

Taiwan economy

Export orders to grow by 8.2% YoY in November

Key message

1. Taiwan export orders totaled US\$55.45bn in October, up 4.9% YoY, beating consensus of 3.8% YoY growth and our forecast of 3.6% YoY growth.
2. Electronic components outpaced ICT, while orders for raw materials saw a recovery. By region, export orders from the US outperformed, from Europe and Japan slightly recovered, and from China and the ASEAN underperformed.
3. We forecast export orders to rise by 8.2% YoY in November. Machinery, chemicals, plastics and rubber products will outperform, along with corresponding Taiex sectors of machinery, chemicals, electromechanical, plastics and rubber.

Event

Taiwan export orders totaled US\$55.45bn in October, up 3.1% MoM and 3.5% MoM seasonally-adjusted, and grew by 4.9% YoY, beating consensus of 3.8% YoY growth and our forecast of 3.6% YoY growth (Figure 1).

Analysis

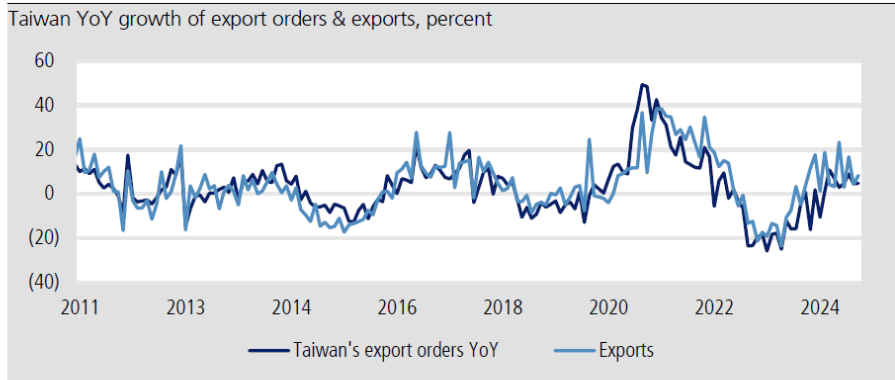
Electronic components outpaced ICT; orders for raw materials saw a recovery. Among major products, ICT export orders were down by 0.1% MoM and up 0.5% YoY to US\$17.58bn in October, on robust demand for AI applications and from the cloud industry, resulting in stronger server and networking orders. The stellar growth was partially offset by reduced order inflows for handset over the same period. Electronics orders climbed 10.0% MoM and 11.2% YoY to US\$20.91bn, as demand for high-power computing (HPC) and AI continued to expand, resulting in more orders for IC manufacturers and operators of distribution channels. Optical instrument orders slipped 0.7% YoY to US\$1.66bn, as the price of large-sized panels was down YoY, coupled with lower demand for optical lens. However, the decline was partially offset by rising orders for optical inspection and measuring equipment. Orders for raw materials recovered, with all subsectors registering positive YoY growth. Base metals was up 7.4% YoY in October orders, as orders for some steel and other metal products grew. However, orders for steel coil and plate continued to slip due to price cuts from overseas competitors, partially offsetting the base metal order growth. Plastics and rubber orders edged up 1.8% YoY, as orders for rubber raw materials and rubber gloves picked up. However, orders for plastic raw materials continued to be impacted by new capacity ramp-ups by overseas competitors. Orders for chemicals rose 3.9% YoY, due to higher orders for drugs and chemical materials for electronics, while those for petrochemicals were muted. Machinery orders were up by 5.0% YoY on aggressive capacity expansion by semiconductor makers, spurring demand for semiconductor equipment and growing orders for automation equipment. Orders for machine tools sank as no positive industry signs were seen (Figures 2 & 3).

Orders from the US outperformed; Europe & Japan recovered slightly; China & ASEAN underperformed. Orders from the US rose 12.6% YoY in October, with electronics up the most, by 24.3%, or US\$1.73bn. Orders from China and Hong Kong fell 0.1% YoY, with optical instrument down the most, by 11.2%, or US\$120mn. Orders from Europe rose by 2.7% YoY, with orders for electronics up the most, by 8.6% YoY. Orders from the ASEAN and Japan were up by 3.0% YoY and down by 5.3% YoY, respectively (Figures 4 & 5).

