Developments in the Real Economy

I. Developments in the Real Economy

1. Overview

In 2025, stronger-than-expected demand for emerging technologies such as AI helped bolster Taiwan's export growth. This, in turn, prompted related supply chain firms to expand capacity and capital expenditure, driving a sustained increase in private investment. Coupled with real wage growth and the government's universal tax rebate program, which stimulated private consumption, real GDP growth for the year rose to 8.68%, marking a nearly 15-year high. The balance of payments remained sound, characterized by a widening current account surplus and an increase in net assets in the financial account.

Regarding prices, as the price increase in vegetables and fruit moderated and the decline in fuel prices widened, the annual growth of the consumer price index (CPI) continued to fall to 1.66%, the lowest since 2021; that of the core CPI (excluding fruit, vegetables, and energy) also declined to 1.66%. In the labor market, the unemployment rate continued to edge down thanks to steady economic growth, with the annual average unemployment rate reaching 3.35%, the lowest since 2001. Meanwhile, the average monthly real total earnings per worker in the nonfarm sector grew by 2.21% year on year to NT$57,834, the highest growth rate since 2019.

Strongest Economic Growth in Nearly 15 Years

In 2025, the economic growth rate continued trending upward quarter by quarter. In the first quarter, driven by exports and private investment and complemented by moderate growth in private consumption, the economy expanded by 5.54%. In the second quarter, as export expansion and private investment continued to increase, the economic growth rate rose to 7.71%. In the third quarter, although the impact of U.S. reciprocal tariffs weakened domestic consumer confidence, major international cloud service providers (CSPs) expanded their AI capital expenditure plans. This sustained the growth momentum of Taiwan's exports and private investment, pushing the economic growth rate to 8.42%. In the fourth quarter, as demand for AI and other emerging technologies continued to expand, export performance remained strong, and private consumption growth regained momentum on the back of active stock market trading and government tax rebates, lifting the economic growth rate to 12.65%. For the year as a whole, the economy expanded by 8.68%, up by 3.41 percentage points from 5.27% in the previous year.

By expenditure component, the 8.68% rate of economic growth was the combined results of robust exports fueled by strong demand for emerging technologies, the resultant momentum in private investment, and moderate growth in private consumption. In terms of contribution, domestic demand accounted for 2.02 percentage points of that growth, whereas net external demand contributed a significant 6.66 percentage points, as stellar export performance led to an increase in exports that outweighed the growth in imports.

In 2025, although private investment was bolstered by increased capital outlay from domestic AI-related supply chain firms, GDP also surged thanks to robust export growth. As a result, the domestic investment rate (the ratio of gross domestic investment to GDP) edged down to 25.26% from 26.86% in the previous year. As the economy expanded and national income rose, private consumption grew only marginally owing to uncertainties surrounding U.S. tariff policies. Consequently, the national saving rate (the ratio of gross national saving to gross national income) continued to rise to 43.65% from 41.14% in the previous year. In 2025, the increase in gross national saving far exceeded that in gross domestic investment, widening the excess of saving over investment. Therefore, the excess saving rate (the difference between saving and investment as a percentage of GDP) rose sharply to 19.61% from 15.84% in the previous year.

Healthy BOP Surplus

In 2025, the current account registered a surplus of US$181,136 million, while the financial account showed a net increase in assets of US$157,159 million. The Bank's reserve assets increased by US$20,035 million. Overall, the balance of payments remained sound.

Regarding the current account, goods exports and imports both increased in 2025 compared to the previous year. As the increase in goods exports outweighed that in imports, the goods trade surplus rose from US$99,363 million in the previous year to a record high of US$176,050 million. This was the primary driver behind the expansion of the current account surplus. The services deficit widened from US$12,202 million to US$13,628 million, mainly owing to an increase in travel and construction expenditures. The primary income surplus decreased from US$30,267 million to US$26,222 million, largely reflecting a decline in net direct investment income. The secondary income deficit expanded from US$4,719 million to US$7,508 million, primarily as a result of an increase in workers' remittances. For the year as a whole, the current account surplus reached a record high of US$181,136 million, or 19.65% of nominal GDP.

Regarding the financial account, portfolio investment showed a net increase in assets of US$51,405 million. Within this component, residents' portfolio investment abroad recorded a net increase of US$36,165 million, mainly reflecting an increase in foreign securities holdings by the banking sector and through banks' non-discretionary money trust investments. Meanwhile, nonresidents' portfolio investment in Taiwan showed a net decrease of US$15,240 million, primarily reflecting foreign investors' reduced holdings of domestic equities. Direct investment registered a net increase in assets of US$34,350 million, as residents' direct investment abroad and nonresidents' direct investment in Taiwan recorded net increases of US$45,311 million and US$10,961 million, respectively. Other investment showed a net increase in assets of US$73,677 million, largely driven by increases in the private sector's foreign deposits and trade credits extended by exporters.

Continued Slowdown in Inflation

In 2025, influenced by uncertainties surrounding shifts in U.S. tariff policies and production increases by OPEC+, international prices for crude oil and other raw materials declined. This led to a downward trend in both the domestic import price index and the producer price index (PPI). For the year, the import price index in NTD terms and the PPI fell by 4.84% and 1.79%, respectively, compared to 2024.

Regarding the CPI, as the price increase in vegetables and fruit moderated and the decline in fuel and lubricant prices widened, the annual CPI growth rate continued to fall from 2.18% in 2024 to 1.66% in 2025. This marked the lowest level since 2021 and the first time since 2022 that the rate dropped below 2%. Similarly, the core CPI annual growth rate continued to decline to 1.66%, down from 1.88% in 2024.

