

TAIWAN CHARTBOOK: THE AI TRILLION-DOLLAR LEAP

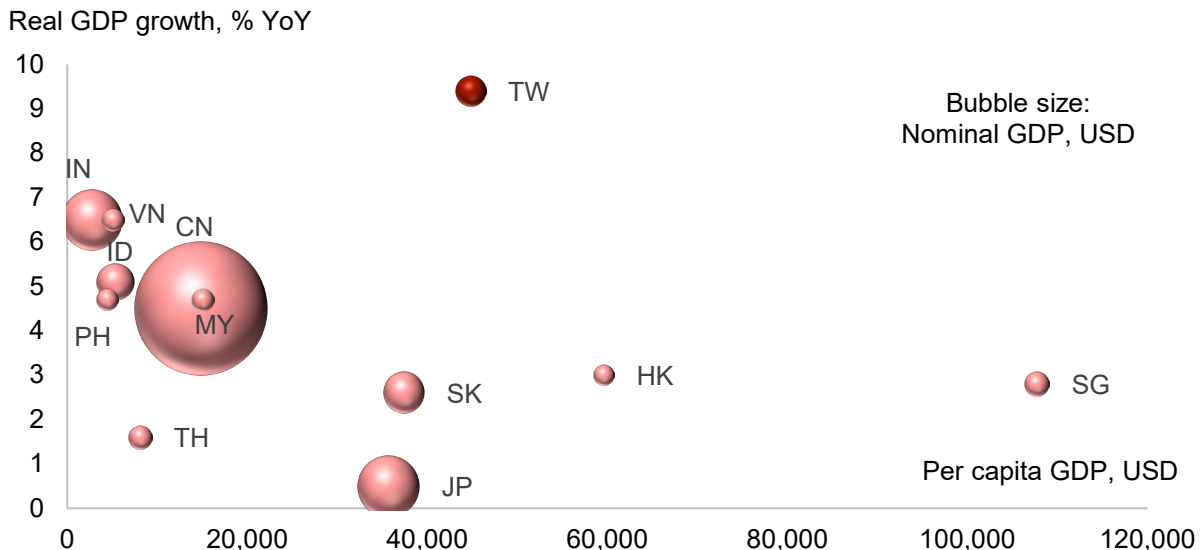
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- Thanks to the AI supercycle, Taiwan is delivering remarkable economic and market performance while gaining strategic importance in global supply chains
- Nominal GDP is set to enter the USD1tn club this year
- Real GDP growth is on track to approach 10%, making Taiwan Asia-12's fastest-growing economy
- Per capita GDP is projected to reach USD45k, ranking Taiwan as Asia-12's third-richest economy
- The TAIEX has recently emerged as the world's sixth-largest stock market
- For Singapore, Taiwan has overtaken China to become our largest trading partner
- Hidden challenges include K-shaped growth and widening wealth inequality
- Risks of stock market overheating, inflation, and monetary tightening are also drawing close attention

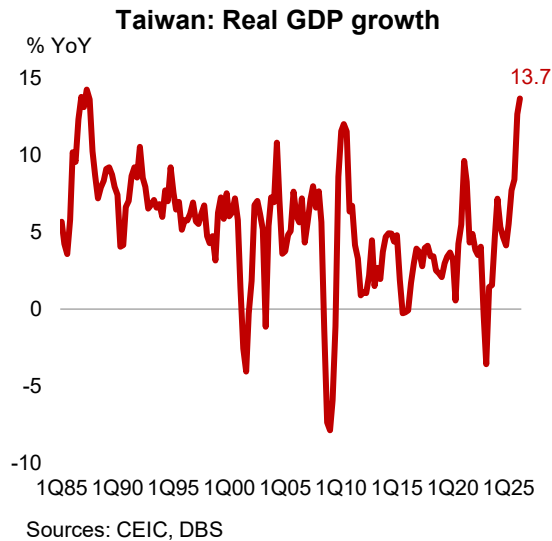
Asia: Nominal GDP, per capita GDP, and real GDP growth (2026F)



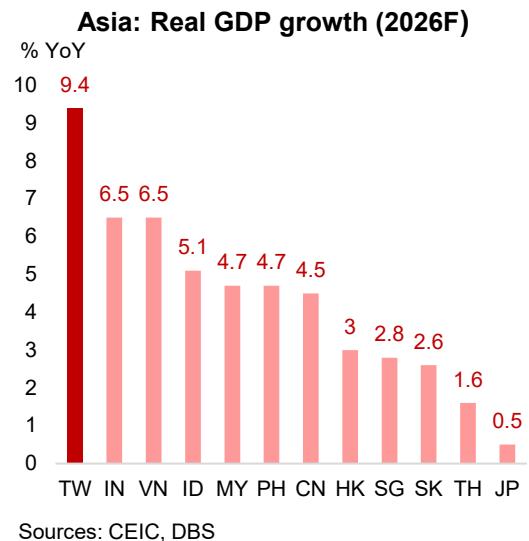
Sources: CEIC, IMF, DBS

GDP

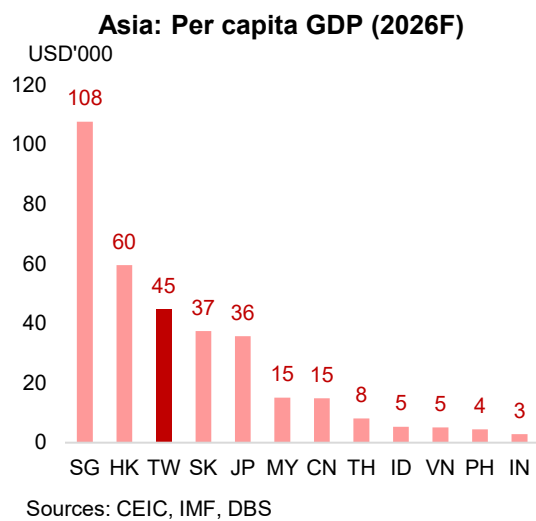
The AI-driven export boom has sharply boosted Taiwan’s growth performance. Real GDP growth accelerated further to 13.7% YoY in 1Q from 12.7% in 4Q25, marking the strongest quarterly expansion since 1987.



