

Taiwan economy

Export orders to fall by 3.0% YoY in January

Key message

1. Taiwan export orders totaled US\$52.92bn in December, up 20.8% YoY, beating consensus of 18.8% YoY growth. Growth of 5.1% in 2024 slightly missed our forecast from end-2023.
2. Electronics orders outperformed across the board; raw materials orders were mostly down MoM, but up YoY. Aside from Europe, orders from all major regions grew by double digits.
3. We estimate export orders will slip by 3% YoY in January given seasonality, policy uncertainty under the new Trump administration, and the Lunar New Year (LNY) holiday in January.

Event

Taiwan export orders totaled US\$52.92bn in December, up 1.2% MoM and 1.9% MoM seasonally-adjusted, and grew by 20.8% YoY, beating consensus of 18.8% YoY growth (Figure 1). Growth of 5.1% in 2024 missed our forecast from end-2023.

Analysis

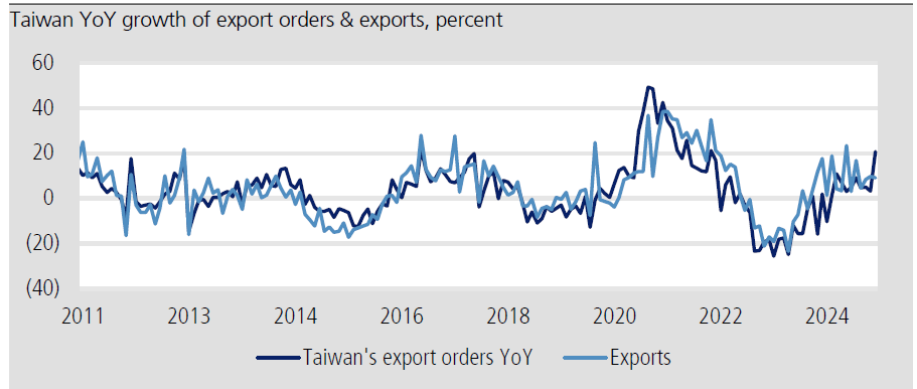
Electronics orders outperformed across the board; raw materials orders were mostly fell MoM, but grew YoY. Among major products, ICT export orders were down by 3.6% MoM, but up 24.3% YoY to US\$15.25bn in December, on robust demand for AI applications and from the cloud industry, resulting in stronger server and networking orders. Notebook and handset orders also grew. Electronics orders grew by 4.3% MoM and 33.5% YoY to US\$19.92bn, as demand for high-power computing (HPC) and AI remained robust, coupled with restocking demand ahead of the Lunar New Year (LNY) holiday, resulting in more orders for IC manufacturers, wafer distributors, fabless design firms and PCB. Optical instrument orders climbed 6% MoM and 17.7% YoY to US\$1.89bn, bolstered by restocking demand ahead of the LNY holiday, which boosted orders for panels. Orders for optical inspection and measuring equipment continued to grow. Orders for raw materials were mostly down MoM, but up YoY, as recovery in the sector continued. Base metal orders fell 4.5% YoY in December, due to a sluggish steel sector and overseas competition pressuring prices. Plastics and rubber orders, the only subsector that saw both MoM and YoY growth, edged up 5.5% YoY, due to strong inventory replenishment by plastics clients ahead of the LNY holiday, coupled with orders for rubber raw materials and rubber products continuing to pick up. Orders for chemicals dipped by 0.6% YoY, due to new capacity ramp-ups by overseas competitors and price cuts, capping orders. However, orders for chemical materials for electronics rose, partially offsetting the decline. Machinery orders were up by 6.0% YoY on robust demand for emerging tech applications and aggressive capacity expansion by semiconductor makers, increasing orders for related equipment (Figures 2 & 3).