New Record Low Unemployment Rate Since 2001; Moderate Wage Growth

In 2025, with steady economic growth and a stable labor market, the unemployment rate followed a general downward trend, except for seasonal rises after the Lunar New Year (February to March) owing to job transitions and during the summer (June to August) as graduates entered the job market. The rate fell to 3.30% by December, with the annual average reaching a multi-decade low of 3.35%, the lowest level since 2001. The average labor force participation rate for the year was 59.43%, up by 0.15 percentage points from the previous year.

The average number of employed persons in 2025 was 11,626 thousand, an increase of 30 thousand or 0.26%. Services employment increased by 42 thousand persons or 0.60%, whereas the industrial sector saw a decrease of four thousand persons or 0.10%. Meanwhile, the agricultural sector employed eight thousand less persons, representing a decrease of 1.54%.

In respect of wage growth, the average nonfarm (industrial and services sectors) monthly total earnings per employee increased by 3.91% from the previous year to NT$63,386 in 2025, the second largest increase since 2011. Adjusted for inflation, the real total earnings registered an increase of 2.21% to NT$57,834, the fastest growth since 2019. With growth in production outpacing that in total hours worked, the labor productivity indices of the industrial sector and the manufacturing sector rose by 16.68% and 18.24%, respectively. Meanwhile, unit labor costs in the industrial and the manufacturing sectors decreased by 9.09% and 10.25%, respectively, reflecting more moderate growth in total earnings compared to the expansion in production output.

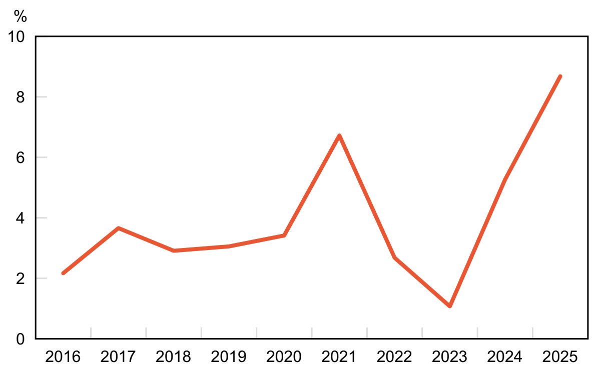
2. National Output and Income

In 2025, Taiwan's economy grew at an annual rate of 8.68%. Domestic demand contributed 2.02 percentage points to real GDP growth, fueled by significant expansion in gross fixed capital formation and a mild uptick in private consumption. In terms of external demand, net exports contributed 6.66 percentage points to real GDP growth, underpinned by a vigorous export performance. In the meantime, nominal GNI (gross national income, in US dollars) rose by 13.90%, and GNI per capita increased from US$35,531 to US$40,585 over the year 2025.

In the first quarter, real GDP expanded by 5.54%. The growth was primarily propelled by exports and private investment. In addition, private consumption exhibited temperate growth on account of resilient domestic spending and an increase in real wages. In the second quarter, real GDP grew by 7.71%. Export growth was supported by strong demand for AI and other emerging technology applications, as well as front-loading by overseas firms in response to U.S. trade policies. Meanwhile, private investment maintained its upward trajectory as the semiconductor industry further scaled up its production capacity for high-end chips and advanced packaging.

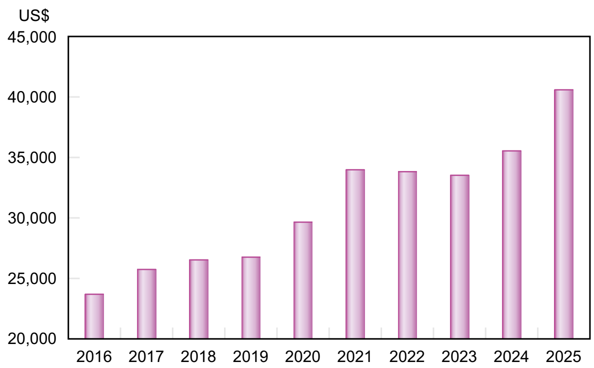
In the third quarter, real GDP growth rose to 8.42%. Private consumption remained sluggish as U.S. trade policies dampened consumer confidence. However, export growth momentum sustained its strength, largely owing to major global cloud service providers (CSPs) accelerating their AI-related capital expenditures. Strong external demand, coupled with capacity increases in the AI supply chain, significantly bolstered private investment. In the fourth quarter, real GDP growth soared to 12.65%. Exports continued to thrive as major CSPs revised up their capital expenditures, driving export demand for emerging technologies higher. In the meantime, private consumption improved because of a buoyant stock market, record-high real wage growth, and the universal cash handout from the government.

Real Growth Rate of GDP



Source: *Statistical Abstract of National Income,* DGBAS, Executive Yuan, February 2026.

Per Capita GNI



Source: *Statistical Abstract of National Income,* DGBAS, Executive Yuan, February 2026.

Expenditure Components of GDP

Of all expenditure components of GDP, exports of goods and services were the main source of economic growth and contributed 20.02 percentage points to real GDP growth for 2025. Gross fixed capital formation, on the other hand, contributed 2.72 percentage points to real GDP growth. Private consumption and government consumption contributed 0.68 percentage points and 0.16 percentage points to real GDP growth, respectively. With respect to shares of GDP, exports of goods and services continued to account for the largest share of GDP at 73.43%, followed by private consumption at 43.36% and gross fixed capital formation at 25.85%.