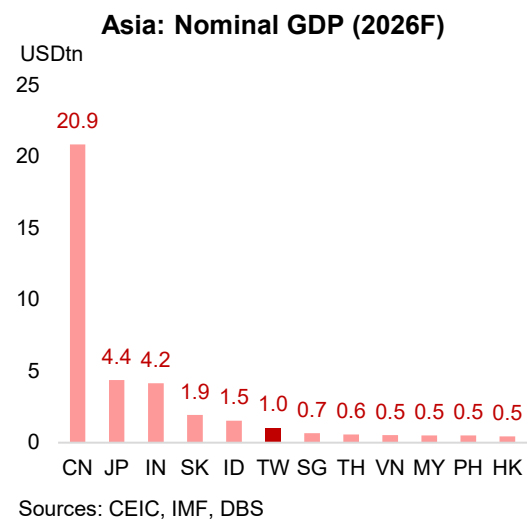
Full-year 2026 GDP growth is on track to approach 10% (DBSF: 9.4%), allowing Taiwan to outperform India and Vietnam for a second consecutive year as Asia-12’s fastest-growing economy.



Per capita GDP is projected to reach around USD45,000 in 2026, further widening the income gap with Japan and South Korea and reinforcing Taiwan’s position as Asia-12’s third-richest economy.

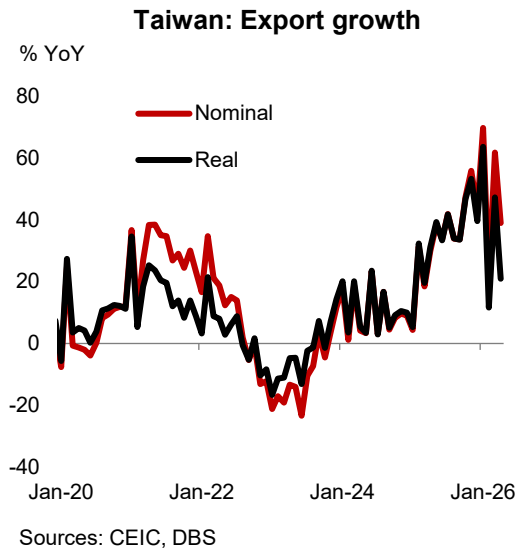


Nominal GDP is on track to surpass the USD1tn mark in 2026, bringing Taiwan into the USD1tn club alongside China, Japan, India, South Korea, and Indonesia.

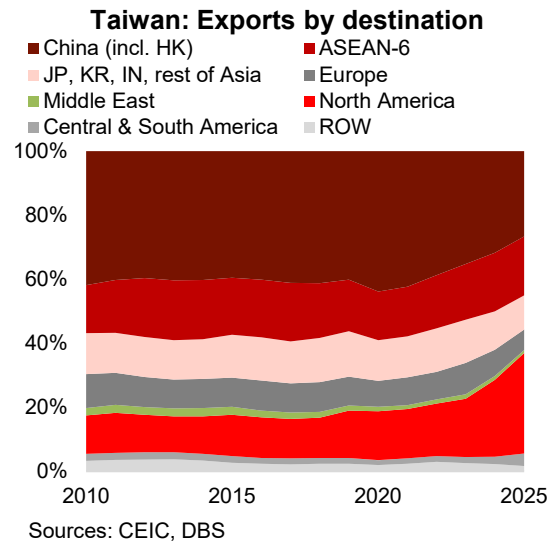


EXTERNAL TRADE

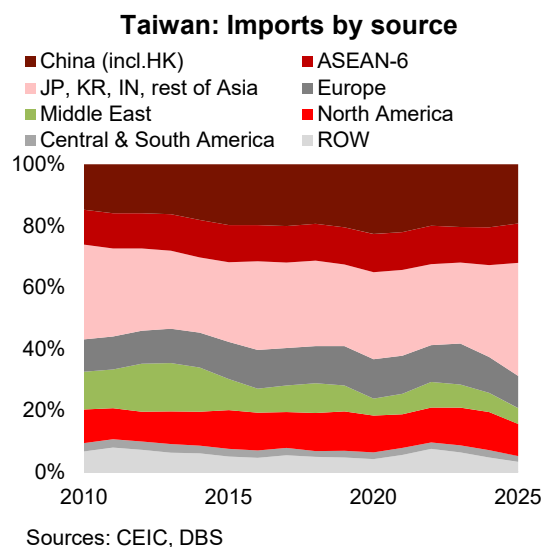
AI-driven export performance remains strong, although momentum may be starting to peak. Export growth moderated to 39.0% YoY in April, while real exports (excluding price effects) slowed more noticeably to 21.0%.



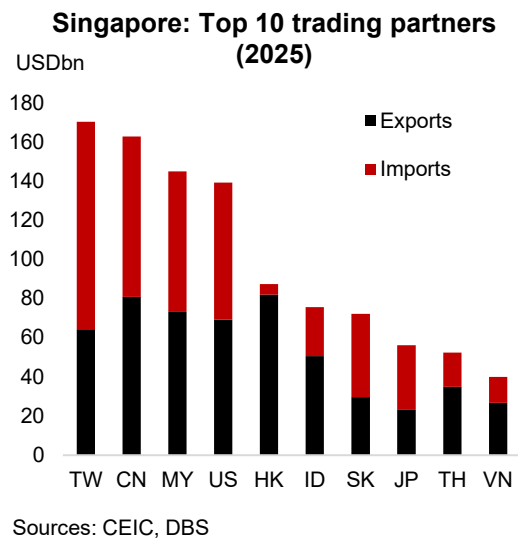
AI demand is increasingly redirecting Taiwan’s exports toward the US market. Since 2025, the US has overtaken China as Taiwan’s largest export destination, accounting for 31% of total exports.



