

## Taiwan Watch

## Data insight series #1: Demystifying the difference btw. export orders and exports

We introduce this data insight series to address the most frequently asked questions on Taiwan's economic landscape and macro data. In this first report, we explain the difference between the official export orders and exports data, which are both published on a monthly basis and closely followed by the market.

## Difference between export orders and exports data

The disappointing December export orders data (-16.0% yoy, see [report link](#)) released last week have prompted many questions from investors — What caused such a big divergence from the December exports data (+11.8% yoy)? Should we take export orders as a leading indicator and be concerned about the near-term export outlook?

In the aggregate, the yoy growth of exports and export orders appear to be highly correlated and move in tandem (Exhibit 1). Yet, the monthly readings of these two series can differ substantially at times. Meanwhile, there is a slowly growing gap between the two series in value terms over the past decade (Exhibit 3).

These likely reflect a few differences in what the export orders and exports data capture (see Exhibit 2 for details). In a nutshell, exports cover products that are shipped from Taiwan (i.e., must go through the Taiwan Customs), while export orders data are collected via sampling survey among Taiwanese manufacturers and reflect the outstanding value of their unfulfilled orders at the end of each survey month. Several distinctions are reflected in the statistics: (1) orders that are fulfilled/shipped by Taiwan manufacturers overseas (i.e., triangular trade) are included in export orders, but not Taiwan's exports; (2) intermediate goods that are shipped from Taiwan to overseas Taiwanese plants for further processing are included in exports, but not export orders; and (3) if domestic manufacturers receive raw materials from their foreign counterparts for further processing before exporting, the survey of export orders only captures the OEM income, while the exports data include the total value of finished products.

## Exhibit 1: Taiwan's export orders vs. exports

While exports and export order growth seem to be highly correlated, large divergence occurs at times



Source: BofA Global Research, CEIC

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**Exhibit 2: Comparison between export orders vs. exports**

Key differences between exports and export orders

	Export orders	Exports
Release time and frequency	Usually around the 20th of each month	Usually around the 7th of each month
Definition	Outstanding balance of unfulfilled orders for Taiwanese manufacturers at the end of each survey month	Total value of products shipped from Taiwan (i.e., must go through the Taiwan Customs)
Data source	Ministry of Economic Affairs	Ministry of Finance
Method	Estimated via sampling survey	Shipment data collected by Taiwan Customs
Coverage	Taiwanese manufacturers (both local & overseas)	Products finished locally and shipped directly from Taiwan
Data breakdown	By product category and by destination	By product category and by destination (more detailed)
Key distinctions	(1) Orders that are fulfilled/shipped by Taiwanese manufacturers overseas (i.e., triangular trade) are included in export orders, but not Taiwan's exports; (2) Intermediate goods that are shipped from Taiwan to overseas Taiwanese plants for further processing are included in exports, but not export orders; (3) If domestic manufacturers receive raw materials from their foreign counterparts for further processing before exporting, the survey of export orders only captures the OEM income, while the Customs exports data include the total value of finished products	

Source: BofA Global Research, MEA, MoF

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**Can we use export orders as leading indicator?**

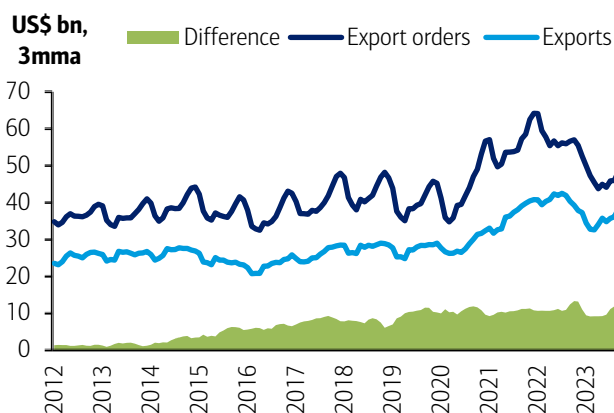
One common perception is that export orders should lead the exports data by a couple of months as, in theory, orders should precede production and ultimate shipments. But things are not that simple in our view.

Our analysis of the historical data does not support such a hypothesis, likely due to the different coverages and data-collection methods discussed above. Even if we exclude the parts of orders that are fulfilled outside of Taiwan (which account for >50% of total orders; Exhibit 4), export orders do not seem to statistically lead the Customs exports data clearly, either at the aggregate (Exhibit 5) or sectoral level (see Exhibit 6 for electronic products and the Appendix for others). In many ways, these two series look more like coincident indicators.

That said, the export orders data are still valuable given their wider coverage, which provides a more complete picture of external demand conditions not only for Taiwan but also broader Asia, particularly for the tech sector.