GDP by Expenditure

Unit: %

	2025			2024		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Private Consumption	43.36	1.46	0.68	46.95	3.20	1.56
Government Consumption	12.31	1.22	0.16	13.23	3.03	0.41
Gross Fixed Capital Formation	25.85	10.53	2.72	25.83	7.07	1.81
Change in Inventory	-0.59	--	-1.54	1.03	--	1.74
Exports of Goods and Services	73.43	31.82	20.02	62.91	8.71	5.37
(Less: Imports of Goods and Services)	54.36	26.75	13.36	49.95	11.62	5.63
Expenditure on GDP	100.00	8.68	8.68	100.00	5.27	5.27

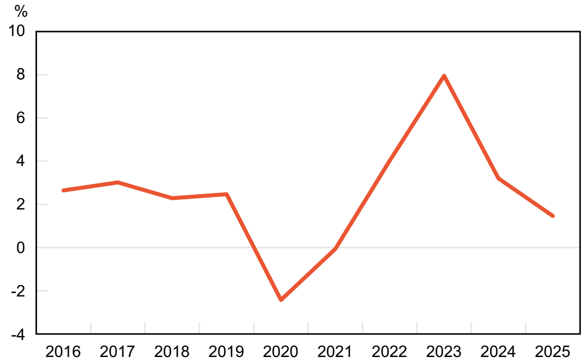
Note: * Percentage point.
Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2026.

(1) Mild Growth in Private Consumption

Private consumption was initially supported by strong income-driven factors, such as the minimum wage hike and corporate dividend payouts. These factors, alongside government stimulus measures, provided essential growth momentum to consumer spending. However, persistent uncertainty surrounding U.S. trade policies since April dampened consumer sentiment. As a result, private consumption grew at an annual rate of 1.46% and contributed 0.68 percentage points to real GDP growth in 2025.

In the first quarter of 2025, private consumption grew 1.43%, boosted by major sporting events, concerts, and holiday shopping. However, uncertainty surrounding U.S. trade policies weakened consumer confidence in the second quarter, causing growth to slow to 0.17%. While real wages continued to rise in the third quarter, private consumption increased slightly by 0.72% as demand for durable goods, such as automobiles and motorcycles, declined amid ongoing trade negotiations between the U.S. and Taiwan. By the fourth quarter, private consumption growth rebounded to 3.45%. The recovery stemmed from government stimulus measures, including commodity tax cuts and exemptions and a NT$10,000 universal cash handout, which revitalized demand for durable goods and complemented sustained enthusiasm for outbound travel.

Real Growth Rate of Private Consumption Expenditure



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2026.

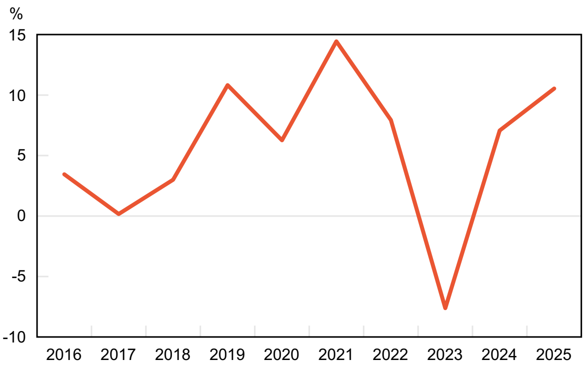
(2) Significant Increase in Gross Fixed Capital Formation

Driven by surging demand for emerging technologies, high-end chipmakers and advanced packaging firms ramped up their capital investment. This tech boom, in turn, resulted in a 10.53% growth rate in gross fixed capital formation, contributing 2.72 percentage points to real GDP growth in 2025.

Gross fixed capital formation climbed by 18.44% in the first quarter, on the back of heightened investment in machinery and equipment for semiconductor process migration and procurement of environmental protection equipment. The growth momentum carried into the next two quarters as semiconductor firms continued to expand manufacturing facilities and production lines to meet growing demand for emerging technologies. Meanwhile, government initiatives successfully attracted major international firms to establish research and development (R&D) centers in Taiwan, sustaining investment in machinery and equipment. Consequently, gross fixed capital formation grew by 11.51% and 10.14% in the second and third quarters, respectively. However, growth in gross fixed capital formation moderated to 3.48% in the fourth quarter, hampered by a higher base effect in machinery and equipment investment and a contraction in construction investment.

In terms of the type of fixed capital formation, investment in both machinery and equipment and construction was bolstered by government infrastructure investment and capacity expansion in the semiconductor industry, rising by 25.23% and 2.17%, respectively,

Real Growth Rate of Fixed Capital Formation



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2026.

in 2025. In contrast, transportation investment contracted by 1.22% owing to reduced purchases of commercial vehicles and aircraft. Lastly, investment in intellectual property grew steadily by 6.27% for the entire year, supported by digitalization and higher R&D expenditures in the semiconductor industry.

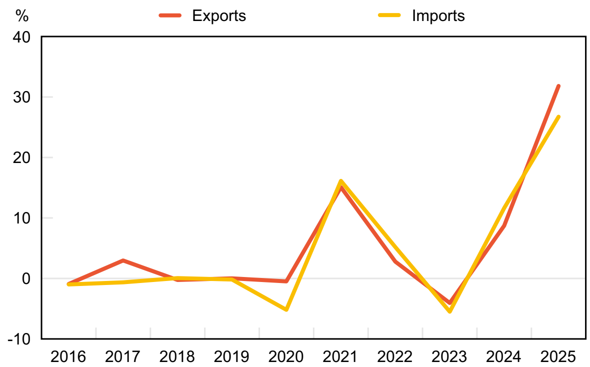
(3) Remarkable Growth in Real Exports

Higher-than-anticipated demand for AI applications fueled a remarkable increase in exports of goods and services, which grew by 31.82% and contributed 20.02 percentage points to real GDP growth in 2025.