The evolving AI supply chain has shifted Taiwan’s import structure toward South Korea, particularly for HBM-related semiconductor supply. South Korea has become Taiwan’s second-largest import source since 2025, accounting for 13.2% of imports.

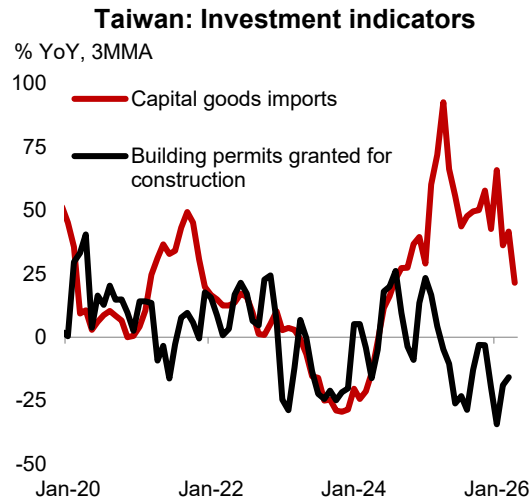


The rise of AI is also elevating the strategic importance of Taiwan’s supply chain globally. On a single-country basis, Taiwan has overtaken China to become Singapore’s largest trading partner since 2025, driven by a sharp increase in Singapore’s electronics imports from Taiwan.

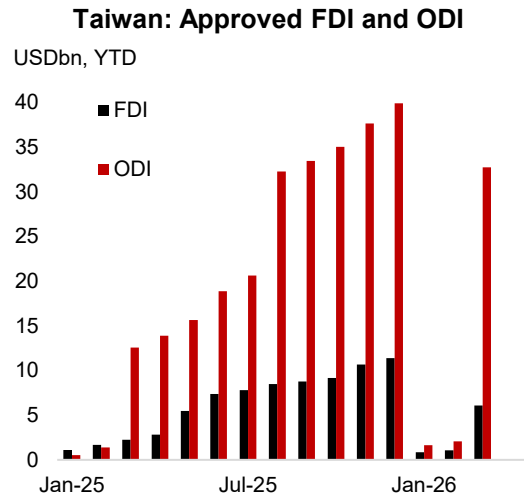


INVESTMENT

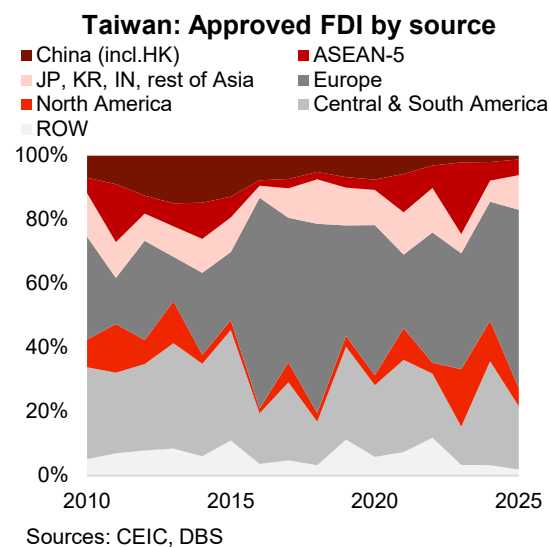
Investment indicators showed signs of peaking. Capital goods imports decelerated as capex by leading semiconductor firms moved past its peak, while building permits remained in negative territory amid continued weakness in the property market.



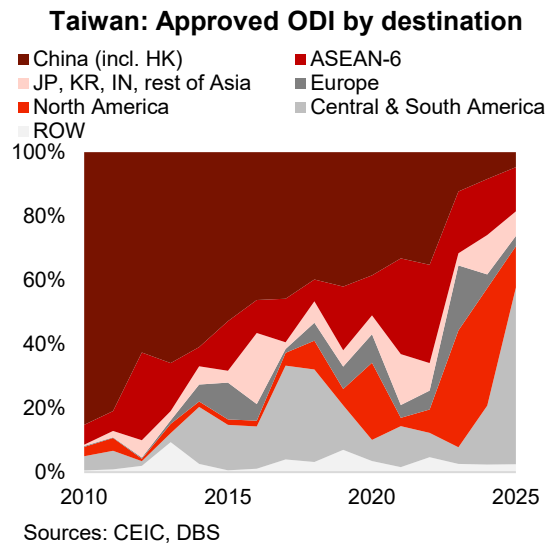
FDI and ODI activity stayed buoyant. Approved FDI and ODI both surged by more than 100% YoY cumulatively in the first three months of this year, reaching USD6.1bn and USD32.8bn, respectively.



FDI sources remained broadly stable, with Europe continuing to be Taiwan's largest source of inward investment, accounting for a 56% share in 2025.

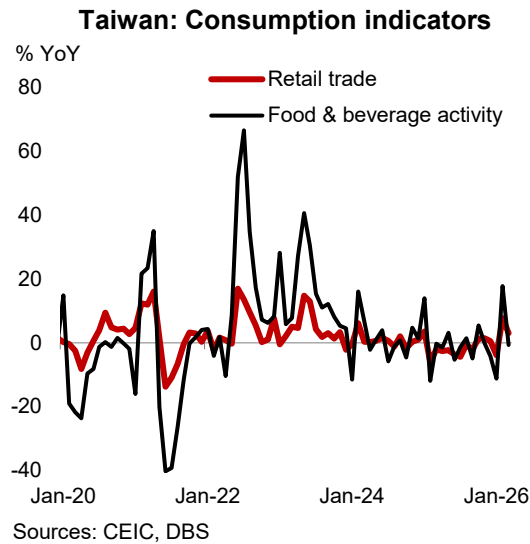


ODI destinations continued to shift away from China toward the America, with North America and Central & South America together accounting for 68% of Taiwan's outbound investment flows in 2025.