Aside from Europe, orders from all major regions grew by double digits. Orders from the US rose by 31.0% YoY in December, with electronics up the most, by 54.7%, or US\$2.91bn. Orders from China and Hong Kong rose by 13.6% YoY, with electronics up the most, by 24.9%, or US\$1.29bn. Orders from Europe rose by 9.5% YoY, with orders for ICT up the most, by 18.4% YoY. Orders from the ASEAN and Japan edged up by 24.9% and 25.7% YoY, respectively (Figures 4 & 5). Aside from Europe, orders from major regions all grew by double digits YoY, led by early orders and shipments to countries facing pressure from Trump's high tariff policy threats.

Conclusion

Export orders outperformed in December due to base effects from early pull-in, ahead of the LNY holiday, coupled with early order placements and shipments, as countries are facing pressure from Trump's high tariff policy threats. However, we believe export orders will be capped due to seasonality in 1Q25F, and policy uncertainty under the new Trump administration. Taiwan's corporate number-based diffusion index was at 35.8 in January, while the order value-based diffusion index was at 42.4, led by fewer working days due to the LNY holiday (Figure 6). We estimate export orders will slip by 3% YoY in January. Judging by individual diffusion indices, orders for most sectors will fall, other than for the mineral sector.

Figure 1: Taiwan December export orders grew by 20.8% YoY, beating consensus of 18.8% YoY growth



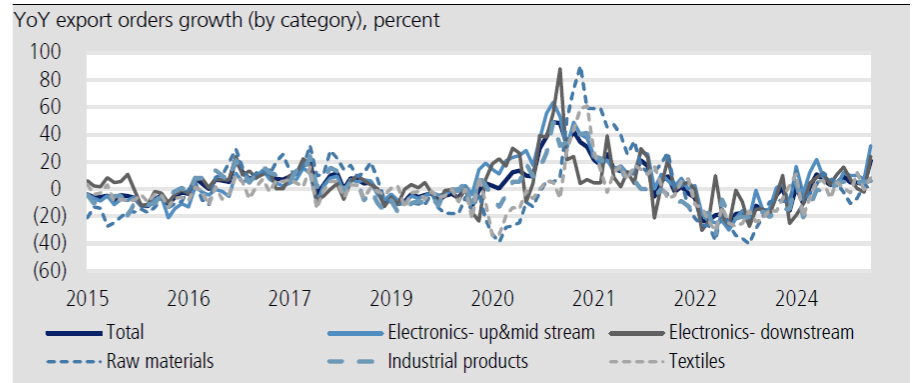
Source: Bloomberg; KGI Research

Figure 2: Main export order categories

	Dec-24			From Jan-24 to Dec-24		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	15.3	(3.6)	24.3	172.0	29.2	3.6
Electronics	19.9	4.3	33.5	211.5	35.9	11.5
Optics	1.9	6.0	17.7	20.8	3.5	8.7
Base metals	2.1	5.4	(4.5)	25.2	4.3	0.3
Machinery	1.7	3.0	6.0	19.4	3.3	1.1
Plastics/rubber	1.6	2.7	5.5	19.1	3.2	1.7
Chemicals	1.5	4.4	(0.6)	17.9	3.0	2.8
Total	52.9	1.2	20.8	589.5	100.0	5.1

Source: Bloomberg; KGI Research

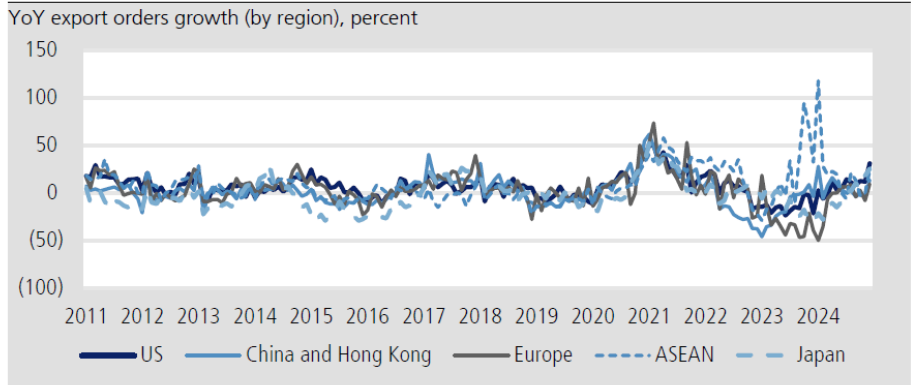
Figure 3: Electronics orders outperformed across the board; raw materials orders mostly down MoM, but up YoY.



