

Taiwan's first quarter GDP beats forecasts on the strength of net exports

Taiwan's first quarter GDP growth rose by a stronger-than-expected 6.51% year-on-year, largely driven by net exports and a weak base effect



6.51% Taiwan's first quarter GDP growth

Higher than expected

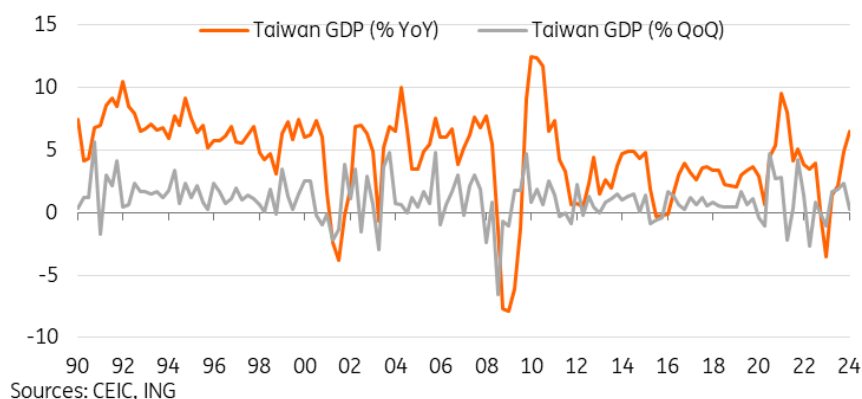
Improving external demand supported Taiwan's economy in the first quarter of 2024

Taiwan's first quarter GDP growth rose to 6.51% year-on-year, up from 4.93% YoY in the fourth quarter of 2024. This growth rate was the highest level since the second quarter of 2021, coming in stronger than both our and market forecasts.

The strength of the first quarter GDP data primarily reflected improving external demand, which contributed 5.46pp to growth. Within this category, exports grew 10.21% YoY and contributed 6.42pp to growth, versus a 2.16% YoY growth in imports which deducted 0.95pp. The official release attributed this strength to exports of emerging application goods and inbound travel services. Monthly trade data has indicated that by product, strength was concentrated in the machinery and electrical equipment sector, which was up 27.7% YoY primarily due to the rise in exports to the US, which surged 62.5% YoY.

In contrast, domestic demand contributed a relatively modest 1.04pp to growth. This was primarily due to a continued drag from gross capital formation, which was down 4.47% YoY despite a favourable base effect and dragged growth down 1.24pp. A reduction in machinery equipment investment was the main area of weakness. In contrast, private final consumption fared better, up 4.14% YoY to contribute 2.10pp to first quarter growth. Catering and tourism have been the main areas of strength for consumption year-to-date.

Weak base effect propelled Taiwan's GDP YoY growth rate to highest level since 2Q21



Growth is set to moderate in subsequent quarters

It is worth noting that the first quarter strength is in large part due to a favourable base effect after Taiwan's GDP saw a steep 3.49% YoY decline in the first quarter of last year. Moving forward, a less favourable base effect will likely cause the YoY growth to moderate significantly in subsequent quarters – though we expect that full-year growth will still come in significantly stronger than last year's 1.3% YoY. Nonetheless, in light of the stronger-than-expected first quarter GDP growth, we upgrade our 2024 full-year forecast to 3.6% 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.