Throughout 2025, China's industrial overcapacity and low-price competition stifled exports of traditional manufacturing goods through significant spillover effects. Yet, supported by front-loading demand in the first half of the year and the expansion of AI deployment by major CSPs, exports of electronics and ICT products surged, lifting overall exports to double-digit growth. As a result, exports of goods and services grew by 20.66%, 36.26%, 30.63%, and 38.81% in the first through fourth quarters, respectively.

As for imports, higher export- and investment-derived demand resulted in a notable 26.75% increase in imports for the year.

Real Growth Rates of Exports and Imports

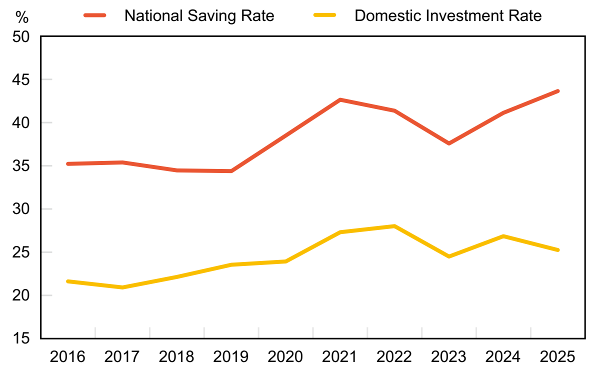


Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2026.

Modest Changes in National Saving Rate and Domestic Investment Rate

The national saving rate (the ratio of national savings to GNI measured at current prices) rose from 41.14% in 2024 to 43.65% in 2025, reflecting higher gains in national income. Meanwhile, the domestic investment rate (the ratio of domestic investment to GDP measured at current prices) fell slightly from 26.86% in 2024 to 25.26% in 2025. The decline occurred as the vigorous export performance significantly bolstered gross domestic product, outpacing increased capital expenditures from domestic AI suppliers.

National Saving Rate and Domestic Investment Rate



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2026.

3. Balance of Payments

In 2025, Taiwan's current account registered a surplus of US$181,136 million, which accounted for 19.6% of nominal GDP. The financial account posted a net asset increase of US$157,159 million. Reserve assets increased by US$20,035 million.

Balance of Payments

Unit: US$million

	(1) 2025	(2) 2024	(1)-(2)
A. Current account	181,136	112,709	68,427
Goods: credit (exports)	582,483	415,018	167,465
Goods: debit (imports)	406,433	315,655	90,778
Balance on goods	176,050	99,363	76,687
Services: credit (exports)	64,023	58,957	5,066
Services: debit (imports)	77,651	71,159	6,492
Balance on services	-13,628	-12,202	-1,426
Primary income: credit	63,186	64,629	-1,443
Primary income: debit	36,964	34,362	2,602
Balance on primary income	26,222	30,267	-4,045
Secondary income: credit	9,718	9,024	694
Secondary income: debit	17,226	13,743	3,483
Balance on secondary income	-7,508	-4,719	-2,789
B. Capital account	0	-2	2
C. Financial account	157,159	93,400	63,759
Direct investment: assets	45,311	32,012	13,299
Equity and investment fund shares	40,341	31,625	8,716
Debt instruments	4,970	387	4,583
Direct investment: liabilities	10,961	11,092	-131
Equity and investment fund shares	6,487	2,877	3,610
Debt instruments	4,474	8,215	-3,741
Portfolio investment: assets	36,165	66,374	-30,209
Equity and investment fund shares	16,989	26,998	-10,009
Debt securities	19,176	39,376	-20,200
Portfolio investment: liabilities	-15,240	-17,357	2,117
Equity and investment fund shares	-17,817	-18,893	1,076
Debt securities	2,577	1,536	1,041
Financial derivatives: assets	-33,011	-27,799	-5,212
Financial derivatives: liabilities	-30,738	-28,722	-2,016
Other investment: assets	71,673	-3,774	75,447
Other investment: liabilities	-2,004	8,400	-10,404
D. Net errors and omissions	-3,942	-8,427	4,485
E. Reserves and related items*	20,035	10,880	9,155

Note: * Excluding valuation changes in exchange rates.
Source: *Balance of Payments Quarterly, Republic of China (Taiwan)*, CBC, February 2026.

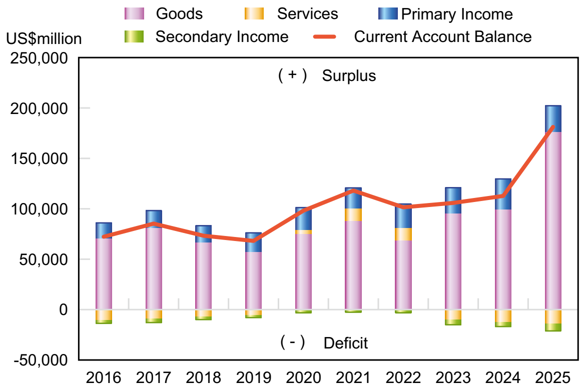
Wider Current Account Surplus

The current account consists of four major items, namely goods, services, primary income, and secondary income.

(1) Goods

Driven mainly by emerging technologies such as AI-related applications, Taiwan's external merchandise trade grew significantly in 2025, with the value of exports (on a BOP basis) increasing by 40.4% from 2024 to US$582,483 million. Among its components, net exports of goods under merchanting increased by 16.1% to US$16,624 million. The value of imports increased by 28.8% to US$406,433 million. Overall, as the increase in exports exceeded that in imports, the trade surplus widened from US$99,363 million to US$176,050 million.