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.

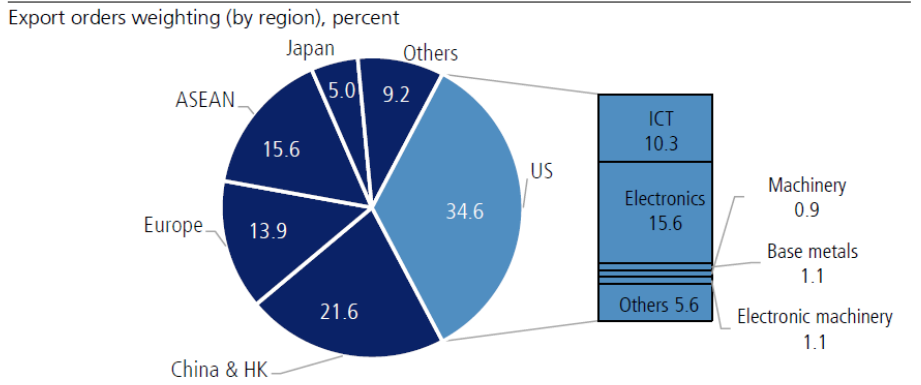
Source: Bloomberg; KGI Research

Figure 4: Aside from Europe, orders from all major regions grew by double digits



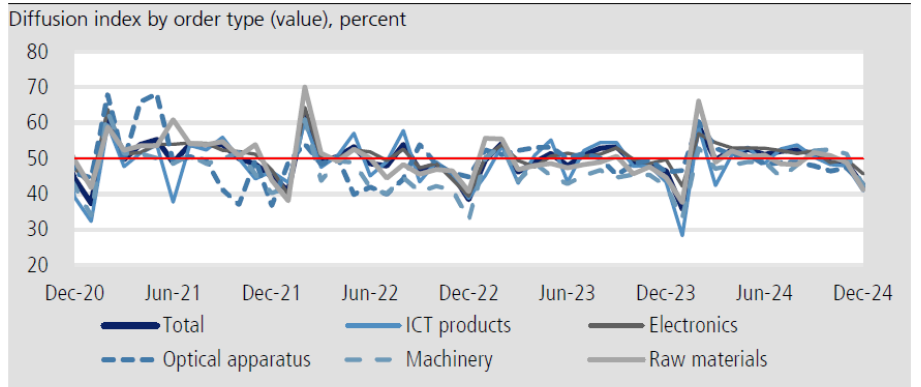
Source: Bloomberg; KGI Research

Figure 5: Taiwan export order weighting to China rose by the most MoM, while the overall picture remained largely unchanged