Conclusion

Among technology groups in October export orders, only electronic components outperformed. In the traditional manufacturing sector, both raw materials and machinery showed signs of recovery, but only moderately. The performance of sub-categories was also diverse. As the global economy trends down, export orders will also inevitably slip. Taiwan's corporate number-based diffusion index is at 46.9 in November, while the order value-based diffusion index is at 48.8 (Figure 6). We estimate export orders will rise by 8.2% YoY in November on a low base, but underperforming October. Judging by individual diffusion indices, machinery, chemicals, plastics and rubber products will outperform, along with the corresponding Taiex sectors of machinery, chemicals, electromechanical, plastics and rubber.

Figure 1: Taiwan October export orders grew 4.9% YoY, beating consensus of 3.8% YoY growth and our forecast of 3.6% YoY growth



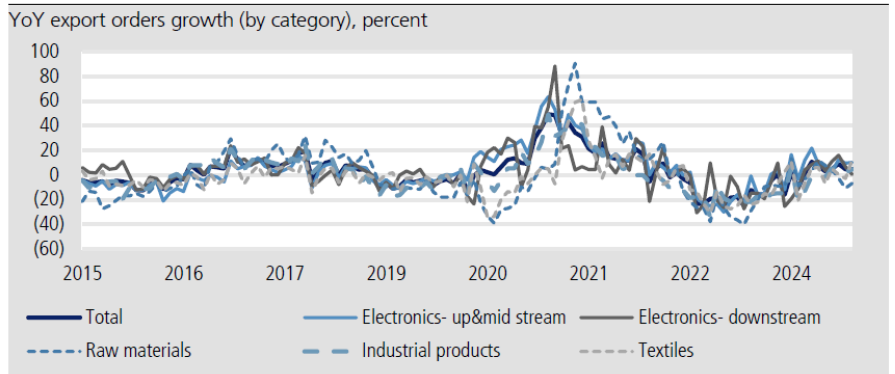
Source: Bloomberg; KGI Research

Figure 2: Main export order categories

	Oct-24			From Jan-24 to Oct-24		
	Value (US\$bn)	MoM (%)	YoY (%)	Value (US\$bn)	Weighting (%)	YoY (%)
ICT	17.6	(0.1)	0.5	140.9	29.1	2.5
Electronics	20.9	10.0	11.2	172.5	35.6	9.8
Optics	1.7	(11.5)	(0.7)	17.1	3.5	7.9
Base metals	2.1	6.6	7.4	21.2	4.4	1.4
Machinery	1.5	(4.3)	5.0	16.0	3.3	0.1
Plastics/rubber	1.5	0.6	1.8	15.9	3.3	1.1
Chemicals	1.4	1.1	3.9	15.1	3.1	3.6
Total	55.5	3.1	4.9	484.3	100.0	3.8

Source: Bloomberg; KGI Research

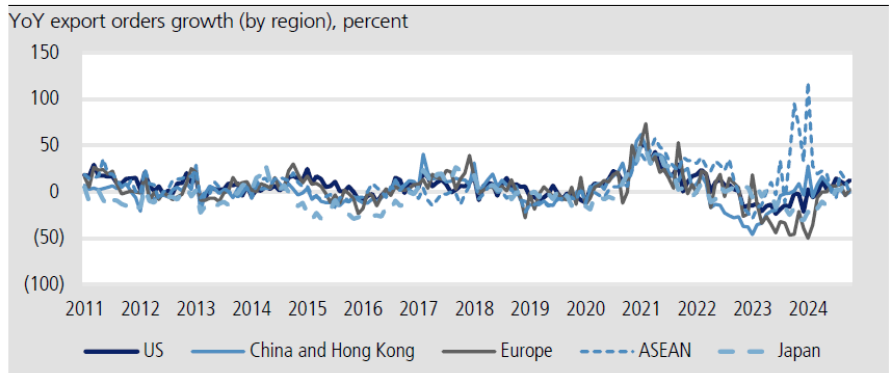
Figure 3: Electronic components outperformed ICT; raw materials orders saw recovery



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.