Current Account



Source: *Balance of Payments Quartely, Republic of China (Taiwan)*, CBC, February 2026.

According to customs statistics, the top five trading partners of Taiwan in 2025 were the U.S., Mainland China including Hong Kong (hereafter in this chapter referred to as Mainland China), ASEAN,[1] Europe, and Japan.

In 2025, Taiwan's exports to the U.S. grew 78.0% to a record high of US$198,274 million, and its share of total exports rose to 30.9%. This surge was primarily driven by booming demand for AI, high-performance computing (HPC), and cloud services, which lifted exports of information and communication technology and audio-video (ICT/AV) products as major U.S. cloud service providers increased procurement. As for imports from the U.S., the amount increased by 3.2% to US$48,156 million, primarily driven by electronic parts and components. The trade surplus with the U.S. expanded to US$150,117 million for the year, constituting the largest source of Taiwan's trade surplus.

In terms of Taiwan's trade with Mainland China, the value of exports amounted to US$170,477 million in 2025, representing a 13.2% increase that ended three consecutive years of decline. However, Mainland China's share of total exports continued to drop to 26.6%, the lowest level in 25 years. Against the backdrop of global supply chain restructuring, alongside overcapacity and weak domestic demand in Mainland China, electronic parts and components stood out as the primary driver of export growth, while other sectors remained subdued. Imports from Mainland China grew 15.5% to US$93,124 million owing primarily to electronic parts and components, though Mainland China's share of total imports decreased to 19.3%. As the increase in exports exceeded that in

[1] Association of Southeast Asian Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Myanmar, Malaysia, the Philippines, Singapore, Thailand, Timor-Leste, and Vietnam.

imports, the trade surplus with Mainland China widened to US$77,354 million in 2025, ranking second among Taiwan's surplus sources.

Exports to the ASEAN economies increased by 35.6% to US$119,027 million in 2025, with its share of total exports slightly rising to 18.6%. The growth was bolstered by AI-related demand and supply chain relocation, with ICT/AV products and electronic parts and components contributing the most to the increase. Imports from the ASEAN economies increased by 27.0% to US$62,562 million, accounting for a slightly greater share of 12.9% of total imports as imports of ICT/AV products increased. Overall, the trade surplus with the ASEAN economies rose to US$56,464 million. Singapore, Malaysia, and Thailand were the third, fourth, and fifth largest sources of Taiwan's trade surplus, respectively.

Exports to Europe increased by 6.9% to US$41,288 million, with ICT/AV products being the main contributor; however, its share of total exports continued to decline to 6.4%. Imports from Europe increased by 9.9% to US$50,460 million mainly led by machinery, though Europe's share of total imports shrank to 10.4%. In all, as the increase in exports to Europe was smaller than that in imports, the trade deficit expanded to US$9,172 million.

Regarding trade with Japan, exports increased by 16.2% to US$30,014 million, primarily in electronic parts and components and ICT/AV products; nevertheless, its share in Taiwan's total

Trade in Goods by Country

Unit: %

	2025			2024		
	Amount (US$million)	Share	Annual Change	Amount (US$million)	Share	Annual Change
Exports						
US	198,274	30.9	78.0	111,362	23.4	46.1
Mainland China (including Hong Kong)	170,477	26.6	13.2	150,589	31.7	-1.1
ASEAN	119,027	18.6	35.6	87,777	18.5	15.0
Europe	41,288	6.4	6.9	38,629	8.1	-8.6
Japan	30,014	4.7	16.2	25,830	5.4	-17.8
Rest of the World	81,658	12.7	34.4	60,739	12.8	12.7
Total	640,739	100.0	34.9	474,925	100.0	9.8
Imports						
Mainland China (including Hong Kong)	93,124	19.3	15.5	80,651	20.5	12.5
ASEAN	62,562	12.9	27.0	49,243	12.5	20.0
Japan	54,834	11.3	18.0	46,464	11.8	4.8
Europe	50,460	10.4	9.9	45,897	11.6	-1.5
US	48,156	10.0	3.2	46,659	11.8	14.1
Rest of the World	174,467	36.1	39.1	125,434	31.8	17.2
Total	483,603	100.0	22.6	394,350	100.0	12.1

Source: *Monthly Statistics of Exports and Imports*, Ministry of Finance, R.O.C. (Taiwan).

exports continued to decrease to 4.7%. Imports from Japan increased by 18.0% to US$54,834 million, with electronic parts and components and machinery contributing the most to this increase. Despite the growth in value, Japan's share of total imports declined further to 11.3%. With the increase in exports being less than that in imports, the trade deficit with Japan expanded to US$24,820 million. Japan remained the second largest source of Taiwan's trade deficit, surpassed only by South Korea.

(2) Services

In 2025, the services deficit increased to US$13,628 million mainly because of an increase in travel and construction payments.

Of the various components of the services account, receipts of manufacturing services on physical inputs owned by others[2] increased by US$644 million to US$5,956 million in 2025. On the debit side, payments for manufacturing services rose by US$158 million to US$1,815 million. In total, net manufacturing receipts increased from US$3,655 million to US$4,141 million.

In terms of maintenance and repair services n.i.e. (not included elsewhere), which covers maintenance and repair work by residents on goods that are owned by nonresidents (and vice versa), the receipts rose by US$151 million to US$1,339 million and payments rose by US$267 million to US$1,875 million in 2025. The increases in both receipts and payments were mainly due to the rise in aircraft repair. In all, the maintenance and repair services deficit widened from US$420 million to US$536 million.