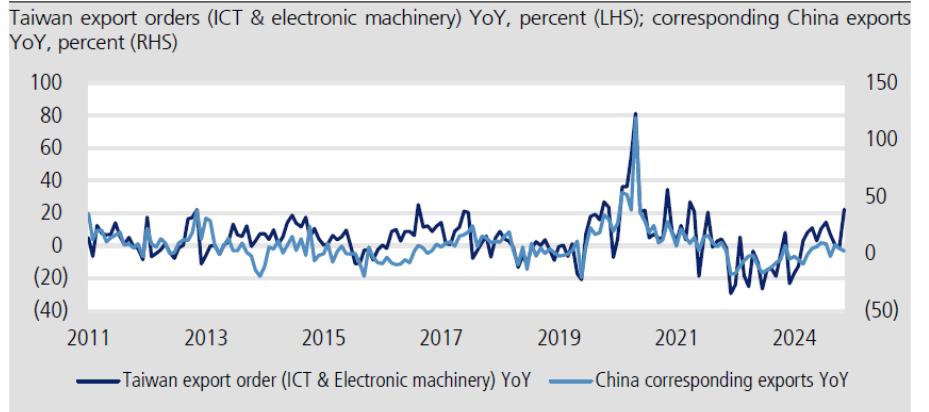
Source: Bloomberg; MOEA; KGI Research

Figure 6: Diffusion indices point to orders declining in January



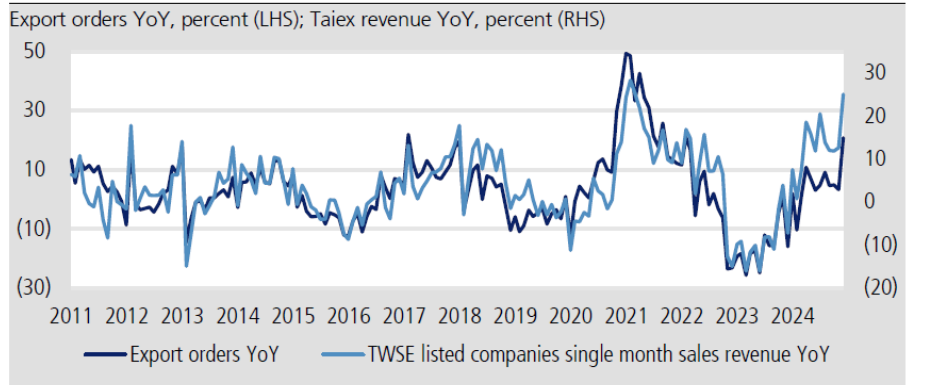
Note: Raw materials are chemicals, plastics & rubber products, base metals, and minerals
Source: Bloomberg; KGI Research

Figure 7: Orders of ICT & electronic machinery grew YoY in December, registering a different trend of corresponding China exports



Source: Bloomberg; KGI Research

Figure 8: Export orders growth surged YoY in December, registering a similar trend to Taiex revenue growth YoY



Source: Bloomberg; KGI Research

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

Date	Major event	Possible effect
1/20-24	World Economic Forum	Themed "Collaboration for the Intelligent Age"
1/23-24	Bank of Japan monetary policy meeting	To further raise rates to achieve normalization of monetary policy
1/28-29	Fed FOMC meeting	Fed will start to take into account impacts/ changes under Trump; although the Summary of Economic Projections is not yet issued, measures will be taken
1/30	ECB monetary policy meeting	Rate cut expected to be 25bps
2/23	German federal elections	The president of the Liberal Democratic Party was dismissed due to ongoing disagreements in the three-way coalition government, leading to the collapse of the ruling coalition government
3/6	ECB monetary policy meeting	Rate cut expected to be 25bps
3/18-19	Fed FOMC meeting	Summary of Economic Projections will change drastically after incorporating the impact of Trump - Economic growth will be revised down and inflation will be revised up; the pace of rate cuts will slow down, weighing on stock market valuations once again
March	China's Two Sessions	Compared to the previous China Central Economic Work Conference in December, more specific fiscal stimulus is expected, especially now that Trump has taken office