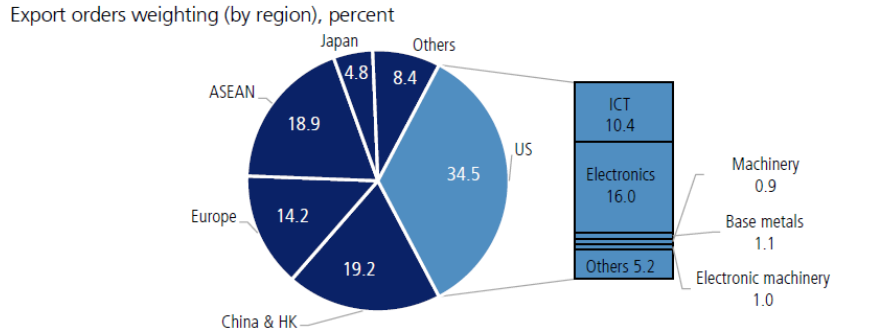
Source: Bloomberg; KGI Research

Figure 4: Orders from US outperformed; Europe & Japan recovered slightly; China & ASEAN underperformed



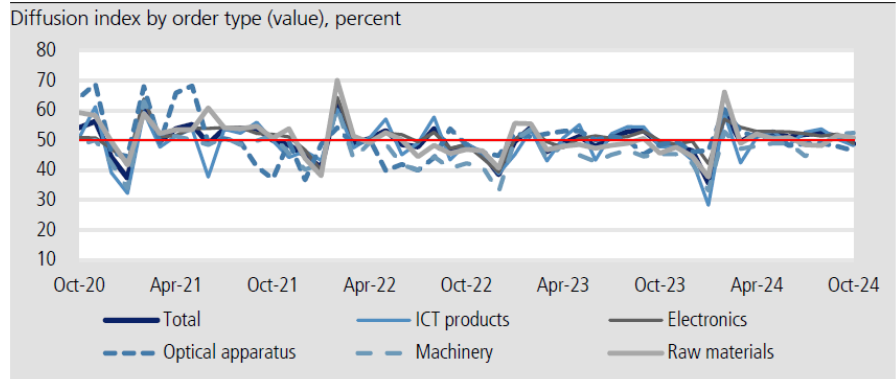
Source: Bloomberg; KGI Research

Figure 5: Taiwan export order weightings of US & ASEAN rose the most MoM, that of China dropped the most in October



Source: Bloomberg; MOEA; KGI Research

Figure 6: Diffusion indices point to order decline in November

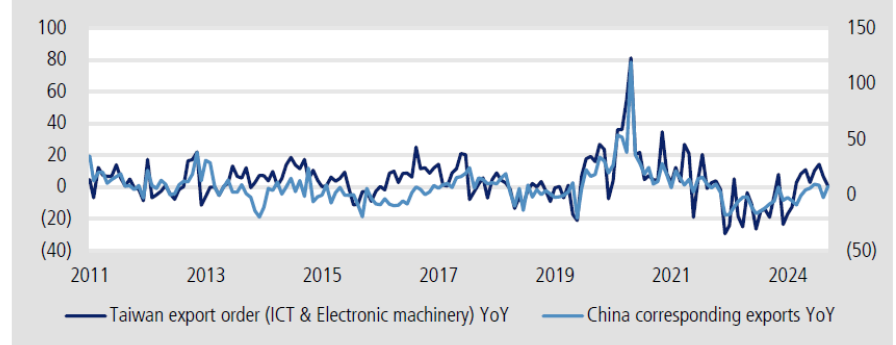


Note: Raw materials are chemicals, plastics & rubber products, base metals, and minerals

Source: Bloomberg; KGI Research

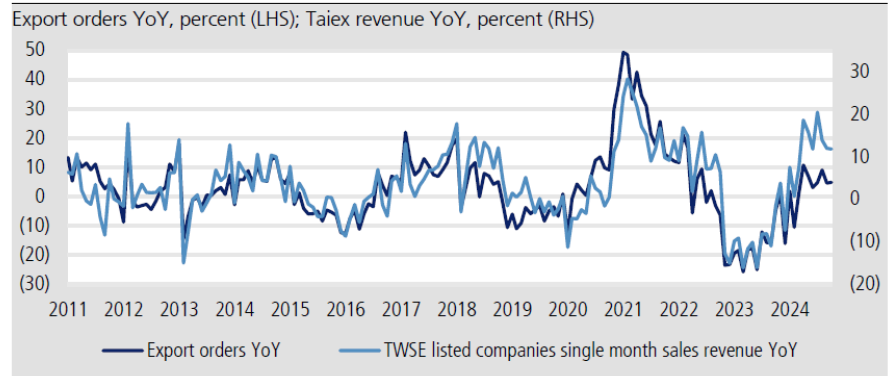
Figure 7: Order growth of ICT & electronic machinery slowed in October, registering a different trend of corresponding China exports

