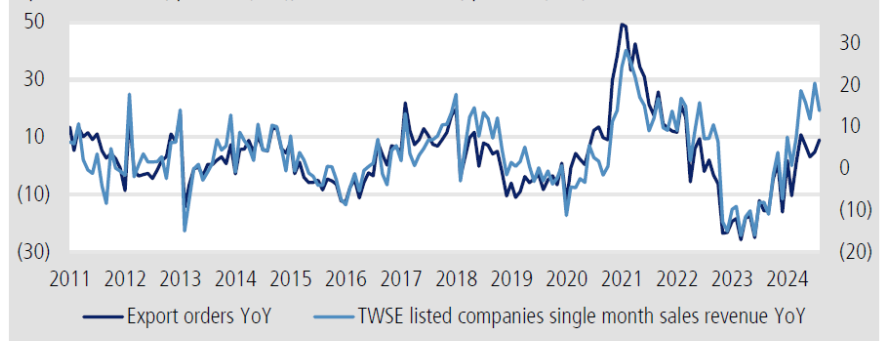
Taiwan export orders (ICT & electronic machinery) YoY, percent (LHS); corresponding China exports YoY, percent (RHS)



Source: Bloomberg; KGI Research

Figure 8: YoY growth of export orders recovered, but that of Taiex revenue narrowed

Export orders YoY, percent (LHS); Taiex revenue YoY, percent (RHS)



Source: Bloomberg; KGI Research

圖 9：未來一季國際政經大事

日期	重大事件	可能影響
10/17	ECB貨幣政策會議	市場預期降息機率約一半，若降息將表示ECB超脫一季降一碼的範疇，市場會更深究其中原因
10/22-24	金磚國家峰會	為擴員(加入埃及、伊朗、阿拉伯聯合大公國、沙烏地阿拉伯、衣索比亞)後首次峰會，金磚國家追求影響力提升與西方國家分庭抗禮的機會
10/25-27	世銀與IMF年度會議	定調明年經濟預估，對全球經濟是否下行會有更清楚的表態
10/30-31	日銀會議	升息機率不高，應會暗示12月再升息；但若又出現過度鷹派表示，則市場可能又會有動盪
11/5	美國總統大選	目前川普與賀錦麗差距有限，誰入主白宮雖會有政策差異與短期波動，但長期方向並未因此改變
11/6-7	FOMC會議	可能繼9月後再度降息，市場更關注其背後對景氣代表的含意
12月	中國中央經濟工作會議	定調明年的經濟發展計畫與成長目標，我們預估經濟成長目標仍會維持在5%左右
12/12	ECB貨幣政策會議	預期將再降息一碼
12/18-19	FOMC會議	Fed將再降息一碼，市場對降息可能因景氣下行的因素而加快感受會更深，恐不利於股市
12/18-19	日銀會議	高機率升息10-15bps