Transport receipts decreased by US$1,365 million to US$10,581 million, reflecting a decline in international freight proceeds. Transport payments declined by US$700 million to US$13,163 million as a result of a decrease in passenger fares paid to foreign airlines. Overall, the transport services deficit widened from US$1,917 million to US$2,582 million.

Travel receipts increased by US$999 million to US$11,025 million. Meanwhile, travel payments increased by US$2,592 million to US$22,505 million. The increases in both receipts and payments were mainly due to the growth in the number of cross-border tourists. In all, the deficit on the travel account widened to a record high of US$11,480 million.

In terms of "other services," the receipts grew by US$4,637 million to US$35,122 million, mainly attributable to increases in receipts from professional and management consulting services, trade-related and other miscellaneous technical services (under other business services) and computer and information services. The payments grew by US$4,175 million to US$38,293 million, owing to increases in payments for construction. Overall, the deficit on the "other services" account decreased to US$3,171 million.

[2] Manufacturing services on physical inputs owned by others include the processing, assembly, labeling, and packing undertaken by a service provider that does not own the goods.

(3) Primary Income

Primary income consists of compensation of employees, investment income, and other primary income. In 2025, primary income receipts decreased by US$1,443 million to US$63,186 million, mainly because of decreases in residents' direct investment income. Meanwhile, primary income payments increased by US$2,602 million from the previous year to US$36,964 million, mainly attributable to increases in direct investment income paid to nonresidents. Consequently, the surplus on the primary income account decreased to US$26,222 million.

(4) Secondary Income

For the year of 2025, secondary income receipts amounted to US$9,718 million, reflecting an increase in gift and sample receipts. Secondary income payments amounted to US$17,226 million, mainly owing to increased payments of workers' remittances. As a whole, the deficit on the secondary income account widened to US$7,508 million.

Capital Account Balance

The capital account includes capital transfers and the acquisition and disposal of non-produced, non-financial assets. In 2025, the capital account shifted from a deficit to a broadly balanced position.

Net Asset Increase in Financial Account

In 2025, the financial account showed an increase of US$157,159 million in net assets. In terms of sub-categories, direct investment, portfolio investment and other investment exhibited increases of US$34,350 million, US$51,405 million and US$73,677 million in net assets, respectively. The account of financial derivatives exhibited a decrease of US$2,273 million in net assets.

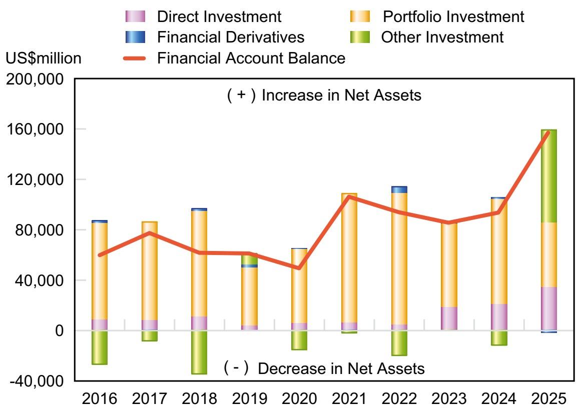
(1) Direct Investment

Direct investment abroad by residents exhibited an increase of US$45,311 million. Direct investment in Taiwan by nonresidents showed an increase of US$10,961 million.

(2) Portfolio Investment

In 2025, portfolio investment abroad by residents increased by US$36,165 million. Equity and investment fund shares grew by US$16,989 million mainly because banks' non-

Financial Account



Source: *Balance of Payments Quartely, Republic of China (Taiwan)*, CBC, February 2026.

discretionary money trusts increased holdings of foreign equity securities. Debt securities rose by US$19,176 million mainly because banks increased holdings of foreign debt securities.

On the other hand, local portfolio investment by nonresidents decreased by US$15,240 million. Equity and investment fund shares declined by US$17,817 million as foreign investors decreased holdings of Taiwanese stocks, and debt securities rose by US$2,577 million mainly because nonresidents invested in overseas corporate bonds issued by domestic enterprises.

(3) Financial Derivatives

Assets in financial derivatives decreased by US$33,011 million, principally because of gains on transactions of financial derivatives received by other financial corporations.

Liabilities in financial derivatives decreased by US$30,738 million, mainly because of losses on transactions of financial derivatives paid by other financial corporations.

(4) Other Investment

In 2025, other investment abroad by residents increased by US$71,673 million. Of the components, currency and deposits increased by US$35,271 million, which was primarily driven by an expansion in foreign deposits held by the private sector; loans increased by US$8,967 million, reflecting the growth in medium- and long-term loans extended by banks to nonresidents; trade credit grew by US$20,447 million owing to an increase in trade credit extended by corporations; other accounts receivable increased by US$6,979 million.

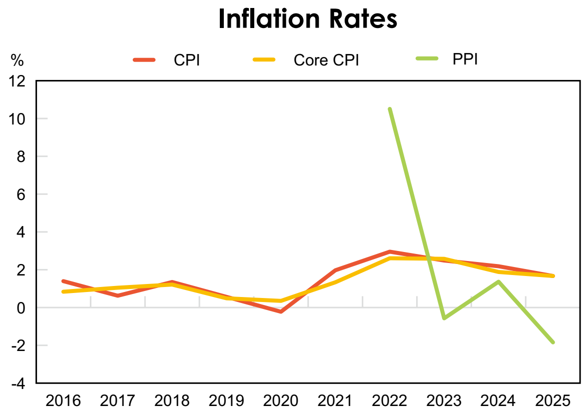
Other inward investment by nonresidents decreased by US$2,004 million. Of the components, currency and deposits rose by US$23,290 million because of increased deposits from overseas nonfinancial institutions; loans declined by US$917 million, mainly reflecting domestic banks' repayment of repurchase agreements with foreign counterparties; trade credit declined by US$20,954 million, owing to a decrease in trade credit received by corporations; other accounts payable decreased by US$3,423 million.

