

Taiwan's growth surprise down to frontloading

Taiwan's first quarter GDP growth significantly beat forecasts at 5.4% YoY. It was driven by a strong contribution from net exports, offsetting a slowdown in domestic demand. While such strong figures are not set to last, we are raising our full-year growth forecast



The Taipei skyline

5.4%

Higher than expected

Taiwan's GDP growth

1Q25, Year-on-Year

Strong beat in Taiwan's 1Q25 GDP growth

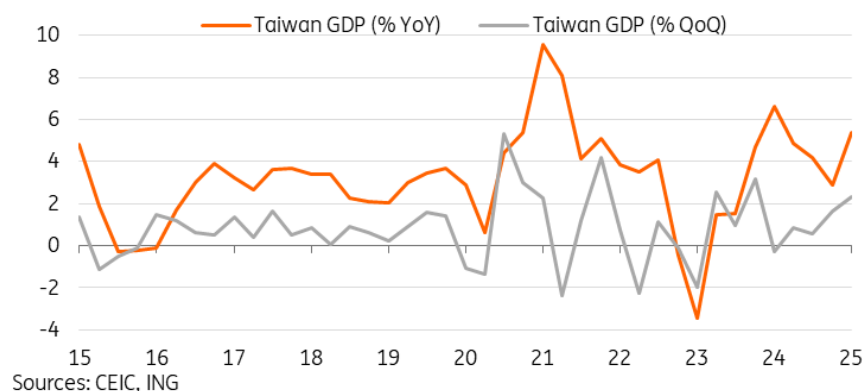
Taiwan's GDP grew by 5.4% YoY in the first quarter of the year, up from 2.9% YoY in 4Q24, according to advance estimates. That's the fastest pace since the first quarter of last year and well above market forecasts for 3.6% growth. The 2.3% Quarter-on-Quarter growth rate was the fastest

quarterly growth since the last quarter of 2023.

The main reason for the upside surprise was a swing of the net demand from the rest of the world back to positive territory, which contributed 1.03pp to 1Q growth after three consecutive quarters of negative contribution. This primarily reflected the import frontloading, which took place in the first quarter ahead of Donald Trump's 'Liberation Day' tariffs. We also saw the contribution from domestic demand weaken, down to 4.34pp. In particular, the contribution from private consumption fell to 0.6pp, which was the smallest contribution of any quarter since 1Q22. This combination of factors does not bode too well for growth from the second quarter, as the export side will likely take a hit once tariffs have taken effect.

Nonetheless, in light of the much stronger-than-anticipated 1Q25 read, we are upgrading our full-year forecast from 2.8% to 3.2% YoY.

Taiwan 1Q25 GDP comfortably beat expectations



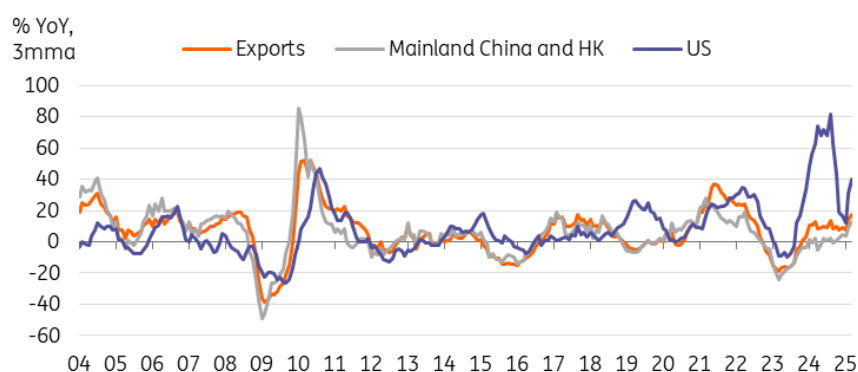
Taiwan's outlook to be heavily impacted by outcome of trade talks

Taiwan's outlook is uncertain, with the main question mark being how negotiations with the US unfold. In recent years, Taiwan has had a high dependence on the US market. Exports to the US totalled USD111.4bn in 2024, up 46.1% YoY. Export growth to the US far outpaces growth to other regions and is the main driver behind Taiwan's trade growth over the past year. Exports to the US represented 20% of total exports in 2024, behind only Mainland China and Hong Kong at 27%.

We previously speculated that Taiwan would [avoid the worst of Trump's reciprocal tariffs](#), only to find that we severely overestimated the amount of thought and rationality put into the tariff announcements. Nonetheless, we suspect that Taiwan should be among the economies able to strike some form of trade deal, given the semiconductor giant, TSMC's high profile announcement of investment into US manufacturing facilities is exactly the sort of action the Trump administration has been seeking, and many of Taiwan's key exports to the US such as semiconductors and computer products are either strategically important or sensitive to consumers.

It wouldn't be a surprise if Taiwan agreed to lower tariff barriers too. But whether or not this is sufficient to avoid reciprocal tariff hikes once the grace period is over is anyone's guess.

Export growth has largely been driven by the US



Sources: CEIC, ING

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