

Taiwan Watch

January export order growth rebounded

Jan export order growth turned positive

Taiwan's export orders increased by 1.9% yoy in Jan, better than the market consensus of -3.6% and reverting the significant decline seen in Dec (-16.0% yoy). Sequentially, export orders rose by 18.3% mom sa in Jan, vs. -11.6% in the previous month. The improvement in Jan growth was mainly helped by the rising artificial intelligence (AI) related demand and overall restocking demand ahead of the Lunar New Year (LNY) holiday.

Semi orders improved notably; info & comm still sluggish

The yoy contraction in tech export orders narrowed notably to -1.8% (from -18.1% in Dec). By breakdown, electronic parts (mostly consisting of semiconductors) rebounded (+16.1% yoy, vs. -12.9% in Dec), mainly driven by rising demand for AI and high-performance computing (HPC) applications. Export orders of info & comm products fell by 19.3% yoy (vs. -25.3% in Dec), against a high year-ago base amid mainland China's reopening last year. Order growth of optical & precision instruments bounced to 24.0% yoy from -0.3% previously, partly due to base effect. Export order growth of non-tech products also rebounded to 10.7% yoy (from -11.7% in Dec) on restocking demand.

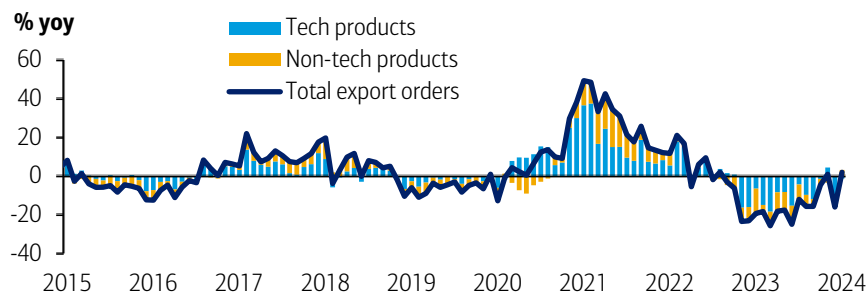
By origin, export order growth from ASEAN jumped to 117.9% yoy from 32.4% previously, boosted by info & comm products (+531.3%). Order growth from the US (+2.7% yoy) and China/HK (+28.0%) picked up, while export orders from Japan declined less (-21.2%, vs. -30.5%). Orders from Europe saw a deeper contraction (-50.0% yoy, vs. -39.4% in Dec) due to less demand for info & comm products.

Export outlook to improve as tech demand picks up

We believe Taiwan's export outlook will gradually improve and likely more notably so from mid-year, helped by a recovery in tech demand and structural boost from AI momentum. The favorable base effect might help support the yoy growth too in the near term. That said, the magnitude of improvement could still be limited in 1Q amid the off-peak season for tech products and lingering global demand weakness.

Exhibit 1: Export orders: breakdown

January export order growth rebounded to 1.9% yoy (vs. -16.0% in Dec)



Source: BofA Global Research, CEIC

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GEM Economics
Asia | Taiwan

Miao Ouyang
China & Asia Economist
Merrill Lynch (Hong Kong)
+852 3508 6745
miao.ouyang@bofa.com

Helen Qiao
China & Asia Economist
Merrill Lynch (Hong Kong)
+852 3508 3961
helen.qiao@bofa.com

Abbreviations:

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

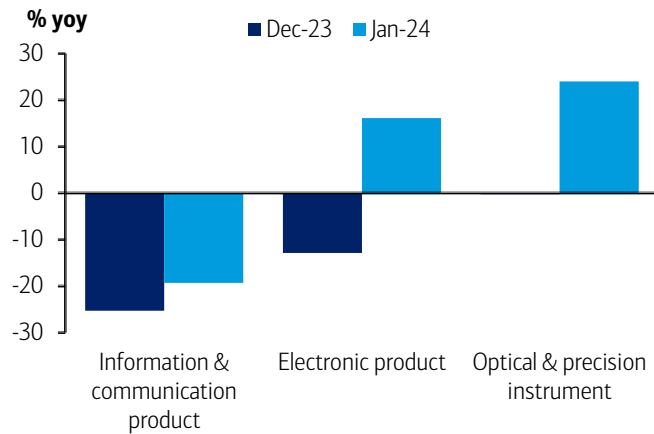
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Exhibit 2: Tech products: major categories