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



Source: Bloomberg; KGI Research

Figure 8: October YoY growth of export orders rose moderately from September, while Taiex revenue YoY growth slipped



Source: Bloomberg; KGI Research

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

Date	Major event	Possible effect
December	China Central Economic Work Conference	Will establish 2025F economic development plans and growth goals. We expect the economic growth forecast for 2025 will be unchanged at 5%.
December 12	ECB Monetary Policy Meeting	An additional 25bps-rate cut is expected.
December 18-19	Fed FOMC Meeting	The US Fed is expected to cut interest rates by 25bps. The market may be affected if an accelerated rate cut is attributed to an economic recession.
December 18-19	BOJ Monetary Policy Meeting	Chances for the BOJ to raise rates by 10-15bps.

Source: KGI Research

Figure 10: Key economic data - US

Indicators		Units	2020	2021	2022	2023	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
GDP	GDP QoQ SAAR	QoQ %, SAAR						3.2			1.6			3.0				2.8
	GDP YoY	YoY %	(2.2)	6.1	2.5	2.9		3.2			2.9			3.0				2.7
Consumer prices	CPI	YoY %	1.2	4.7	8.0	4.1	3.1	3.4	3.1	3.2	3.5	3.4	3.3	3.0	2.9	2.5	2.4	2.6
	Core CPI	YoY %	1.7	3.6	6.2	4.8	4.0	3.9	3.9	3.8	3.8	3.6	3.4	3.3	3.2	3.2	3.3	3.3
	PCE price index	YoY %	1.1	4.1	6.6	3.8	2.7	2.7	2.6	2.6	2.8	2.7	2.6	2.4	2.5	2.3	2.1	
	Core PCE index	YoY %	1.3	3.6	5.4	4.2	3.2	3.0	3.1	2.9	3.0	2.9	2.7	2.6	2.7	2.7	2.7	
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.5	62.8	62.5	62.5	62.5	62.7	62.7	62.5	62.6	62.7	62.7	62.7	62.7
	Unemployment rate	%	8.1	5.4	3.6	3.6	3.7	3.7	3.7	3.9	3.8	3.9	4.0	4.1	4.3	4.2	4.1	4.1
	Non farm payrolls	'000	(9,274)	7,245	4,528	3,013	182	290	256	236	310	108	216	118	144	78	223	12
	Net Change In total employment in labor force	'000	(8,856)	6,135	4,528	3,013	586	(683)	(31)	(184)	498	25	(408)	116	67	168	430	(368)
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	(41)	(20)	(20)	9	1	(3)	(20)	20	9	1	53	51
	Opening/hiring	x	1.07	1.56	1.75	1.58	1.60	1.54	1.54	1.52	1.49	1.41	1.46	1.51	1.42	1.45	1.34	
	Avg. hourly earnings	YoY %	5.4	5.0	4.9	4.3	4.3	4.3	4.4	4.3	4.1	3.9	4.0	3.8	3.6	3.9	3.9	4.0
Economic activity & business condition	Industrial production	YoY %	(7.1)	4.4	3.4	0.2	(0.2)	0.8	(1.2)	(0.1)	(0.3)	(0.8)	0.0	0.9	(0.5)	(0.1)	(0.7)	(0.3)
	Durable goods orders	YoY %	(4.6)	18.4	8.2	4.4	10.0	3.4	(0.9)	4.5	(2.2)	1.2	(1.4)	(11.3)	2.8	(0.4)	(2.8)	
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.7	1.4	0.8	(0.2)	3.2	(0.9)	2.8	(0.5)	(2.2)	2.0	(1.5)	0.7	
	Total business inventory/ sales ratio	x	1.44	1.28	1.34	1.37	1.36	1.37	1.38	1.37	1.37	1.37	1.38	1.38	1.37	1.38	1.38	
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.48	1.48	1.48	1.49	1.47	1.47	1.46	1.47	1.46	1.45	1.46	1.46	
