

Taiwan's GDP growth hits highest level since 1987

GDP growth once again beat expectations in the first quarter to hit 13.69% year-on-year, eclipsing even the most bullish forecast on the market as the AI boom continues to drive external demand higher. Risks to our full year forecast look tilted to the upside, but the impact of the Iran war has yet to be seen in the data



Xinyi District in downtown Taipei, Taiwan

13.69%

Higher than expected

Taiwan's 1Q26 GDP growth YoY

Highest since 1987

Taiwan's growth beats all forecasts again

1Q26 GDP growth accelerated to 13.69% YoY, up from 12.65% YoY in 4Q25, bucking expectations for a slight moderation of growth. This rate of growth beat the entire range of forecasts once again.

Unsurprisingly, external demand continued to be the main driver of growth, contributing 9.62pp to growth. While this came in a little lower than 4Q25's 11.9pp contribution, it nonetheless remains the clear primary driver of Taiwan's economic growth in the first quarter. The direct contribution from exports was little changed at 24.01pp, but higher imports at 14.39pp cut into the growth contribution somewhat.

We believe there is a strong case for this momentum to carry forward into the second quarter, given the continued strength of recent export orders data, which suggests that export demand will remain strong in the months ahead. This year, Taiwan has benefited from rising tech product prices as the AI boom continues. As a producer of the most advanced chips, Taiwan has been able to maintain strong pricing power despite rising input costs. This price effect, combined with robust demand volumes, has helped push Taiwan's economic performance consistently above market forecasts.

On the domestic demand side, we saw a solid 4.07pp contribution from domestic demand, supported by private final consumption rising to 2.23pp, the highest since 1Q24. This comes on the back of recently accelerating retail sales growth. Decent performance in government spending (0.46) and gross capital formation (1.38) also supported domestic demand in the first quarter.

Strong start to the year adds upside risk (again) to our forecasts

We [recently upgraded our Taiwan 2026 full year forecast](#) to 8.2% YoY on the back of consistently outperforming exports, in what we wrote was a risky forecast upgrade amid the Iran War uncertainty.

Higher energy prices haven't had much impact so far on the 1Q26 data. We saw in the March data that Taiwan's oil import prices have yet to catch up with the spike in spot oil prices. The average price of oil imports rose to USD 72.2 per barrel, well below the monthly average Brent price of around USD 100 per barrel, and was still down 8.5% YoY. Import prices are likely to catch up in the coming months, which would push up the import bill. Taiwan has a high energy import dependence, estimated to be over 95%. This means that not only will Taiwan have little choice but to absorb higher energy prices, it could be particularly at risk if there are supply shortages.

We believe that Taiwan's growth is generally well suited to absorb higher energy prices, assuming the AI boom and huge appetite for Taiwan's exports continues, but physical supply shortages could be a major disruptor to watch out for. With the US imposing its own blockade on the Strait of Hormuz and oil prices continuing to accelerate, this risk remains worth monitoring.

The next few months of data will begin to show the actual impact of the war. We expect that GDP growth will moderate in 2Q26 in part due to a less supportive base effect, but the strong start to the year suggests that risks to our forecast still look tilted to the upside for now.

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