



# 2024 Taiwan Economic Forecast: A Revision

Chang-Ching Lin  
Yu-Chin Hsu  
Yi-Ting Chen  
Hao-Yen Yang

Chun-Hao Yueh  
Been-Lon Chen  
Tzu-Ting Yang  
Chun-Hsien Yeh

Shou-Yung Yin  
Juin-Jen Chang  
Shu-Chun S. Yang  
Kamhon Kan

(Arranged by Chinese surname stroke order)

July 31, 2024

Institute of Economics, Academia Sinica

# 2024 Taiwan Economic Forecast: A Revision

## - Embracing Opportunities in a Hot Summer

In the first half of 2024, the resurgence of global merchandise trade and the growing demand for advanced technologies such as high-performance computing and artificial intelligence (AI) revitalized Taiwan's exports and industrial production. This revival pushed economic growth beyond expectations in the first quarter, achieving an annual real GDP growth rate of 6.56%. With a stable recovery expected, the forecast for the 2024 real economic growth rate has been revised upward to 3.88%.

As the domestic economy heated up, consumer enthusiasm in dining, accommodations, leisure, and transportation led to a 4.45% annual increase in real private consumption in the first quarter of 2024. In the retail sector, the sales in the automotive, diversified goods, and e-commerce, grew by more than 4% in the first half of the year, with total revenues in the retail sector growing at an annual rate of 3.24%. The catering industry, boosted by strong demand for dining out and airline catering, grew by 5.10%. The consumer confidence index has continued to rise this year, supported by a stable job market and active stock market trading. Government tax reforms have further enhanced household disposable income and consumption. Additionally, robust demand for cross-border and business travel has supported consumer spending, with a projected 2.62% growth rate in private consumption for 2024.

Due to global economic uncertainties, businesses have remained cautious, leading to a 7.92% decrease in real private investment growth in the first quarter of 2024. The manufacturing sector experienced a 25.66% reduction in domestic fixed asset acquisitions, including a 32.69% drop in miscellaneous machinery. Capital equipment imports, priced in NT dollars, also fell by 2.23%, with semiconductor equipment down by 26.48%. Given the low base from the second half of 2023 and ongoing demand for advanced technologies, investments in related supply chains are expected to boost private investment later this year, leading to a forecasted real annual growth rate of 0.86% in private investment for 2024. Ongoing infrastructure investments by governments and public enterprises are projected to increase the real annual growth rate of gross fixed capital formation to 2.16%.

The rebound in global trade and strong demand for advanced technologies led to real annual growth rates of 9.11% for exports and 0.84% for imports in the first quarter of 2024. Growth varied across sectors. Driven by demand for AI and other technologies, the export growth rate for information, communication, and audio-video products was an impressive 117.63%. Traditional sectors like chemicals, plastics, and machinery grew

by 1-3%, while steel and transportation equipment declined. Strong demand for AI and high-speed computing is expected to sustain export momentum and stimulate import activity. Considering the low base effect and pricing factors, the expected growth rates for exports and imports of goods and services for 2024 are 8.48% and 8.23%, respectively.

Regarding prices, despite moderate price increases in the first half of the year (an annual rate of 1.94%), the electricity price hike starting in April (with an annual increase of 3.10%) and significant price increases in services such as medical expenses, dining out, and entertainment (2.58%) pushed the Consumer Price Index (CPI) up by an average of 2.27% from last year, with the core CPI rising by 2.02%. Considering the time needed for the price adjustments in response to the electricity price hike, the impact of rising housing prices on rents, the salary increases for public-sector staff, and the disastrous flooding from the typhoon in the middle and southern parts of Taiwan in July, the CPI is projected to rise by 2.21% for 2024. Influenced by rising costs in electrical equipment, chemicals, pharmaceuticals, and electronics, as well as electricity price hikes, the Producer Price Index (PPI) for the first six months increased by an annual growth rate by 1.37% year-on-year, with an estimated growth rate of 1.26% for 2024.

In the labor market, the vibrant service sector has boosted employment opportunities, resulting in an average unemployment rate of 3.36% for the first half of the year, slightly below the 3.51% recorded during the same period in 2023. The unemployment rate for 2024 is projected to be 3.38%. Although the central bank increased policy rates by 12.5 basis points in March, the robust growth of M1B and M2, with annual growth rates of 4.85% and 5.97% in the first half of the year, reflects vigorous funding activity. The growth rates for M1B and M2 in 2024 are projected to be 4.51% and 5.75%, respectively.

Looking ahead to the second half of the year, significant uncertainties remain. First, the uncertain timing of monetary policy tightening in major economies could impact financial market fluctuations and exchange rate stability. Second, the highly unpredictable US election outcome may influence US-China tensions and international competition, potentially leading to supply chain restructuring and further fragmentation of the global economy. Lastly, geopolitical and extreme weather risks could increase commodity price volatility, raising production and transportation costs and contributing to global inflation uncertainty. Considering these factors and potential forecasting errors, the estimated 50% confidence interval for Taiwan's real GDP growth rate for the full year of 2024 is projected to be in the range of 2.49% to 5.26%.

**Table 1 2024 Taiwan Economic Forecast: A Revision**

Unit: Billions of NT\$

	Annual		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	Forecasts	Growth Rates (%)	Estimate	Growth Rates (%)	Forecasts	Growth Rates (%)	Forecasts	Growth Rates (%)	Forecasts	Growth Rates (%)
Real GDP	22,858.36	3.88	5,461.40	6.56	5,580.07	3.70	5,804.43	2.84	6,012.47	2.69
Private Consumption	10,897.92	2.62	2,711.11	4.45	2,680.82	2.14	2,740.50	2.00	2,765.49	1.94
Government Consumption	2,990.46	2.44	658.67	1.15	698.97	1.08	764.49	3.68	868.34	3.48
Fixed Capital Formation	5,338.57	2.16	1,244.78	-5.40	1,332.75	1.86	1,384.82	5.28	1,376.22	7.01
Private Enterprises	4,322.30	0.86	1,062.26	-7.92	1,092.30	0.45	1,143.14	4.28	1,024.60	8.04
Public Enterprises	400.76	8.80	71.38	11.98	97.11	8.82	88.83	9.51	143.44	6.85
Government	619.83	7.62	112.88	12.21	144.91	8.55	153.32	10.49	208.72	2.78
Balance of Trade	3,547.98	7.89	829.90	49.04	856.55	10.87	885.16	-5.18	976.38	-4.80
Exports of Goods & Services	15,289.07	8.48	3,541.91	9.11	3,770.51	11.42	3,936.40	6.19	4,040.25	7.55
Imports of Goods & Services	11,695.14	8.23	2,712.02	0.84	2,902.37	11.14	3,037.95	9.54	3,042.80	11.41
Price										
CPI	107.84	2.21	106.80	2.34	107.41	2.20	108.30	2.29	108.86	2.01
PPI	111.26	1.26	109.27	-0.04	111.84	2.78	112.11	1.32	111.83	0.98
Monetary Aggregate										
M1B	27,435.52	4.51	27,238.19	4.68	27,368.14	5.02	27,624.66	4.45	27,511.08	3.90
M2	62,818.95	5.75	61,934.86	5.83	62,686.35	6.11	62,896.10	5.39	63,758.50	5.66
Exchange Rates (NT\$/US\$)	32.20		31.45		32.35		32.45		32.55	

Source: Institute of Economics, Academia Sinica, July 31, 2024.