

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

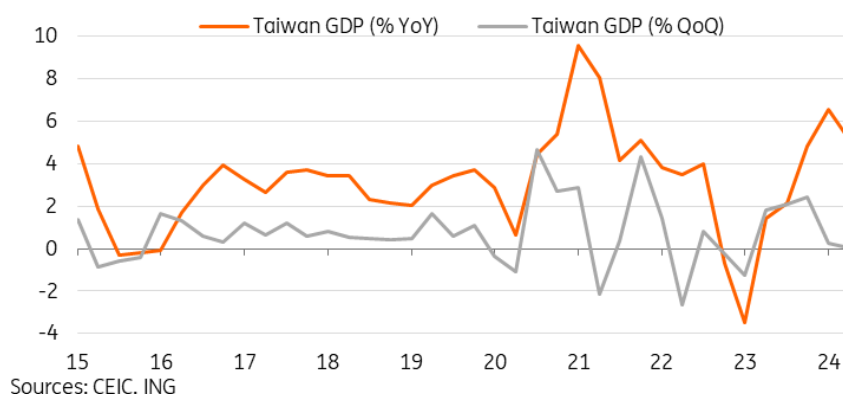
formation in the second quarter.

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.

Author

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.