**Exhibit 3: Taiwan's export orders vs. exports**

There is a slowly growing gap between the two series in value terms

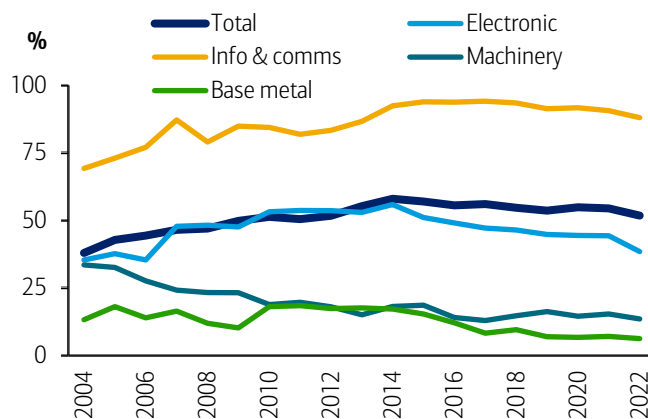


Source: BofA Global Research, CEIC

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**Exhibit 4: Share of Taiwan's export orders fulfilled overseas**

Over 50% of Taiwan's export orders are produced/fulfilled overseas

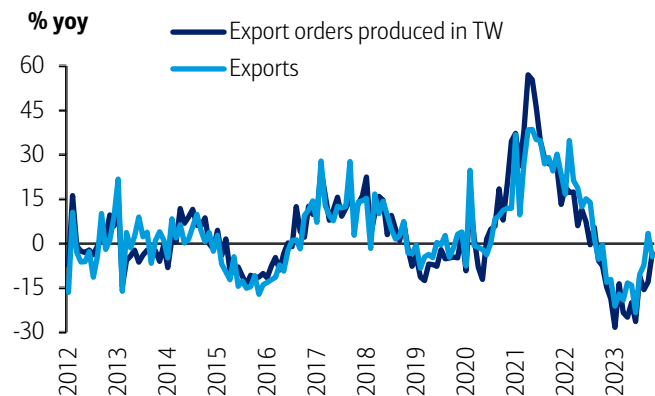


Source: BofA Global Research, CEIC

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**Exhibit 5: Export orders vs. exports data**

Even if we exclude those orders that are fulfilled outside of Taiwan, export order growth doesn't seem to lead export growth at the aggregate level...

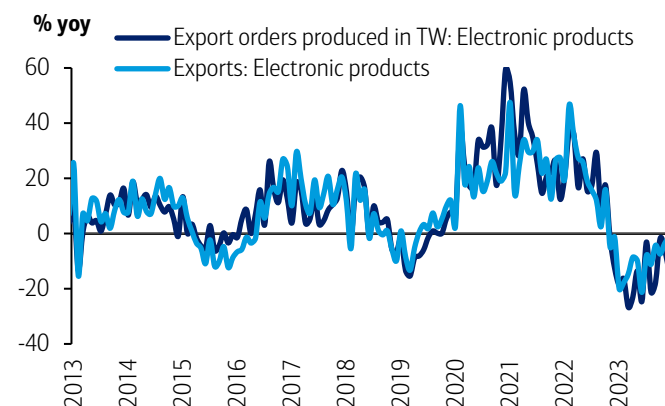


Source: BofA Global Research, CEIC

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**Exhibit 6: Export orders vs. exports data: electronic products**

...neither at the sectoral level, such as for electronic products (mostly semiconductors)



Source: BofA Global Research, CEIC

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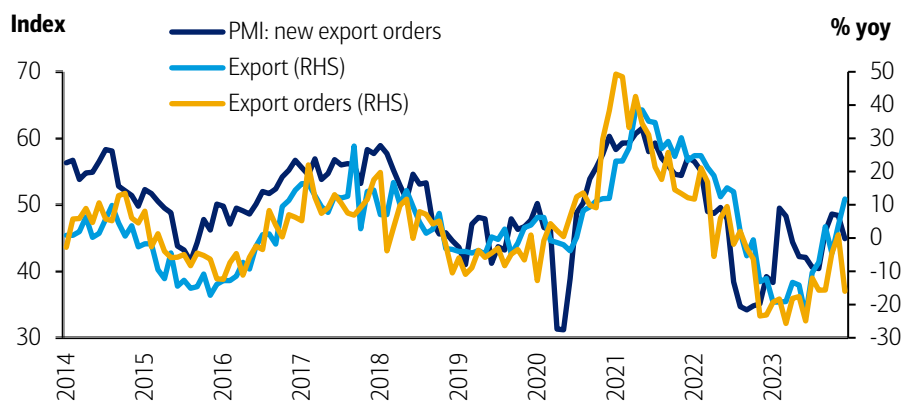
## What are the alternative leading gauges for exports?