Export order growth of info & communication products remained in contraction, partly due to a high base, while that of electronic products rose

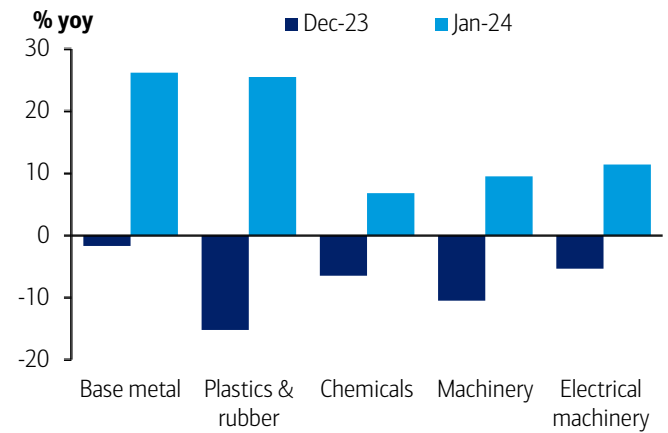


Source: BofA Global Research, CEIC

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Exhibit 3: Non-tech products: major categories

Non-tech order growth rebounded notably across the board

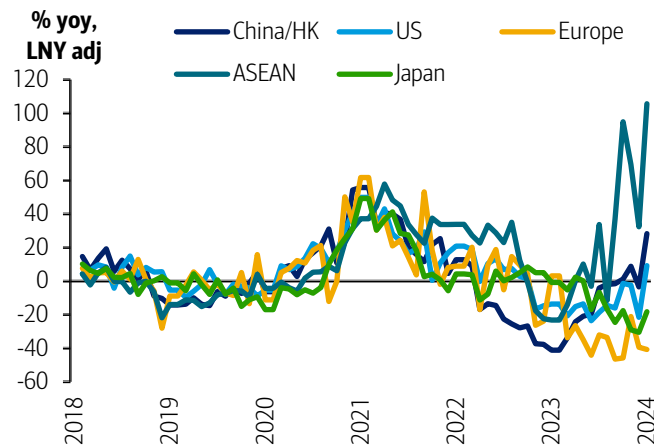


Source: BofA Global Research, CEIC

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Exhibit 4: Export orders by origin

Export order growth from ASEAN accelerated in Jan, while orders from most other origins improved

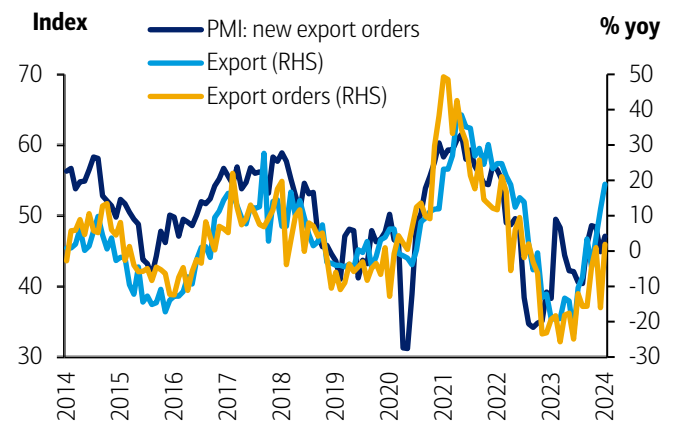


Source: BofA Global Research, CEIC

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

Both new export orders under PMI and export order growth improved in Jan



Source: BofA Global Research, CEIC, Bloomberg

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