Increase in Foreign Exchange Reserves

The foreign exchange reserve assets held by the Bank increased by US$20,035 million in 2025, mainly owing to returns from foreign exchange reserves management.

4. Prices

For the year 2025, amid uncertainty surrounding U.S. tariff policy changes and increased crude oil supply from OPEC+, prices of international crude oil and other raw materials declined. As a result, Taiwan's import price index and producer price index (PPI), both measured in NT dollars, decreased by 4.84% and 1.79%, respectively, over the previous year. Headline inflation, measured by the CPI, continued to drop from 2.18% a year earlier to 1.66% in 2025, primarily reflecting a slower increase in fruit and vegetables prices and a large decline in fuel and lubricant fees. Excluding fruit, vegetables, and energy, the core CPI moderated further from a 1.88% increase in 2024 to 1.66%.



Note: As the PPI was first compiled in January 2021, the annual PPI growth rate was calculated from January 2022.

Source: *Price Statistics Monthly* (January 2026), DGBAS, Executive Yuan.

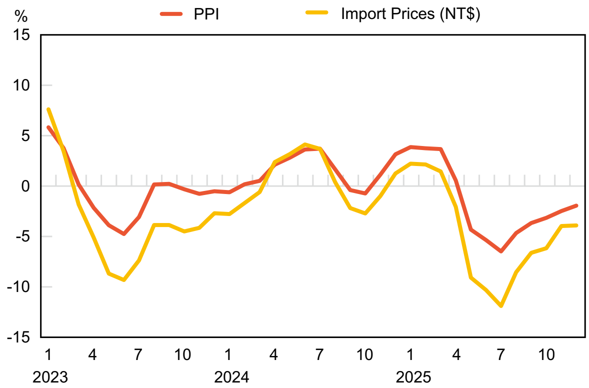
Decline in Producer Prices

In 2025, heightened uncertainty surrounding U.S. tariff policy changes, together with increased production from OPEC+, led to declines in prices of international crude oil and other raw materials. Combined with an NT dollar appreciation against the US dollar, this helped ease import cost pressures on domestic firms. Accordingly, Taiwan's import price index in NT dollar terms decreased by 4.84%, reversing from an increase of 0.25% in 2024. In terms of monthly movements, the annual growth rate of the import price index trended down month by month from January, reaching a yearly low of -11.99% in July. Subsequently, amid rising prices of animal products and of machinery, electrical equipment, TV image, parts, etc., the decrease in import prices abated, with the annual growth rate narrowing to -3.98% in December.

The PPI decreased by 1.79% in 2025, down from an increase of 1.37% in 2024. As for monthly movements, the annual PPI inflation rate went down in tandem with falling import prices and recorded -6.57% in July. Afterwards, with price rises in livestock and related products (including pork) and in electrical equipment, the annual PPI inflation rate showed a slower decline and posted a year-on-year decrease of -2.00% in December.

Among the components of the basic groups, prices of manufacturing products dropped by 2.53%, contributing 2.27 percentage points to the PPI decrease. This was mainly because prices of the following three categories experienced declines: (1) chemical material, other chemical products, and pharmaceuticals, (2) petroleum and coal products, and (3) base metal products. However, prices of water, electricity, and gas supply, prices of agriculture, forestry, fishing, and animal husbandry products, and prices of quarrying and mining products went up by 5.10%, 3.82%, and 0.64%, respectively.

Annual Growth of Import Prices and PPI



Source: *Price Statistics Monthly* (January 2026), DGBAS, Executive Yuan.

Broken down by the two major components of the PPI, prices of domestic sales excluding imports and prices of exports slid by 0.76% and 2.72% year on year, respectively.

In 2025, prices of domestic sales excluding imports slightly fell by 0.76%, as the downtrend in prices of crude oil, grains, and other raw materials, along with the appreciation of the NT dollar against the US dollar compared with 2024, helped alleviate import cost pressures for domestic firms. In terms of prices of domestic sales excluding imports by basic group, prices of manufacturing products went down by 2.21%, reflecting decreases in prices of chemical material, other chemical products, and pharmaceuticals, prices of petroleum and coal products, and prices of base metal products. On the other hand, prices of water, electricity, and gas supply, prices of agriculture, forestry, fishing, and animal husbandry products, and prices of quarrying and mining products rose by 5.09%, 3.88%, and 0.64%, respectively.

Export prices increased slightly by 0.20% in US dollar terms in 2025. Nevertheless, as the NT dollar appreciated against the US dollar compared with 2024, export prices in NT dollar terms shifted into an annual decrease of 2.72%. Among the components of export prices in NT dollar terms, prices of raw materials moved down by 2.88% with a contribution of -2.35 percentage points to the annual change in export prices. The decrease primarily reflected lower prices of mineral products, chemical products, plastics and rubber products, as well as base metal products. Prices of capital goods and consumer goods also decreased by 2.15% and 1.91%, respectively.