We believe two alternative indicators can provide useful forward-looking information about Taiwan's export outlook.

- **New export orders index under PMI** (expansion if >50 and contraction if <50; Exhibit 7): In the past, this index tended to turn ahead of actual export growth by 1-3 months. A return to expansionary zone (>50) typically points to higher conviction level for a turnaround in the export cycle.
- **Industrial production (IP) growth**: While aggregate IP growth does not seem to be a leading indicator for export growth all the time (Exhibit 8), IP growth of the tech industry (i.e., computers, electronic and optical products) seem to lead export growth of the corresponding category by a few months (Exhibit 9).

**Exhibit 7: Exports, export orders vs new export orders PMI**

The new export orders sub-index underlying manufacturing PMI weakened in Dec

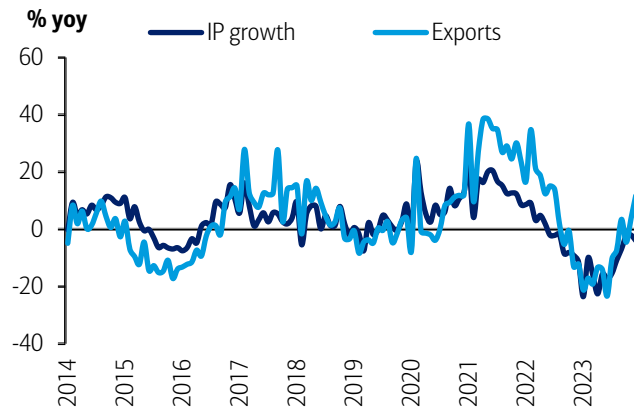


Source: BofA Global Research, CEIC, Bloomberg

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### Exhibit 8: IP growth vs. export growth

Aggregate IP growth does not seem to be a leading indicator for exports all the time

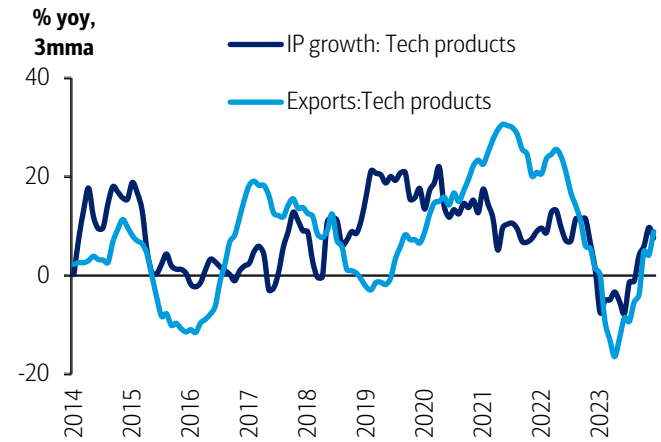


Source: BofA Global Research, CEIC

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### Exhibit 9: IP growth vs. export growth: tech products

IP growth of the tech industry seems to lead export growth of the corresponding category by a few months



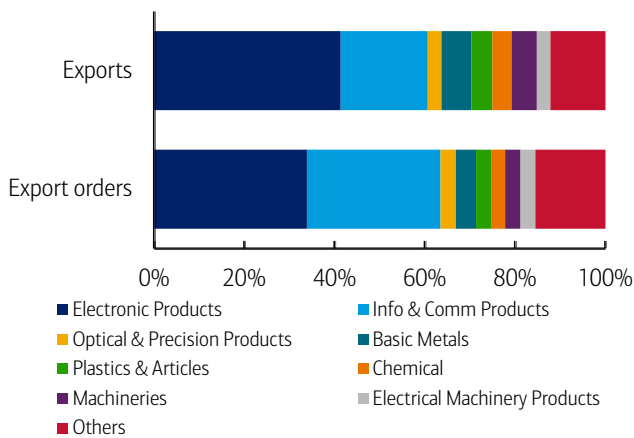
Source: BofA Global Research, CEIC

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## Appendix

### Exhibit 10: Exports vs. export orders: by product category (2023)

The composition of exports differ from that of export orders

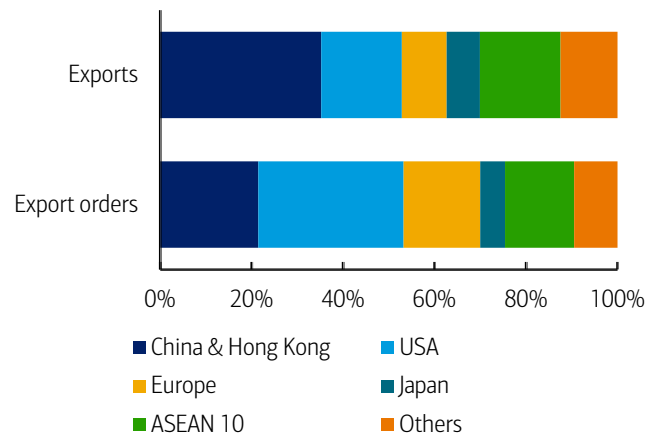


Source: BofA Global Research, CEIC

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### Exhibit 11: Exports vs. export orders: by destination (2023)