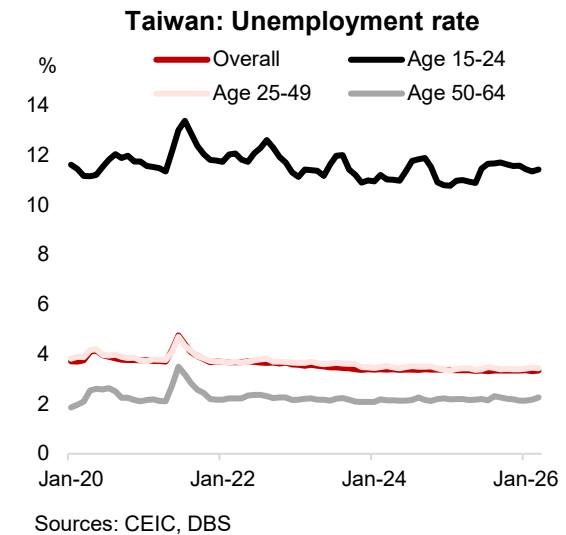


CONSUMPTION / LABOR MARKET

Consumption rebounded on the back of stimulus measures. Retail sales returned to positive growth from 4Q25 following the rollout of the cash handout programme.



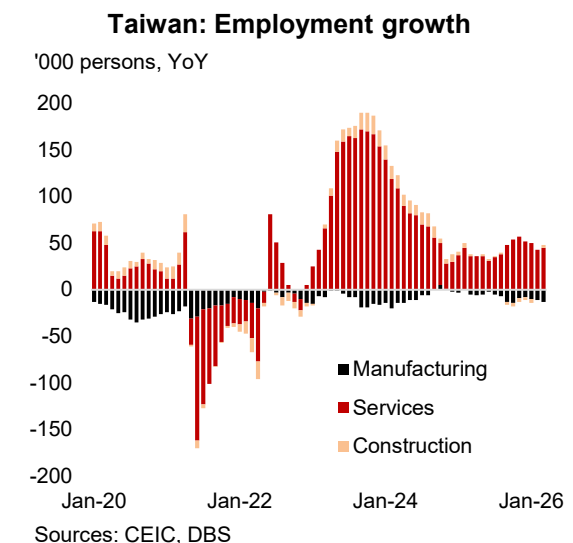
Labor market conditions remained broadly stable, although structural unemployment persisted. The unemployment rate held steady at 3.4% as of March, while youth unemployment among those aged 15-24 remained elevated at 11.4%.



Wage growth softened slightly and is likely to face further erosion from rising inflation ahead. Average regular earnings slowed to 2.6% YoY in March, slipping below the 3% mark, while inflation-adjusted real wage growth eased to around 1%.

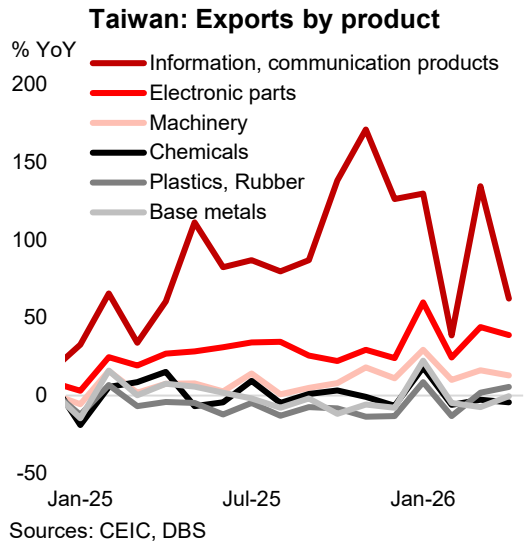


The AI-driven manufacturing boom has not generated significant employment gains due to the capital- and technology-intensive nature of the sector. Employment growth continued to be driven mainly by the services sector rather than manufacturing.

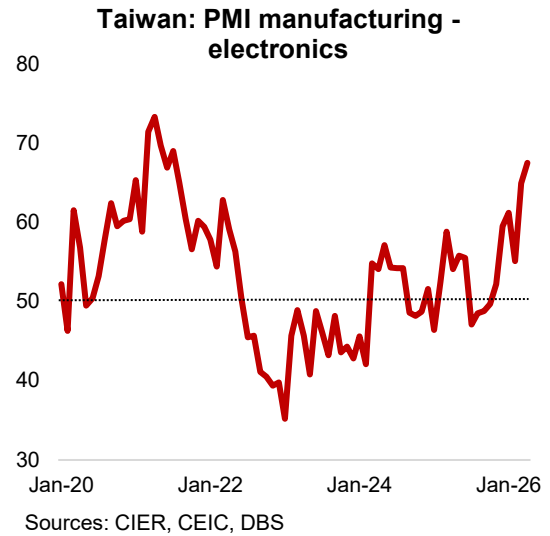


MANUFACTURING

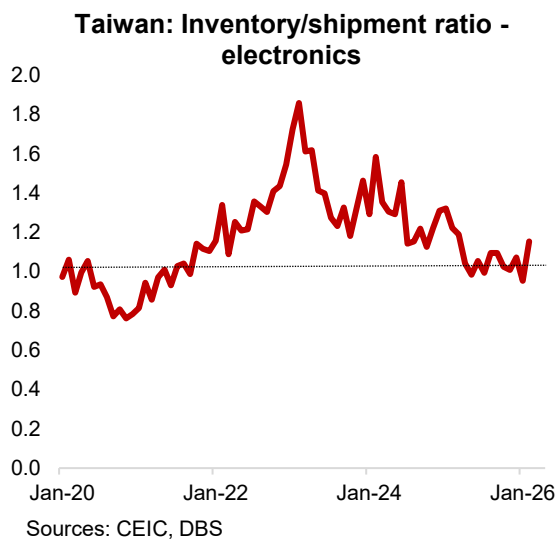
Export performance remained uneven between high-tech and traditional sectors. Exports of information and communication products and electronic components continued to post double-digit growth in April, while chemicals and metal exports remained in contraction.



