

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

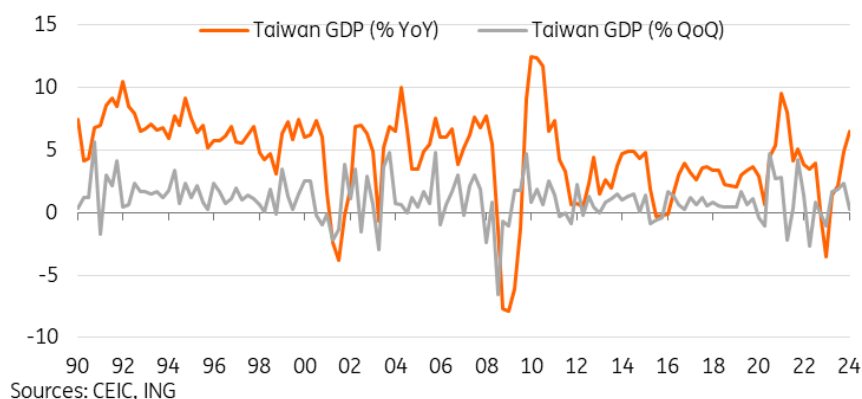
Improving external demand supported Taiwan's economy in the first quarter of 2024

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.

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