Source: KGI Research

Figure 10: Key economic data - US

Indicators	Units	2021	2022	2023	2024	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
GDP	GDP QoQ SAAR QoQ %, SAAR								1.6		3.0			3.1			
	GDP YoY YoY %	6.1	2.5	2.9				2.9		3.0				2.7			
Consumer prices	CPI YoY %	4.7	8.0	4.1	3.0	3.1	3.2	3.5	3.4	3.3	3.0	2.9	2.5	2.4	2.6	2.7	2.9
	Core CPI YoY %	3.6	6.2	4.8	3.4	3.9	3.8	3.8	3.6	3.4	3.3	3.2	3.2	3.3	3.3	3.3	3.2
	PCE price index YoY %	4.1	6.6	3.8		2.6	2.6	2.8	2.7	2.6	2.4	2.5	2.3	2.1	2.3	2.4	
	Core PCE index YoY %	3.6	5.4	4.2		3.1	2.9	3.0	2.9	2.7	2.6	2.7	2.7	2.7	2.8	2.8	
Labor market	Labor force participation rate %	62.0	62.3	62.5	62.5	62.5	62.6	62.7	62.7	62.6	62.6	62.7	62.7	62.7	62.5	62.5	62.5
	Unemployment rate %	5.4	3.6	3.6	4.0	3.7	3.9	3.9	3.9	4.0	4.1	4.2	4.2	4.1	4.1	4.2	4.1
	Non farm payrolls '000	7,245	4,528	3,013	2,232	256	236	310	108	216	118	144	78	255	43	212	256
	Net Change In total employment in labor force '000	6,124	4,528	3,013	2,232	66	(177)	412	70	(331)	(9)	64	206	377	(346)	(273)	478
	Challenger job cut announce '000	(1.2)	(1.7)	2.1	(0.9)	(20)	9	1	(3)	(20)	20	9	1	53	51	27	11
	Opening/ hiring x	1.56	1.75	1.58		1.54	1.52	1.49	1.41	1.46	1.51	1.42	1.45	1.32	1.45	1.54	
	Avg. hourly earnings YoY %	5.0	4.9	4.3	3.9	4.4	4.3	4.1	3.9	4.0	3.8	3.6	3.9	3.9	4.0	4.0	3.9
Economic activity & business condition	Industrial production YoY %	4.4	3.4	0.2	(0.3)	(1.2)	(0.1)	(0.3)	(0.8)	0.0	0.9	(0.5)	(0.1)	(0.7)	(0.5)	(0.6)	0.6
	Durable goods orders YoY %	18.4	8.2	4.4		(0.9)	4.5	(2.2)	1.2	(1.4)	(11.3)	2.8	(0.4)	(2.9)	5.4	(6.4)	
	Core capital goods orders YoY %	12.8	6.5	1.7		(0.2)	3.2	(0.9)	2.8	(0.5)	(2.2)	2.0	(1.5)	0.5	1.8	(0.4)	
	Total business inventory/ sales ratio x	1.28	1.34	1.37		1.38	1.37	1.37	1.37	1.38	1.38	1.37	1.38	1.37	1.37	1.37	
	Manufacturing inventory/ sales ratio x	1.49	1.47	1.48		1.49	1.47	1.47	1.46	1.47	1.46	1.45	1.46	1.46	1.46	1.47	
	Retail inventory/ sales ratio x	1.15	1.24	1.27		1.30	1.29	1.29	1.30	1.31	1.33	1.32	1.33	1.33	1.32	1.32	
	ISM manufacturing index Point	60.6	53.5	47.1	48.3	49.1	47.8	50.3	49.2	48.7	48.5	46.8	47.2	47.2	46.5	48.4	49.3
	ISM non-manufacturing index Point	62.4	56.1	52.8	52.5	53.4	52.6	51.4	49.4	53.8	48.8	51.4	51.5	54.9	56.0	52.1	54.1
	ISM manufacturing index new orders Point	64.3	51.6	46.0	48.8	52.5	49.2	51.4	49.1	45.4	49.3	47.4	44.6	46.1	47.1	50.4	52.5
	Chicago Fed National activity Index Point	0.38	(0.00)	(0.11)		(0.81)	0.39	(0.15)	(0.40)	0.15	(0.12)	(0.31)	(0.03)	(0.30)	(0.50)	(0.12)	