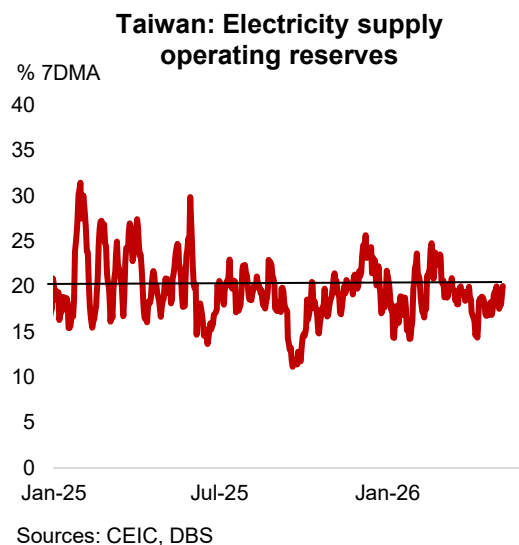
AI-driven manufacturing activity stayed robust. The electronics PMI rose further to 67.5 in April, lifting the overall CIER manufacturing PMI to 60.3.



The AI-driven tech cycle remained in expansionary territory, with the electronics inventory-to-shipment ratio staying healthy at around the neutral level of 1.0.



LNG supply disruptions stemming from the Middle East conflict have so far not caused significant power shortages in Taiwan. Electricity supply operating reserves remained at healthy levels of around 20% in early May.

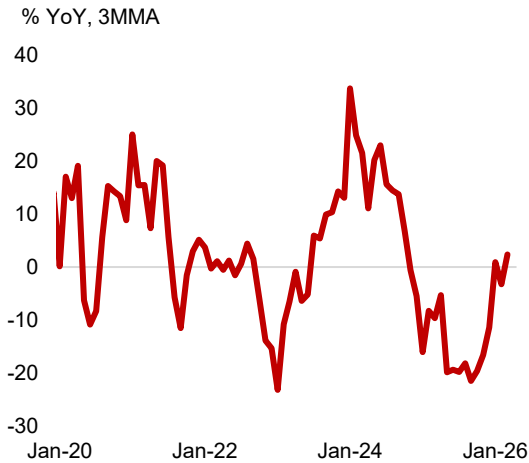


SERVICES

Property market activity remained weak but showed signs of stabilization. The number of registered building transfers paused its 1.5-year contraction trend.

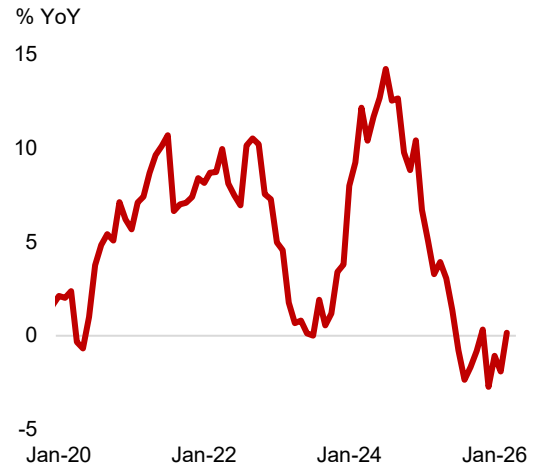
Property prices also stabilized. Sinyi residential property prices in the Taipei area recorded a marginal 0.2% YoY increase in March.

Taiwan: Registered building transfers



Sources: Ministry of the Interior, DBS

Taipei: Sinyi residential property prices

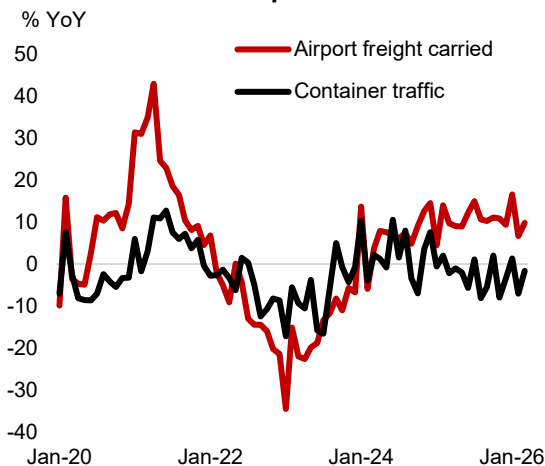


Sources: CEIC, DBS

Transport indicators were mixed. Airport freight traffic remained steady and strong, while container throughput continued to contract.

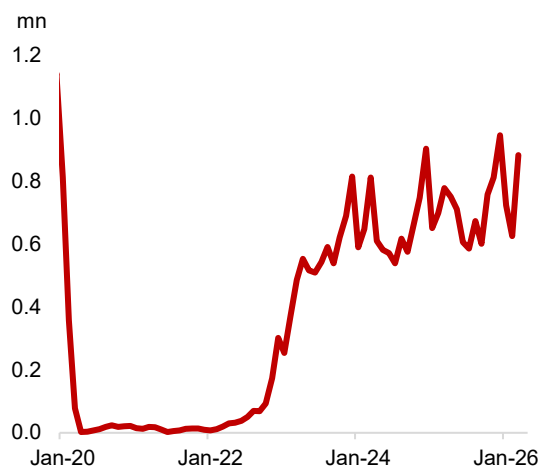
The tourism sector continued to recover despite the absence of mainland Chinese visitors. Visitor arrivals reached 880k in March, approaching the pre-pandemic peak level of 1mn.