資料來源：凱基整理

Figure 10: Key economic data - US

Indicators	Units	2020	2021	2022	2023	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	
GDP	GDP QoQ SAAR					4.9			3.4			1.4			3.0			
	GDP YoY	(2.2)	5.8	1.9	2.5	2.9			3.1			2.9			3.1			
	CPI	YoY %	1.2	4.7	8.0	4.1	3.7	3.2	3.1	3.4	3.1	3.2	3.5	3.4	3.3	3.0	2.9	2.5
Consumer prices	Core CPI	YoY %	1.7	3.6	6.2	4.8	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.6	3.4	3.3	3.2	3.2
	PCE price index	YoY %	1.1	4.2	6.5	3.7	3.4	2.9	2.7	2.6	2.5	2.7	2.7	2.7	2.6	2.5	2.5	
	Core PCE index	YoY %	1.3	3.6	5.2	4.1	3.6	3.4	3.2	2.9	2.9	2.8	2.8	2.8	2.6	2.6	2.6	
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.5	62.8	62.7	62.8	62.5	62.5	62.7	62.7	62.5	62.6	62.7	62.7	
	Unemployment rate	%	8.1	5.4	3.6	3.6	3.8	3.8	3.7	3.7	3.7	3.9	3.8	3.9	4.0	4.1	4.3	4.2
	Non farm payrolls	'000	(9,274)	7,245	4,528	3,013	246	165	182	290	256	236	310	108	216	118	89	142
	Net Change in total employment in labor force	'000	(8,856)	6,135	4,528	3,013	50	(270)	586	(683)	(31)	(184)	498	25	(408)	116	67	168
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	58	9	(41)	(20)	(20)	9	1	(3)	(20)	20	9	1
	Opening/ hiring	x	1.07	1.56	1.75	1.58	1.59	1.49	1.60	1.54	1.54	1.52	1.49	1.41	1.46	1.51	1.39	
	Avg. hourly earnings	YoY %	5.4	5.0	4.9	4.3	4.5	4.3	4.3	4.4	4.3	4.1	3.9	4.0	3.8	3.6	3.8	
Economic activity & business condition	Industrial production	YoY %	(7.1)	4.4	3.4	0.2	(0.2)	(0.8)	(0.2)	0.8	(1.2)	(0.1)	(0.3)	(0.8)	0.2	0.9	(0.7)	0.0
	Durable goods orders	YoY %	(4.6)	18.4	8.2	4.4	5.9	0.7	10.0	3.4	(0.9)	4.5	(2.2)	1.2	(1.4)	(11.3)	2.9	
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.7	0.5	0.8	1.4	0.8	(0.2)	3.2	(0.9)	2.8	(0.5)	(2.2)	2.1	
	Total business inventory/ sales ratio	x	1.44	1.28	1.34	1.37	1.35	1.37	1.36	1.37	1.38	1.37	1.37	1.37	1.38	1.38	1.37	
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.48	1.46	1.49	1.48	1.49	1.47	1.47	1.46	1.47	1.46	1.45		
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.27	1.27	1.28	1.28	1.30	1.29	1.29	1.30	1.31	1.33	1.32		
	ISM manufacturing index	Point	52.4	60.6	53.5	47.1	48.6	46.9	46.6	47.1	49.1	47.8	50.3	49.2	48.7	48.5	46.8	47.2
	ISM non-manufacturing index	Point	54.3	62.4	56.1	52.8	53.4	51.9	52.5	50.5	53.4	52.6	51.4	49.4	53.8	48.8	51.4	51.5
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	46.0	48.6	46.2	47.8	47.0	52.5	49.2	51.4	49.1	45.4	49.3	47.4	44.6
	Chicago Fed National activity Index	Point	(0.46)	0.40	(0.02)	(0.13)	(0.01)	(0.63)	0.21	(0.12)	(0.87)	0.35	(0.17)	(0.35)	0.23	(0.20)	(0.42)	0.12
	Conference board leading index	YoY %	(4.7)	7.1	0.4	(7.7)	(8.1)	(8.1)	(7.6)	(7.1)	(7.1)	(6.5)	(5.5)	(5.5)	(5.3)	(4.9)	(5.2)	(5.0)
	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	1,515	1,534	1,508	1,530	1,508	1,563	1,485	1,440	1,399	1,454	1,406	1,475
	Housing starts	'000, SAAR	1,394	1,605	1,552	1,421	1,363	1,365	1,510	1,568	1,376	1,546	1,299	1,377	1,315	1,329	1,237	1,356
	New home sales	'000, SAAR	831	770	637	666	694	673	611	654	664	643	683	736	666	668	739	
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.1	4.0	3.9	3.9	3.9	4.0	4.4	4.2	4.1	4.1	3.9	4.0	3.9
	NAHB housing market index	Point, SA	70	81	59	44	44	40	34	37	44	48	51	51	45	43	41	39
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.4	18.6	4.9	6.4	4.1	5.1	5.6	6.4	6.8	7.5	7.5	7.2	6.8	6.4		
Consumption	Personal expenditures	YoY %, SA	(2.5)	8.4	2.5	2.2	2.1	2.1	2.9	3.3	1.9	2.0	2.6	2.4	2.8	2.8	2.7	
	Retail sales	YoY %	0.8	18.2	9.1	3.6	4.2	2.7	4.0	5.5	0.3	2.1	3.6	2.8	2.6	2.0	2.9	2.1
	Retail sales ex-autos	YoY %	1.5	17.3	10.6	3.5	3.7	2.6	3.6	4.6	0.9	2.0	3.7	3.2	2.9	3.3	3.1	2.3
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	15.7	15.5	15.3	15.8	15.0	15.8	15.5	15.7	15.9	15.3	15.8	15.1
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.4	104.3	99.1	101.0	108.0	110.9	104.8	103.1	97.5	101.3	97.8	101.9	103.3
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	67.9	63.8	61.3	69.7	79.0	76.9	79.4	77.2	69.1	68.2	66.4	67.9
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(6.3)	(5.2)	(6.3)	(6.5)	(6.3)	(6.4)	(5.9)	(5.7)	(6.1)	(5.6)	(5.6)	(7.2)
Int'l balance	Current account balance	As % of GDP	(2.8)	(3.7)	(3.9)	(3.3)	(3.3)			(3.2)			(3.2)			(3.3)		
	Net foreign securities transactions	US \$bn	505	907	1,321	987	15.6	(25.5)	101.1	143.0	21.4	56.3	112.9	119.8	(54.0)	80.5	135.4	
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	5.50
	10-Year treasury yield	%	0.91	1.51	3.87	3.88	4.57	4.93	4.33	3.88	3.91	4.25	4.20	4.68	4.50	4.40	4.03	3.90
	Dollar index	Point	89.9	95.7	103.5	101.3	106.2	106.7	103.5	101.3	103.3	104.2	104.5	106.2	104.7	105.9	104.1	101.7