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.27	1.28	1.28	1.30	1.29	1.29	1.30	1.31	1.33	1.32	1.33	1.33	
	ISM manufacturing index	Point	52.4	60.6	53.5	47.1	46.6	47.1	49.1	47.8	50.3	49.2	48.7	48.5	46.8	47.2	47.2	46.5
	ISM non-manufacturing index	Point	54.3	62.4	56.1	52.8	52.5	50.5	53.4	52.6	51.4	49.4	53.8	48.8	51.4	51.5	54.9	56.0
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	46.0	47.8	47.0	52.5	49.2	51.4	49.1	45.4	49.3	47.4	44.6	46.1	47.1
	Chicago Fed National activity Index	Point	(0.46)	0.38	(0.01)	(0.11)	0.21	(0.11)	(0.81)	0.39	(0.15)	(0.39)	0.18	(0.15)	(0.26)	(0.01)	(0.28)	
	Conference board leading index	YoY %	(4.7)	7.1	0.4	(7.7)	(7.6)	(7.1)	(7.1)	(6.5)	(5.5)	(5.5)	(5.2)	(4.9)	(5.1)	(5.0)	(4.8)	
	C&I Loans for large/medium - tightening lending standard	%	37.6	(15.1)	11.8	43.9			14.5			15.6			7.9			0.0
	C&I Loans for large/medium - stronger demand	%	(15.5)	(1.2)	12.4	(42.3)			(25.0)			(26.6)			0.0			(21.3)
Housing market	Building Permits	'000, SAAR	1,478	1,738	1,682	1,518	1,508	1,530	1,508	1,563	1,485	1,440	1,399	1,454	1,406	1,470	1,425	1,416
	Housing starts	'000, SAAR	1,394	1,605	1,552	1,421	1,510	1,568	1,376	1,546	1,299	1,377	1,315	1,329	1,262	1,379	1,353	1,311
	New home sales	'000, SAAR	831	770	637	666	611	654	664	643	683	736	672	672	726	709	738	
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.1	3.9	3.9	4.0	4.4	4.2	4.1	4.1	3.9	4.0	3.9	3.8	
	NAHB housing market index	Point, SA	70	81	59	44	34	37	44	48	51	51	45	43	41	39	41	43
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.4	18.7	4.9	6.4	5.6	6.4	6.8	7.5	7.5	7.2	6.8	6.5	5.9	5.2		
Consumption	Personal expenditures	YoY %, SA	(2.5)	8.8	3.0	2.5	3.1	3.6	1.9	2.1	2.7	2.4	2.8	2.9	2.8	3.0	3.1	
	Retail sales	YoY %	0.8	18.2	9.1	3.6	4.0	5.5	0.3	2.1	3.6	2.8	2.6	2.0	2.9	2.0	2.0	2.8
	Retail sales ex-autos	YoY %	1.5	17.3	10.6	3.4	3.6	4.6	0.9	2.0	3.7	3.2	2.9	3.3	3.2	2.3	2.5	2.7
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	15.3	15.8	15.0	15.8	15.5	15.7	15.9	15.3	15.8	15.1	15.8	16.0
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.4	101.0	108.0	110.9	104.8	103.1	97.5	101.3	97.8	101.9	105.6	99.2	108.7
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	61.3	69.7	79.0	76.9	79.4	77.2	69.1	68.2	66.4	67.9	70.1	70.5
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(6.3)	(6.5)	(6.3)	(6.4)	(5.9)	(5.7)	(6.1)	(5.6)	(5.6)	(7.2)	(6.3)	(6.9)
	Current account balance	As % of GDP	(2.8)	(3.7)	(3.9)	(3.3)			(3.2)						(3.3)			
Int'l balance	Net foreign securities transactions	US \$bn	505	907	1,321	931	101.1	88.2	(69.4)	25.6	58.6	1.8	(42.8)	80.5	137.9	108.8	216.1	
	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	5.00	5.00
Monetary & financial	10-Year treasury yield	%	0.91	1.51	3.87	3.88	4.33	3.88	3.91	4.25	4.20	4.68	4.50	4.40	4.03	3.90	3.78	4.28
	Dollar index	Point	89.9	95.7	103.5	101.3	103.5	101.3	103.3	104.2	104.5	106.2	104.7	105.9	104.1	101.7	100.8	104.0