Taiwan: Transport indicators



Sources: CEIC, DBS

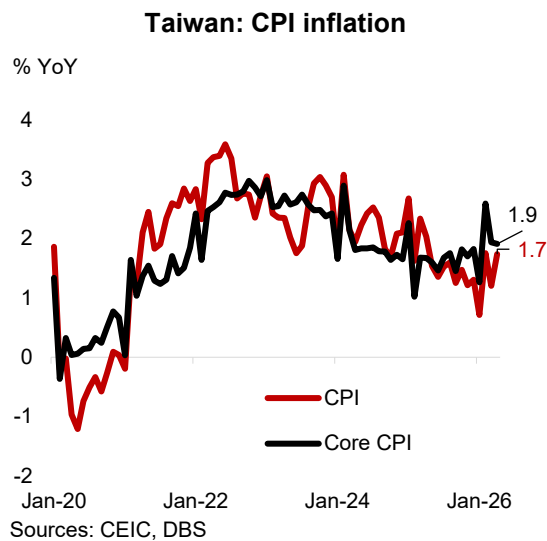
Taiwan: Visitor arrivals



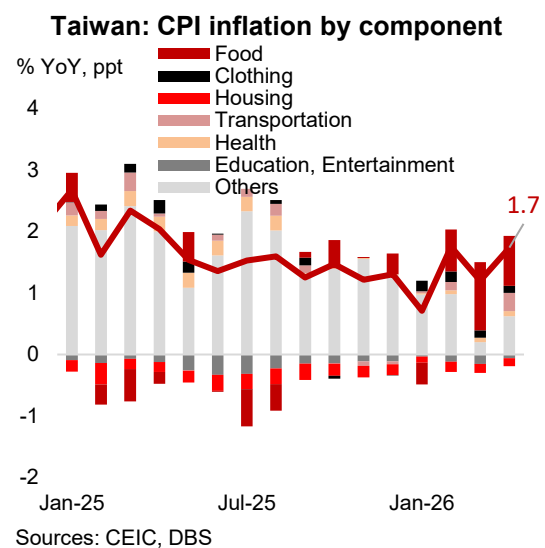
Sources: CEIC, DBS

PRICES

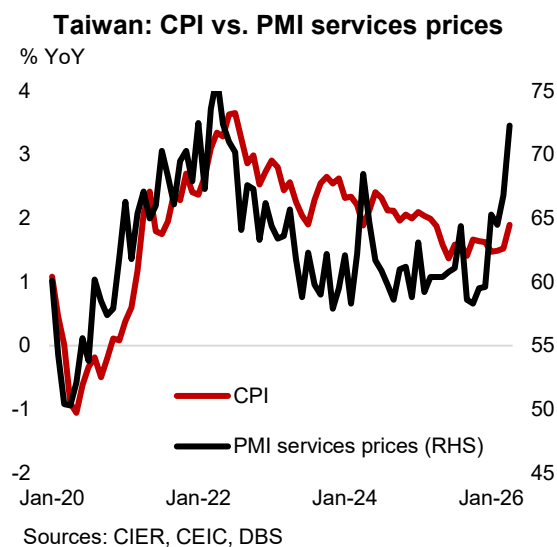
The inflationary impact of the Middle East conflict has started to emerge. CPI rose to 1.7% YoY in April, while the month-on-month increase was more notable at 0.5%.



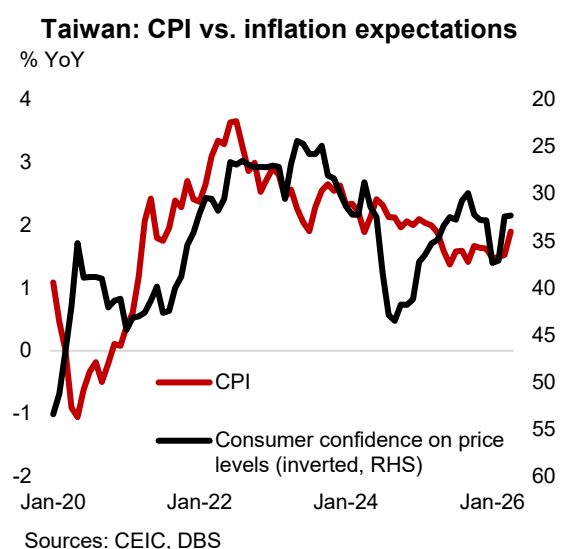
Government energy subsidies through SOEs have helped cushion the shock, but they have not fully offset the inflation impact. Transportation costs led the increase in April CPI.



Pipeline price pressures linked to the Middle East conflict remain strong. PMI price subindices, which typically lead CPI by around three months, surged sharply in April to levels close to the 2022 peak seen during the Russia-Ukraine war.

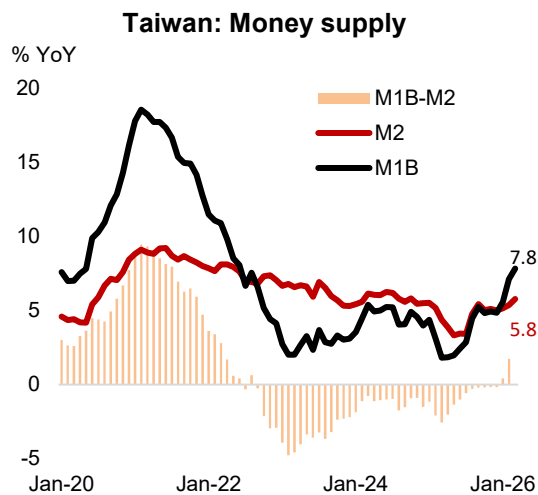


Inflation expectations are coming under close scrutiny. Consumer inflation expectations, which tend to move broadly in line with CPI, are likely to edge higher in the coming months.



