

Taiwan's third-quarter GDP beats expectations

Domestic demand stayed resilient and helped offset a larger drag from external demand in the third quarter, as growth looks set to beat forecasts in 2024



Taipei City, Taiwan

3.97% YoY

 Taiwan's 3Q24 GDP growth

Higher than expected

Third quarter GDP growth beat forecasts

Taiwan has published its advance estimate for the third quarter GDP growth. According to the data release, growth moderated to 3.97% YoY, down from 5.06% YoY in the second quarter. This growth was a little stronger than our forecasts of 3.8% YoY growth and quite handily beat the consensus forecasts of 3.4% YoY. The slowdown of the year-on-year number was a base effect story – the seasonally adjusted quarter-on-quarter growth rate of 1.08% was actually far and away the highest of any quarter in the year to date.

Looking at the breakdown of the data, we continue to see a solid contribution of 5.13 ppt (down slightly from 5.35 ppt in 2Q) from domestic demand, which was key in partially offsetting a larger drag of -1.16 ppt (down from -0.29 ppt) from external demand.

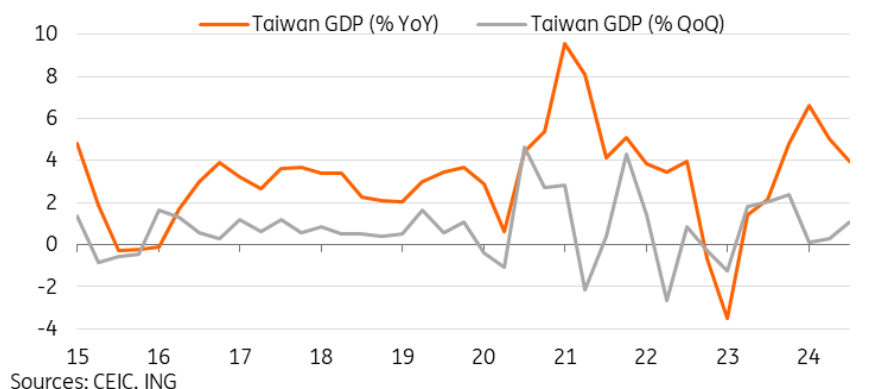
Within the domestic demand categories, we saw slightly smaller contributions from private consumption and gross capital formation but a stronger boost from government spending compared to the second quarter. Overall, Taiwan's domestic demand picture has been quite positive this year amid rising wealth effects and solid wage growth.

Within the external demand side, the GDP data confirmed what monthly trade data has been illustrating – while export growth has remained choppy but overall quite solid, base effects have led to even stronger import growth levels, which led to a smaller trade surplus compared to the same period in 2023 and consequently a net negative contribution to GDP.

The data release pointed to emerging technologies such as AI as a key driver of growth, and this should be of little surprise given how Taiwan's trade and industrial production data has shaped up over the year to date.

The slight outperformance in 3Q24 GDP brings the year-to-date growth to 5.2% YoY, which keeps Taiwan well on pace to easily beat the current market consensus forecasts for 2024 GDP of just 4.0% YoY, barring a disastrous fourth quarter. Risks to our current full-year forecast of 4.6% YoY appear balanced toward the upside.

Taiwan's 3Q GDP slowed in YoY terms but picked up in seasonally adjusted QoQ terms



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