	Conference board leading index YoY %	7.1	0.4	(7.7)		(7.1)	(6.5)	(5.5)	(5.5)	(5.2)	(4.9)	(5.1)	(5.0)	(4.7)	(4.2)	(3.5)	
	C&I Loans for large/medium - tightening lending standard %	(15.1)	11.8	43.9	9.5	14.5				15.6		7.9			0.0		
	C&I Loans for large/medium - stronger demand %	(1.2)	12.4	(42.3)	(18.2)	(25.0)			(26.6)			0.0		(21.3)			
Housing market	Building Permits '000, SAAR	1,738	1,682	1,518	1,462	1,508	1,563	1,485	1,440	1,399	1,454	1,406	1,470	1,425	1,419	1,493	1,483
	Housing starts '000, SAAR	1,605	1,552	1,421	1,365	1,376	1,546	1,299	1,377	1,315	1,329	1,262	1,379	1,355	1,344	1,294	1,499
	New home sales '000, SAAR	770	637	666		664	643	683	736	672	672	707	691	736	627	664	
	Existing home sales mn, SAAR	6.1	5.1	4.1		4.0	4.4	4.2	4.1	4.1	3.9	4.0	3.9	3.8	4.0	4.2	
	NAHB housing market index Point, SA	81	59	44	45	44	48	51	51	45	43	41	39	41	43	46	46
	S&P/Case-Shiller 20-city composite home price index YoY %	18.7	4.9	6.4		6.8	7.5	7.5	7.2	6.8	6.5	5.9	5.2	4.6	4.3		
	Personal expenditures YoY %, SA	8.8	3.0	2.5		1.9	2.1	2.7	2.4	2.8	2.9	2.9	2.9	3.2	3.1	2.9	
Consumption	Retail sales YoY %	18.2	9.1	3.6	2.6	0.3	2.1	3.6	2.8	2.6	2.0	2.9	2.0	2.0	3.0	4.1	3.9
	Retail sales ex-autos YoY %	17.3	10.6	3.4	2.7	0.9	2.0	3.7	3.2	2.9	3.3	3.2	2.3	2.4	2.7	3.4	2.9
	Domestic vehicles sales mn, SA	179.2	164.8	185.2	189.3	15.0	15.8	15.5	15.7	15.9	15.3	15.8	15.1	15.8	16.0	16.5	16.8
	Conference board consumer confidence Point	112.7	104.5	105.4	104.1	110.9	104.8	103.1	97.5	101.3	97.8	101.9	105.6	99.2	109.6	112.8	104.7
	Michigan Consumer Sentiment Index Point	77.6	59.0	65.4	72.5	79.0	76.9	79.4	77.2	69.1	68.2	66.4	67.9	70.1	70.5	71.8	74.0
Fiscal	Budget balance As % of GDP	(10.4)	(5.3)	(6.3)	(6.9)	(6.2)	(6.3)	(5.8)	(5.6)	(6.0)	(5.4)	(5.4)	(7.0)	(6.2)	(6.9)	(7.1)	(6.9)
Int'l balance	Current account balance As % of GDP	(3.7)	(3.9)	(3.3)				(3.2)			(3.3)			(3.6)			
	Net foreign securities transactions US \$bn	907	1,321	925		(70.2)	24.8	57.8	61.6	(43.6)	79.7	137.9	107.8	216.1	159.1	79.0	
Monetary & financial	Federal funds rate %	0.25	4.50	5.50	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.00	5.00	5.00	4.75	4.50
	10-Year treasury yield %	1.51	3.87	3.88	4.57	3.91	4.25	4.20	4.68	4.50	4.40	4.03	3.90	3.78	4.28	4.17	4.57
	Dollar index Point	95.7	103.5	101.3	108.5	103.3	104.2	104.5	106.2	104.7	105.9	104.1	101.7	100.8	104.0	105.7	108.5