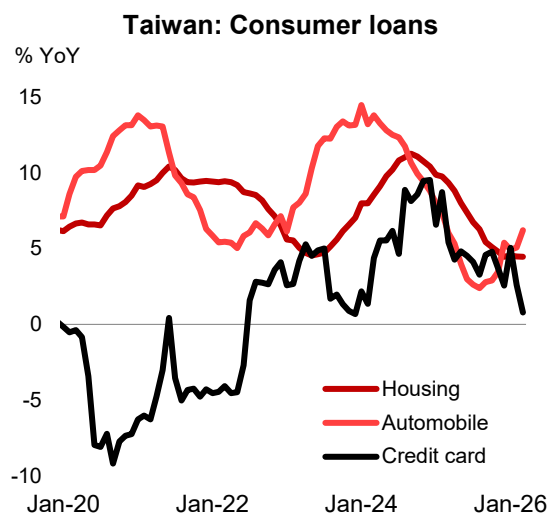
LOAN MARKET

Liquidity conditions remained favourable. M2 growth picked up to 5.8% YoY in March, staying in the upper half of the central bank’s reference range of 2.5-6.5%. M1 growth accelerated more notably to 7.8%, resulting in a positive M1-M2 gap.



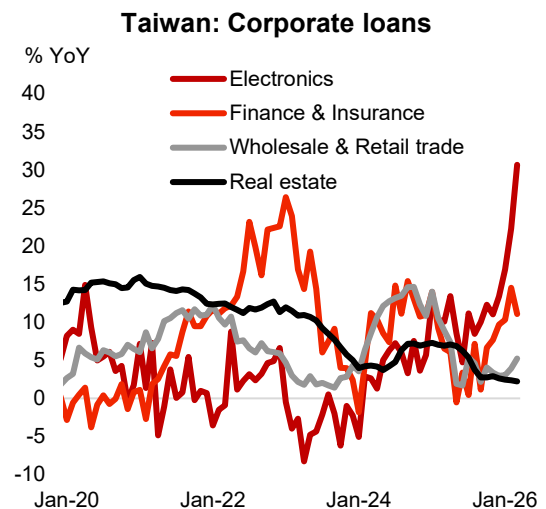
Sources: CEIC, DBS

Consumer lending remained restrained by the central bank’s credit control measures. Housing mortgage loans rose a moderate 4.5% YoY in March, keeping overall consumer loan growth at 4.8%.



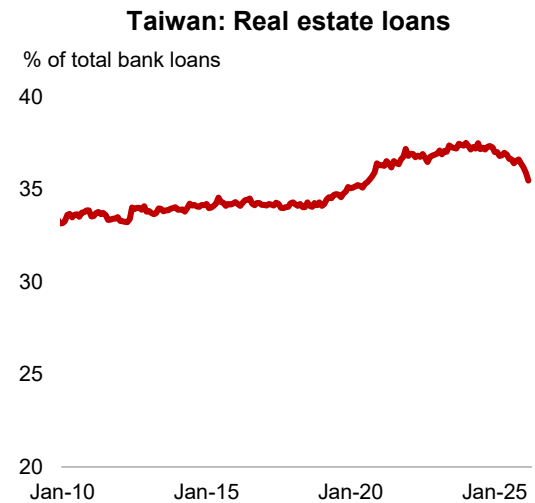
Sources: CEIC, DBS

Corporate lending strengthened amid robust financing demand from tech companies. Loans to the electronics sector surged by more than 30% YoY in April, contributing to an 8.4% increase in total corporate loans.



Sources: CEIC, DBS

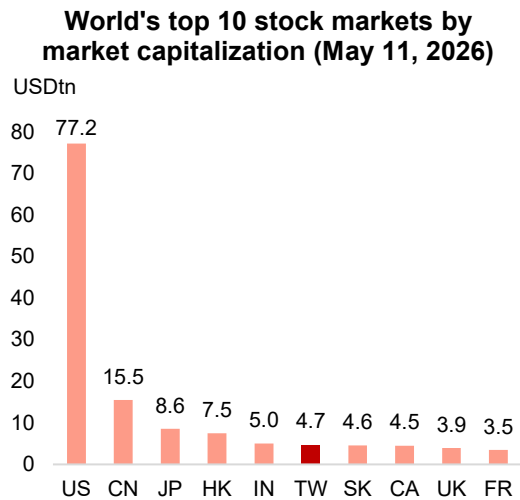
Loan concentration risks improved marginally. Real estate-related loans accounted for 35.5% of banks’ total loan portfolios in March, down from the 2024 peak of 37.5%.



Sources: CEIC, DBS

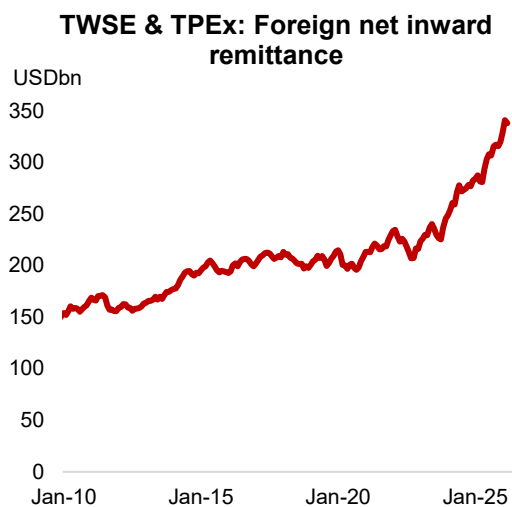
FINANCIAL MARKET

Taiwan has overtaken Canada, the UK, and France this year to become the world's sixth-largest stock market by market capitalization (USD4.7tn).



