

I. Developments in the Real Economy

1. Overview

Taiwan's economy expanded faster in 2024 at a pace of 4.59% in real terms because strong demand for emerging technology applications (e.g., AI, cloud computing, high-performance computing, etc.) spurred growth in ICT (information and communication technology) exports and drove a steady increase in private investment while private consumption also gained momentum from continuous wage growth. The balance of payments was healthy, recording a continued current account surplus and a net asset increase in the financial account. In respect of prices, with international commodity prices softening and domestic services inflation easing, the annual growth rate of the CPI registered 2.18% in 2024 and that of the core CPI (excluding fruit, vegetables, and energy) was 1.88%, both slower than the previous year. In the labor market, a pickup in economic growth drove the unemployment rate down from the previous year to an yearly average of 3.38% in 2024, the lowest since 2001. Nonfarm payroll real monthly earnings per worker posted a new record increase since 2019, rising by 2.16% to NT\$56,566.

Pickup in Economic Growth

In the first quarter of 2024, domestic economic growth recorded the fastest pace of the year at 6.64%, driven by upturns in exports and private consumption and a lower base effect. Thereafter, emerging technology applications continued thriving, bolstering exports and private investment, while private consumption enjoyed mild growth as the steady economic expansion buttressed labor demand and spurred corporate wage increases, along with a strengthening in consumer confidence. However, the momentum was somewhat eroded by a higher base effect, causing economic growth to decelerate quarter by quarter to 2.90% in the fourth quarter. For 2024 as a whole, the economic growth rate stood at 4.59%, rising by 3.47 percentage points from 1.12% in 2023.

By expenditure component, the 4.59% rate of economic growth was the combined result of robust exports, the ensuring steady increase in private investment, and rising private consumption amidst continued wage growth. By contribution, domestic demand accounted for 4.76 percentage points of that growth, whereas net external demand contributed -0.16 percentage points as robust exports and investment also led to an increase in import-derived demand.

Private investment gained traction because Taiwan's semiconductor firms, boasting a leading edge in related technologies, continued to increase capital expenditure and expand advanced production capacity, while firms across industries stepped up equipment investment aimed

at facilitating low-carbon emissions. As a result, the domestic investment rate (gross domestic investment to GDP) rose to 26.47% in 2024 from 24.51% in 2023. The national saving rate (gross national saving to gross national income) also went higher from 37.56% to 40.71% as national income increased amid rising economic growth. Overall, with the increase in gross national saving exceeding that in gross national investment, the difference between saving and investment as a percentage of GDP rose from 14.31% in 2023 to 15.68% in 2024.

Healthy BOP Surplus

In 2024, Taiwan continued to record a healthy balance of payments. The current account posted a surplus of US\$113,834 million, the financial account had a net asset increase of US\$94,391 million, and the Bank's reserve assets showed an increase of US\$10,880 million.

On the current account, goods imports and exports both expanded in 2024 compared to 2023. As the increase in exports exceeded that in imports, the goods trade surplus widened from US\$95,617 million in 2023 to a record-high of US\$100,699 million in 2024, remaining the largest contributor to the current account surplus.

The services account deficit widened from US\$10,090 million to US\$12,412 million mainly owing to an increase in travel expenditures. The primary income surplus widened from US\$25,295 million to US\$30,327 million, a historical high mainly because receipts rose while payments dropped. The secondary income deficit shrank from US\$4,973 million to US\$4,780 million mainly as the increase in receipts exceeded that in payments. For the year 2024 as a whole, the current account surplus amounted to US\$113,834 million, the second highest on record, with its ratio to nominal GDP reaching 14.3%.

On the financial account, portfolio investment recorded a net asset increase of US\$83,684 million. Among the components, residents' portfolio investment abroad posted a net increase of US\$66,327 million, mainly because of increases in foreign securities holdings via banks' nondiscretionary money trust business and domestic investment and trust funds. Nonresidents' inward portfolio investment posted a net decrease of US\$17,357 million, mainly because foreign investors dialed down holdings of Taiwanese stocks. Direct investment posted a record-high net increase of US\$21,053 million, of which direct investment abroad by residents and nonresidents' inward direct investment increased by net amounts of US\$31,979 million and US\$10,926 million, respectively. The account of other investment posted a net asset decrease of US\$11,269 million.

Continued Slowdown in Inflation

In 2024, the global economy experienced mild expansion and global inflation eased, while

international raw material prices were soft. However, with the NTD/USD exchange rate weaker than the previous year, the import price index in NTD terms edged up by 0.27% year on year. Meanwhile, the producer price index (PPI) rose by 1.36% from the previous year, mainly reflecting a 2.17% increase in export prices and a mere 0.99% increase in prices for domestic sales excluding imports.

In regard to consumer prices in 2024, with international commodities such as crude oil and grains posting price downtrends and domestic entertainment services prices rising at a slower pace, domestic commodity inflation eased from 2.11% in 2023 to 1.89%, and services inflation also dropped from 2.87% to 2.45%. The annual growth rate of the CPI decreased to 2.18% from 2.49% the previous year, and that of the core CPI (excluding fruit, vegetables, and energy) also fell to 1.88% from 2.58%.

Record Low Unemployment Rate Since 2001; Higher Wage Growth

In 2024, labor market conditions were stable, helped by steady economic growth. The unemployment rate only recorded uptrends in February owing to a wave of job transitions commonly seen after the Lunar New Year and in June to August owing to a surge of job-seeking graduates, both seasonal factors. In the other months, the unemployment rate showed a broad downtrend to 3.32% in December 2024 and averaged 3.38% for the year as a whole, the lowest since 2001. The average labor participation rate was 59.28%, up by 0.06 percentage points from the previous year.

The average number of employed persons in 2024 was 11,595 thousand, an increase of 67 thousand or 0.59%. Services employment increased the most by 77 thousand persons or 1.09%, followed by the industrial sector with an increase of seven thousand persons or 0.16%. Meanwhile, the agricultural sector employed 15 thousand less persons, representing a decrease of 3.00%.

In respect of wage growth, the average nonfarm (industrial and services sectors) monthly earnings per employee increased by 4.39% from the previous year to NT\$60,984 in 2024, the largest increase since 2011. Adjusted for inflation, the real earnings registered an increase of 2.16%, rising at the fastest pace since 2019 to reach NT\$56,566. With growth in production outpacing that in total hours worked, the labor productivity indices of the industrial sector and the manufacturing sector went up by 10.16% and 10.94%, respectively. Meanwhile, unit labor costs in the industrial and the manufacturing sectors decreased by 6.70% and 7.34%, respectively, reflecting smaller gains in total earnings than in production output.