Source: Bloomberg; KGI Research

Figure 11: Key economic data - Taiwan

Indicators		Units	2020	2021	2022	2023	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
GDP	GDP YoY	YoY %	3.4	6.6	2.6	1.3		4.8			6.6			5.1				4.0
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	2.9	2.7	1.8	3.1	2.2	1.9	2.2	2.4	2.5	2.4	1.8	1.7
	Core CPI	YoY %	0.7	1.9	2.7	2.4	2.4	2.4	1.7	2.9	2.1	1.8	1.8	1.8	1.9	1.8	1.8	1.6
Labor market	Unemployment rate	%	3.8	3.7	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.3	3.4	3.4	
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(12.5)	(1.8)	(3.8)	15.6	(1.3)	4.2	14.5	15.7	12.8	13.0	12.5	11.2	
	Markit Taiwan manufacturing PMI	Point			47.7	46.3	48.3	47.1	48.8	48.6	49.3	50.2	50.9	53.2	52.9	51.5	50.8	50.2
	NDC monitoring light signal						Yellow-blue	Yellow-blue	Green	Green	Green	Yellow-red	Yellow-red	Red	Yellow-red	Red	Yellow-red	
	NDC monitoring indicators	Point	24.3	39.0	24.2	14.4	20.0	22.0	27.0	29.0	31.0	35.0	36.0	38.0	35.0	39.0	34.0	
	NDC composite leading index	YoY %	(0.4)	4.7	(3.1)	(1.5)	(1.8)	(1.9)	(2.0)	(1.8)	(1.2)	(0.2)	1.0	2.0	2.7	3.3	3.6	
	NDC composite coincident index	YoY %	(0.9)	8.2	(1.4)	(8.1)	(1.9)	0.0	1.9	3.6	5.2	6.5	7.6	8.3	8.6	8.8	9.0	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	9.7	12.0	4.5	3.5	12.3	5.7	1.6	2.6	3.9	3.1	1.1	3.2	
Trade	Exports	US\$bn	345.2	446.6	479.7	432.6	37.5	39.9	37.2	31.4	41.8	37.5	37.4	39.9	39.9	43.6	40.6	41.3
	Imports	US\$bn	285.8	381.3	428.1	352.1	27.7	28.8	34.7	23.6	33.1	31.0	31.3	35.2	35.1	32.1	33.5	34.4
	Trade balance	US\$bn	59.4	65.3	51.6	80.5	9.8	11.1	2.5	7.9	8.7	6.5	6.1	4.7	4.8	11.5	7.1	6.9
	Export growth	YoY %	4.9	29.4	7.4	(9.8)	3.7	11.7	17.7	1.3	18.8	4.3	3.4	23.4	3.1	16.8	4.5	8.4
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(14.8)	(6.7)	18.7	(17.8)	7.2	6.5	0.6	33.9	15.8	11.7	17.3	6.5
	Export orders	US\$bn	533.7	674.1	666.8	561.0	50.6	43.8	48.4	37.7	47.2	47.1	48.9	45.6	50.0	50.2	53.8	55
	Export order growth	YoY %	10.1	26.3	(1.1)	(15.9)	1.0	(16.0)	1.9	(10.4)	1.2	10.8	7.0	3.1	4.8	9.1	4.7	4.9
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	3.1	3.0	3.1	3.6	4.5	5.4	4.9	5.0	5.2	5.2	4.1	4.1	
	M2	YoY %	8.5	8.0	7.1	5.3	5.3	5.3	5.4	5.6	6.2	6.1	6.0	6.3	6.2	5.8	5.6	
	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	567.5	570.6	569.5	569.4	568.1	567.0	572.8	573.3	571.7	579.1	577.9	576.9
	Rediscount rate	%	1.1	1.1	1.8	1.9	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	Exchange rate	USD/TWD	28.3	27.7	30.7	30.7	31.3	30.7	31.3	31.6	32.0	32.6	32.4	32.4	32.4	32.8	32.0	31.7

Source: Bloomberg; KGI Research

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