China and Hong Kong account for a larger share in exports than in export orders

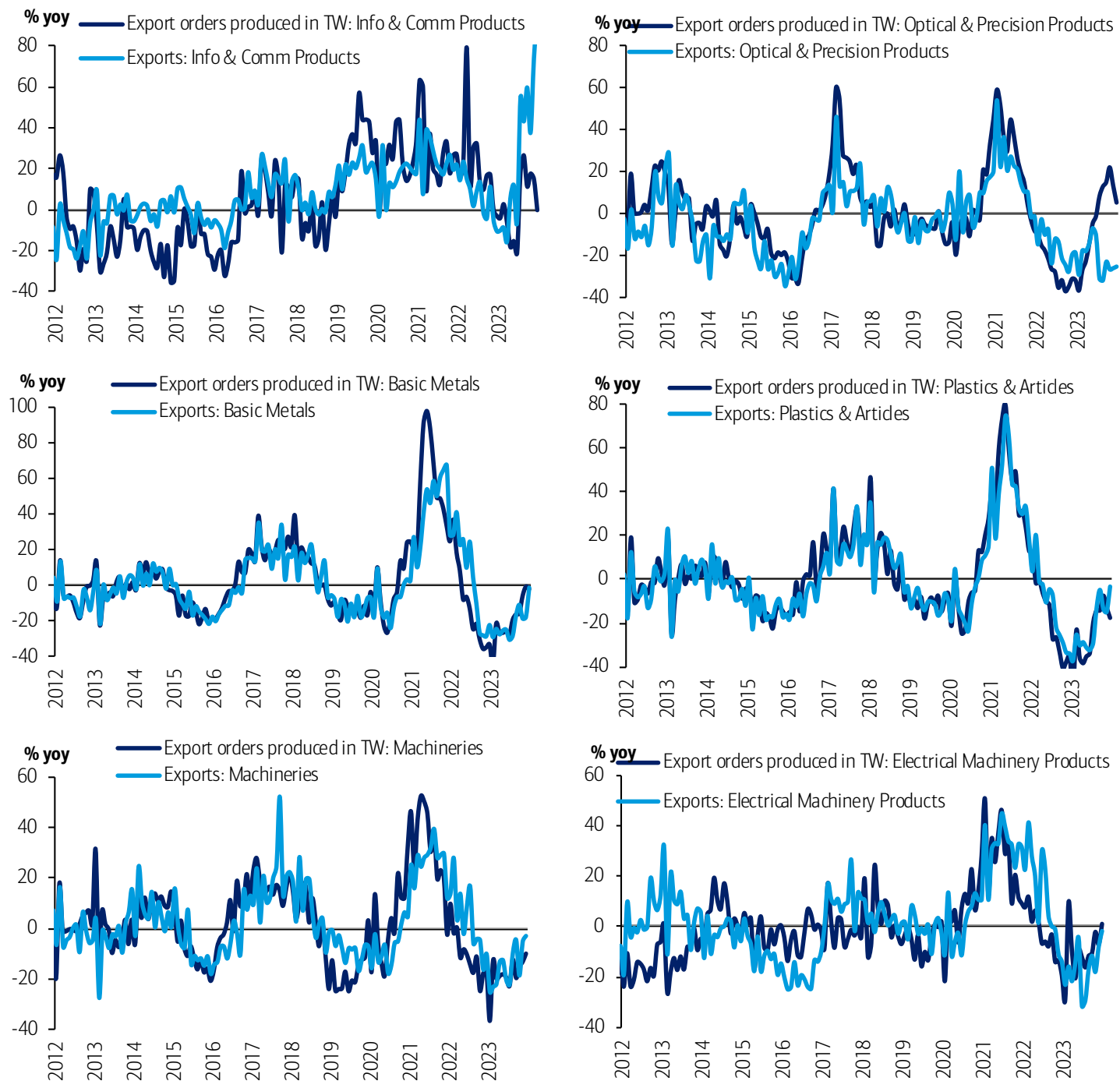


Source: BofA Global Research, CEIC

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**Exhibit 12: Export orders vs. exports data: sectoral level**

Export order growth does not seem to statistically lead export growth at the sectoral level



Source: BofA Global Research, CEIC

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