

# Taiwan continued to grow strongly in 2Q on demand from AI boom

Taiwan's advance estimates for 2Q24 GDP growth show a slight moderation to 5.1% year-on-year, beating expectations



Xinyi District in downtown Taipei, Taiwan

# 5.1% YoY

 Taiwan's 2Q24 GDP growth

Higher than expected

## Taiwan continued to see solid growth in the second quarter

Taiwan's GDP growth slowed from 6.56% YoY in 1Q24 to 5.09% YoY in 2Q24, beating already upgraded forecasts and moderating by less than anticipated. Rather than the slight sequential decline expected by markets, there was a small 0.03% seasonally adjusted quarter-on-quarter increase in the second quarter.

The AI boom continued to be the main driver of growth in Taiwan, given its leading position in the semiconductor industry. AI-related demand contributed to both exports as well as gross capital

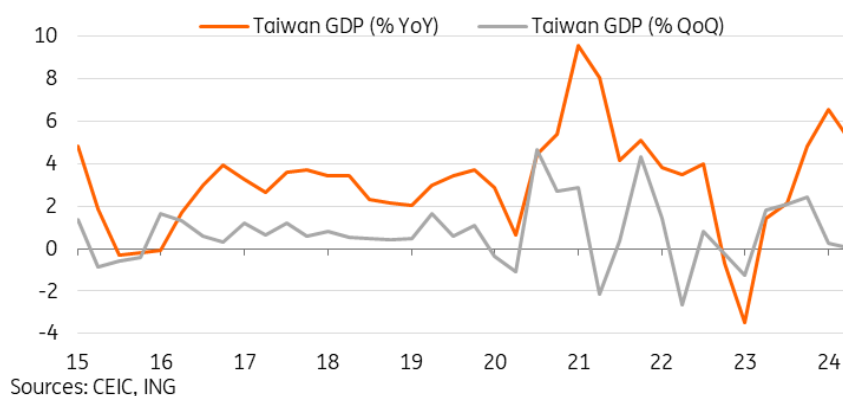
formation in the second quarter.

Gross capital formation was the main factor behind the beat in the 2Q24 GDP, bouncing back strongly after four consecutive quarters of negative YoY growth. While this was in part due to a supportive base effect and change in inventories, this was also driven by increased investments in machinery equipment, construction and intellectual property products. In combination, gross capital formation grew 15.3% YoY and contributed 3.9ppt to second-quarter growth.

Exports continued to see a solid 7.9% YoY growth rate in 2Q24, but this was overshadowed by the 10.6% YoY growth in imports. In sum, net exports actually dragged down growth in the second quarter, detracting 0.4ppt from growth, the first negative contribution since 2Q23.

Consumption was mostly in line with expectations, growing at a relatively more tepid 2.7% YoY in 2Q24, contributing 1.3ppt to growth on the quarter. Consumption has been supported by a positive wealth effect amid strong property and equity markets so far this year.

## Taiwan's second quarter growth maintained sequential growth and saw a smaller than expected moderation in YoY terms



## Stronger than expected first half performance supports a forecast upgrade

Taiwan's data has come in stronger than expected for the last several months, and after the beat of the second quarter GDP and continued recovery of the leading index, we believe an upgrade of the full-year GDP forecast is in order. As such, we upgrade our 2024 GDP forecast from 3.8% YoY to 4.6% YoY.

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