Source: Bloomberg; KGI Research

Figure 11: Key economic data - Taiwan

Indicators		Units	2021	2022	2023	2024	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
GDP	GDP YoY	YoY %	6.7	2.7	1.1				6.6			4.9			4.2			
Consumer prices	CPI	YoY %	2.0	3.0	2.5	2.2	1.8	3.1	2.2	1.9	2.2	2.4	2.5	2.4	1.8	1.7	2.1	2.1
	Core CPI	YoY %	1.9	2.7	2.4	1.7	1.7	2.9	2.1	1.8	1.8	1.8	1.9	1.8	1.8	1.6	1.7	1.7
Labor market	Unemployment rate	%	3.7	3.6	3.4		3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4	3.4	3.4	3.4	
Economic activity	Industrial production	YoY %	14.7	(1.7)	(12.5)		15.6	(1.3)	4.2	14.5	15.7	12.8	13.0	12.5	11.2	8.8	10.3	
	Market Taiwan manufacturing PMI	Point		47.7	46.3	50.9	48.8	48.6	49.3	50.2	50.9	53.2	52.9	51.5	50.8	50.2	51.5	52.7
	NDC monitoring light signal						Green	Green	Green	Yellow-red	Yellow-red	Red	Yellow-red	Red	Yellow-red	Yellow-red	Yellow-red	
	NDC monitoring indicators	Point	39.0	24.2	14.4		27.0	29.0	31.0	35.0	36.0	38.0	35.0	39.0	34.0	32.0	34.0	
	NDC composite leading index	YoY %	4.7	(3.2)	(1.5)		(1.4)	(1.2)	(0.6)	0.5	1.6	2.6	3.2	3.5	3.4	3.1	2.5	
	NDC composite coincident index	YoY %	8.3	(1.5)	(8.4)		2.2	3.9	5.5	6.9	7.8	8.4	8.4	8.3	8.0	7.7	7.5	
Consumption	Retail sales	YoY %	3.3	7.4	9.7		3.5	12.3	5.7	1.6	2.6	3.9	3.1	1.1	3.4	(0.5)	1.8	
Trade	Exports	US\$bn	446.6	479.7	432.6	475.3	37.2	31.4	41.8	37.5	37.4	39.9	39.9	43.6	40.6	41.3	41.1	43.6
	Imports	US\$bn	381.3	428.1	352.1	394.7	34.7	23.6	33.1	31.0	31.3	35.2	35.1	32.1	33.5	34.4	33.2	37.5
	Trade balance	US\$bn	65.3	51.6	80.5	80.5	2.5	7.9	8.7	6.5	6.1	4.7	4.8	11.5	7.1	6.9	7.9	6.1
	Export growth	YoY %	29.4	7.4	(9.8)	9.9	17.7	1.3	18.8	4.3	3.4	23.4	3.1	16.8	4.5	8.4	9.7	9.2
	Import growth	YoY %	33.4	12.3	(17.8)	12.1	18.7	(17.8)	7.2	6.5	0.6	33.9	15.8	11.7	17.3	6.0	19.8	30.4
	Export orders	US\$bn	674.1	666.8	561.0	589.5	48.4	37.7	47.2	47.1	48.9	45.6	50.0	50.2	53.8	55.5	52.3	53
	Export order growth	YoY %	26.3	(1.1)	(15.9)	5.1	1.9	(10.4)	1.2	10.8	7.0	3.1	4.8	9.1	4.7	4.9	3.3	20.8
Monetary & financial	M1B	YoY %	12.8	4.1	3.1		3.6	4.5	5.4	4.9	5.0	5.2	5.2	4.1	4.1	4.9	4.6	
	M2	YoY %	8.0	7.1	5.3		5.4	5.6	6.2	6.1	6.0	6.3	6.2	5.8	5.6	5.8	5.5	
	Foreign reserves	US\$bn	548.4	554.9	570.6	576.7	569.5	569.4	568.1	567.0	572.8	573.3	571.7	579.1	577.9	576.9	578.0	576.7
	Rediscount rate	%	1.1	1.8	1.9	2.0	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	Exchange rate	USD/TWD	27.7	30.7	30.7	32.8	31.3	31.6	32.0	32.6	32.4	32.4	32.8	32.0	31.7	32.0	32.5	32.8

Source: Bloomberg; KGI Research

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