

Taiwan Watch

December export orders weakened unexpectedly

Dec export order growth surprised on the downside

Taiwan's export orders declined by 16.0% yoy in Dec (vs. +1.0% in Nov), trailing the market consensus of -1.0% by a wide margin. This marked a notable reversal after the uptrend in yoy growth since Sep. A higher year-ago base due to China's reopening last year can only explain part of the decline. Sequentially, export orders decreased by 11.6% mom sa in Dec, vs. -6.9% in Nov.

Orders for semis and info & comm products fell sharply

Export order growth of tech products fell sharply to -18.1% yoy, after returning to positive territory (+6.6%) briefly in Nov. By breakdown, electronic parts (mostly consisting of semiconductors) dropped by 12.9% yoy (vs. +3.5% in Nov), due to subdued end market demand for electronics products and continued inventory digestion. Orders of info & comm products plunged by 25.3% (vs. +10.0% in Nov), as weaker demand for phones, PCs and network products offset the structural boost from artificial intelligence (AI) servers. Order growth of optical & precision instruments also weakened to -0.3% yoy (from 9.8%). Export orders of non-tech products remained in double-digit contraction (-11.7% yoy, vs. -10.4% in the previous month).

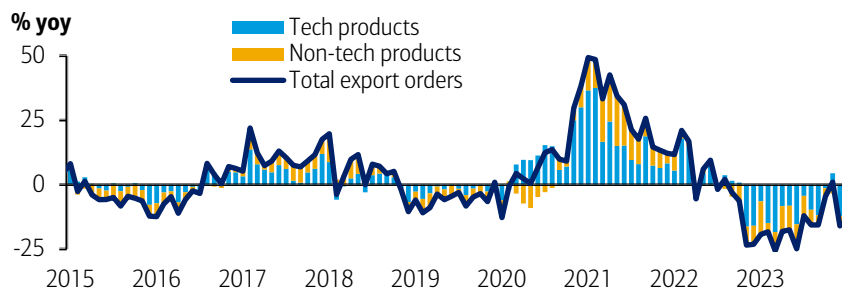
By origin, export orders from the US and Europe declined notably (-21.6% and -39.4% yoy, respectively), both driven by info & comm products. Orders from Japan remained sluggish (-30.5% yoy). Order growth from ASEAN softened to 32.4% yoy from 69.4%, while that from China/HK turned negatively again to -3.5% (vs. +8.8% in Nov).

Export outlook still faces headwinds

The disappointing Dec export orders data underscore the persisting headwinds on Taiwan's export outlook, against the backdrop of slowing global growth and subdued economic recovery in mainland China. Despite favorable base effect and a potential structural boost from AI demand, we believe exports could remain under pressure in the near term, due to (1) the off-peak season for tech products in 1Q (2) potential spillover in Jan-Feb due to the Red Sea disruptions, and (3) global demand weakness.

Exhibit 1: Export orders: breakdown

December export orders fell unexpectedly by 16.0% yoy (vs. +1.0% in Nov)



Source: BofA Global Research, CEIC

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Abbreviations:

ASEAN: Association of South East Asian Nations
MEA: Ministry of Economic Affairs
mom sa: month over month seasonally adjusted
yoy: year over year

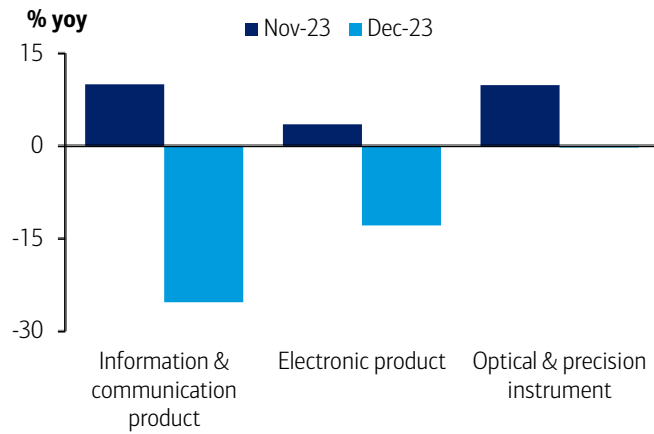
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Exhibit 2: Tech products: major categories

Export order growth of info & communication and electronic products fell back to contraction

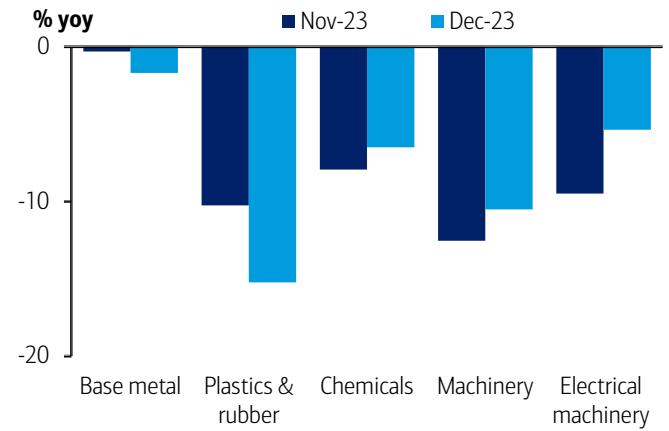


Source: BofA Global Research, CEIC

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Exhibit 3: Non-tech products: major categories

Non-tech orders remained in large contraction across the board

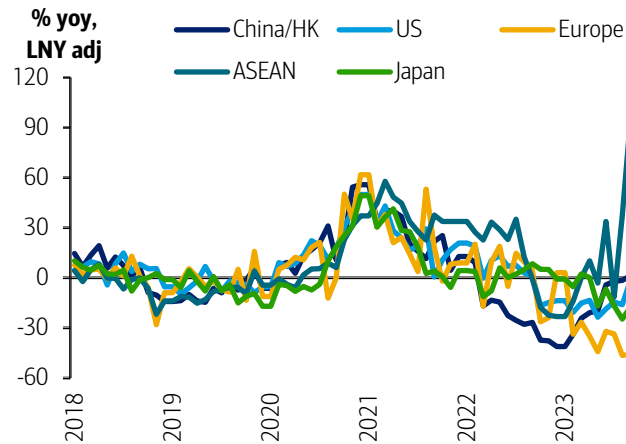


Source: BofA Global Research, CEIC

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Exhibit 4: Export orders by origin

Export order growth from ASEAN slowed in Dec, while orders from other origins contracted

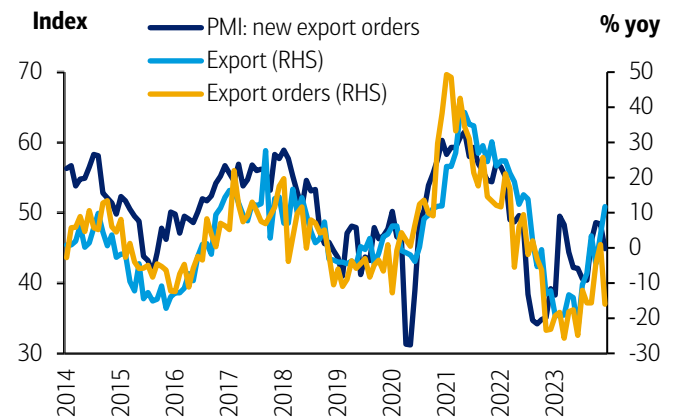


Source: BofA Global Research, CEIC

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Exhibit 5: Exports, export orders vs new export orders PMI

Both new export orders under PMI and export order growth fell in December



Source: BofA Global Research, CEIC, Bloomberg

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