Source: Bloomberg; KGI Research

Figure 11: Key economic data - Taiwan

Indicators		Units	2020	2021	2022	2023	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
GDP	GDP YoY	YoY %	3.4	6.6	2.6	1.3	2.2			4.8			6.6			5.1		
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	2.9	3.0	2.9	2.7	1.8	3.1	2.2	1.9	2.2	2.4	2.5	2.4
	Core CPI	YoY %	0.7	1.9	2.7	2.4	2.5	2.5	2.4	2.4	1.7	2.9	2.1	1.8	1.8	1.8	1.9	1.8
Labor market	Unemployment rate	%	3.8	3.7	3.6	3.4	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(12.5)	(6.7)	(2.2)	(1.8)	(3.8)	15.6	(1.3)	4.2	14.5	15.7	12.8	12.3	
	Markit Taiwan manufacturing PMI	Point			47.7	46.3	46.4	47.6	48.3	47.1	48.8	48.6	49.3	50.2	50.9	53.2	52.9	51.5
	NDC monitoring light signal						Yellow-blue	Blue	Yellow-blue	Yellow-blue	Green	Green	Green	Yellow-red	Yellow-red	Red	Yellow-red	
	NDC monitoring indicators	Point	24.3	39.0	24.2	14.4	17.0	16.0	20.0	22.0	27.0	29.0	31.0	35.0	36.0	38.0	35.0	
	NDC composite leading index	YoY %	(0.4)	4.7	(3.1)	(1.5)	(2.7)	(2.6)	(2.6)	(2.7)	(2.9)	(2.8)	(2.1)	(1.0)	0.5	2.0	3.6	
	NDC composite coincident index	YoY %	(1.0)	8.2	(1.3)	(7.7)	(6.2)	(4.1)	(2.1)	(0.1)	1.7	3.3	4.9	6.1	7.1	7.7	8.1	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	9.7	10.2	8.5	12.0	4.5	3.5	12.3	5.7	1.6	2.6	3.9	3.4	
Trade	Exports	US\$bn	345.2	446.6	479.7	432.6	38.8	38.1	37.5	39.9	37.2	31.4	41.8	37.5	37.4	39.9	39.9	43.6
	Imports	US\$bn	285.8	381.3	428.1	352.1	28.5	32.3	27.7	28.8	34.7	23.6	33.1	31.0	31.3	35.2	35.1	32.1
	Trade balance	US\$bn	59.4	65.3	51.6	80.5	10.3	5.8	9.8	11.1	2.5	7.9	8.7	6.5	6.1	4.7	4.8	11.5
	Export growth	YoY %	4.9	29.4	7.4	(9.8)	3.4	(4.6)	3.7	11.7	17.7	1.3	18.8	4.3	3.4	23.4	3.1	16.8
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(12.2)	(12.4)	(15.0)	(6.8)	19.0	(17.9)	7.1	6.6	0.6	33.8	16.2	11.8
	Export orders	US\$bn	533.7	674.1	666.8	561.0	51.4	52.9	50.6	43.8	48.4	37.7	47.2	47.1	48.9	45.6	50.0	
	Export order growth	YoY %	10.1	26.3	(1.1)	(15.9)	(15.6)	(4.6)	1.0	(16.0)	1.9	(10.4)	1.2	10.8	7.0	3.1	4.8	
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	3.1	2.8	3.3	3.0	3.1	3.6	4.5	5.4	4.9	5.0	5.2	5.2	4.1
	M2	YoY %	8.5	8.0	7.1	5.3	6.0	5.7	5.3	5.3	5.4	5.6	6.2	6.1	6.0	6.3	6.2	5.8
	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	564.0	561.1	567.5	570.6	569.5	569.4	568.1	567.0	572.8	573.3	571.7	579.1
	Rediscount rate	%	1.1	1.1	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0
	Exchange rate	USD/TWD	28.3	27.7	30.7	30.7	32.3	32.4	31.3	30.7	31.3	31.6	32.0	32.6	32.4	32.4	32.8	32.0

Source: Bloomberg; KGI Research

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