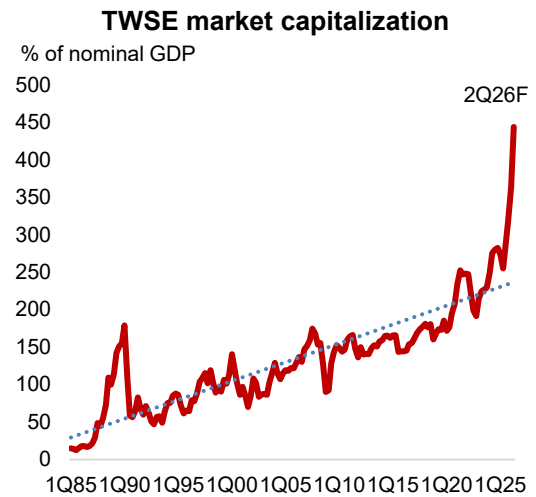
Sources: Bloomberg, DBS

Foreign inflows into Taiwan's equity market remain strong. Net foreign inward remittance into TWSE and TPEX rose by USD17.9bn in January-March, reaching a record high of USD338bn.



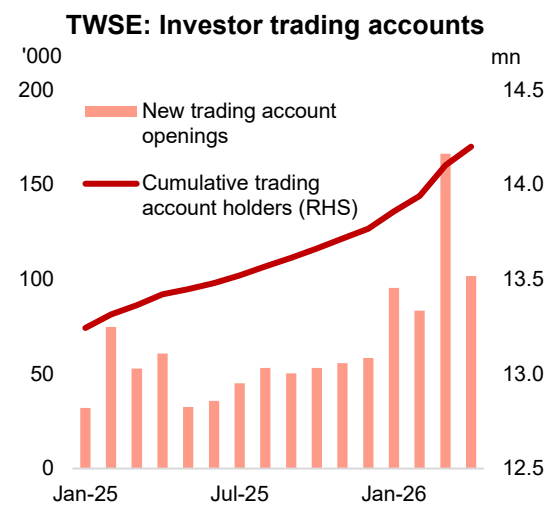
Sources: CEIC, DBS

There are emerging signs of overheating. The TWSE market capitalization has exceeded 400% of nominal GDP, significantly deviating from historical trends – surpassing levels seen during the late-1980s bubble period.



Sources: CEIC, DBS

Retail investor participation has also increased. New trading accounts on the TWSE rose to 102k in April, nearly doubling from 58k in December 2025.



Sources: TWSE, DBS

GROWTH, INFLATION, POLICY RATES & FX FORECASTS

	GDP GROWTH, % YOY				CPI INFLATION, % YOY			
	2024	2025	2026f	2027f	2024	2025	2026f	2027f
CHINA	5.0	5.0	4.5	4.0	0.2	0.0	0.5	0.8
HONG KONG	2.5	3.5	3.0	2.8	1.5	1.4	1.6	1.5
INDIA	6.7	7.8	6.5	6.4	4.9	2.2	4.5	4.2
INDIA (FISCAL YEAR) *	6.5	7.7	6.5	6.4	4.6	2.1	4.9	4.0
INDONESIA	5.0	5.1	5.1	5.1	2.3	1.9	3.2	2.2
MALAYSIA	5.1	5.2	4.7	4.2	1.8	1.4	2.0	2.0
PHILIPPINES**	5.6	4.5	4.7	5.0	3.2	1.7	6.5	4.0
SINGAPORE	5.3	5.0	2.8	2.3	2.4	0.9	2.2	2.0
SOUTH KOREA	2.0	1.0	2.6	2.0	2.3	2.1	2.6	2.1
TAIWAN	5.3	8.7	9.4	3.5	2.2	1.7	1.9	1.8
THAILAND	2.9	2.4	1.6	2.0	0.4	-0.1	2.5	1.5
VIETNAM	7.0	8.0	6.5	6.5	3.6	3.3	4.8	3.3
EUROZONE	0.7	1.5	1.4	1.2	2.3	2.2	2.0	2.0
JAPAN	-0.2	1.2	0.5	0.5	2.7	3.2	1.8	1.8
UNITED STATES***	2.8	2.0	1.5	1.7	3.0	2.7	2.5	2.5

* 2020 = Fiscal year Apr20-Mar21 ** new CPI series *** eop for CPI inflation

POLICY INTEREST RATES, EOP

	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
CHINA*	3.00	3.00	3.00	2.90	2.90	2.80	2.80	2.80
INDIA	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
INDONESIA	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
MALAYSIA	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
PHILIPPINES	4.25	4.75	5.25	5.25	5.25	5.25	5.25	5.25
SINGAPORE**	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
SOUTH KOREA	2.50	2.50	2.75	2.75	2.75	2.75	2.75	2.75
TAIWAN	2.00	2.00	2.13	2.13	2.13	2.13	2.13	2.13
THAILAND	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
VIETNAM***	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00
EUROZONE^	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
JAPAN	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
UNITED STATES	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75

* 1-yr Loan Prime Rate; ** 3M SORA OIS; *** refinancing rate; ^ deposit facility rate

EXCHANGE RATES, EOP

	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
USD/CNY	6.90	6.83	6.77	6.70	6.74	6.78	6.81	6.85
USD/HKD	7.82	7.82	7.81	7.81	7.81	7.81	7.80	7.80
USD/INR	93.9	93.1	92.2	91.4	92.0	92.7	93.3	94.0
USD/IDR	16900	16770	16635	16500	16500	16500	16500	16500
USD/MYR	3.96	3.91	3.85	3.80	3.85	3.90	3.95	4.00
USD/PHP	60.1	59.3	58.5	57.8	58.3	58.8	59.3	59.9
USD/SGD	1.28	1.27	1.26	1.25	1.26	1.27	1.27	1.28
USD/KRW	1500	1470	1435	1400	1415	1425	1440	1450
USD/THB	32.7	32.1	31.6	31.0	31.4	31.8	32.1	32.5
USD/VND	26340	26230	26110	26000	26130	26250	26380	26500
AUD/USD	0.70	0.71	0.72	0.73	0.73	0.72	0.72	0.71
EUR/USD	1.16	1.18	1.19	1.21	1.20	1.19	1.18	1.17
USD/JPY	159	156	153	149	151	152	153	154
GBP/USD	1.34	1.36	1.39	1.41	1.40	1.39	1.38	1.37

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