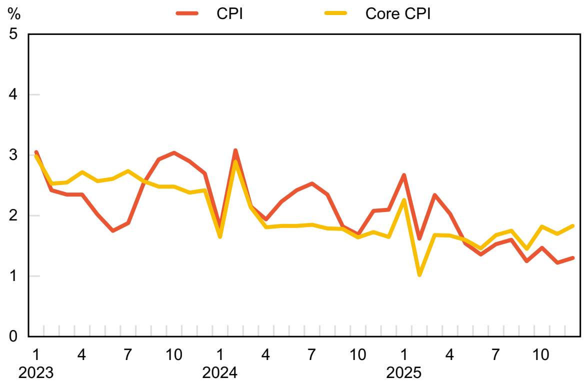
Continuous Easing in Consumer Prices

The CPI rose by 1.66% in 2025, moderating from 2.18% in 2024, marking the lowest increase since 2021 and the first time since 2022 that it fell below 2%. In the first two months of the year, the annual

CPI inflation rate experienced greater fluctuations on account of the seasonal factor of the Lunar New Year holidays. In March, the annual CPI inflation rate swung up by 2.34% because of larger increases in prices of food such as fruit and food away from home. From April onwards, the rate trended down, mainly owing to slower growth in food prices and a widened decrease in fuel and lubricant fees, and fell to 1.22% in November. In December, the annual CPI inflation rate edged back up to 1.30%, reflecting larger price increases in personal effects and entertainment services.

The core CPI grew at an average pace of 1.66% year on year in 2025, down from 1.88% the previous year. In the first two months of the year, the annual core CPI inflation rate fluctuated markedly owing to the calendar timing of the Lunar New Year. From March onwards, the annual core CPI inflation rate remained relatively stable, ranging between 1.45% and 1.83%, and staying below 2.00% before standing at 1.83% in December.

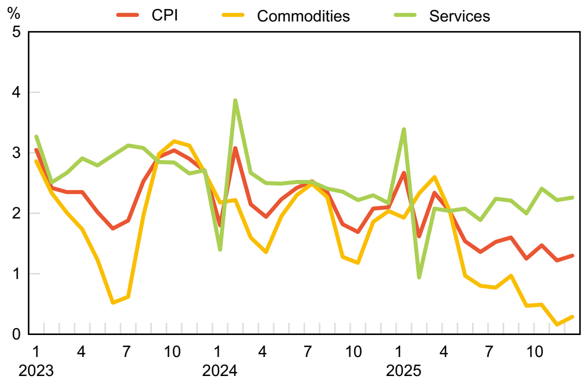
Annual CPI Growth Rates



Source: *Price Statistics Monthly* (January 2026), DGBAS, Executive Yuan.

By type of items, the annual growth rate of commodity prices eased further from 1.89% in 2024 to 1.14% in 2025, primarily attributable to slower growth in prices of vegetables and fruit and a larger decrease in domestic fuel and lubricant fees. Domestic services prices came down to 2.14%, lower than 2.45% the previous year, reflecting slower price increases in residential rent, medical care services, and education services.

Annual Growth of CPI and Prices of Commodities and Services



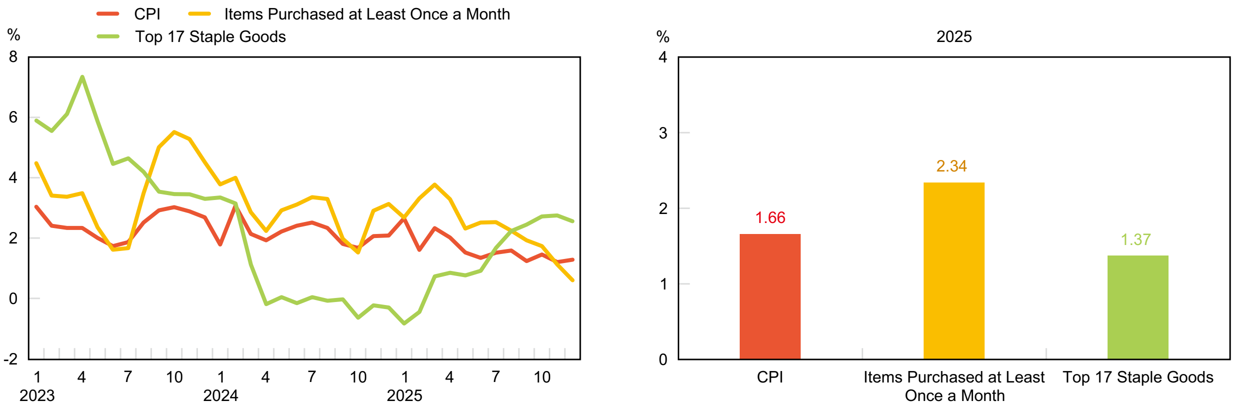
Source: *Price Statistics Monthly* (January 2026), DGBAS, Executive Yuan.

By frequency of purchase, prices of the top 17 staple goods went up at a faster pace in 2025 than in 2024, whereas prices of the items purchased at least once a month showed a slower increase.

In 2025, the annual growth rate of prices of the top 17 staple goods rose to 1.37% from 0.52% in the previous year. The increase was mainly driven by larger price rises in meats and bread, a shift from price declines to increases in household paper products such as toilet paper, facial tissue, and paper towels, as well as a narrower price decrease in eggs. Nonetheless, the rise in prices of the top 17 staple goods remained lower than the overall CPI inflation of 1.66%.

Meanwhile, the annual growth rate of prices of the items purchased at least once a month slid from 2.93% in 2024 to 2.34% in 2025, mainly reflecting a smaller increase in fruit and vegetables prices and a widened decline in fuel and lubricant fees. Nevertheless, as the rise in prices of the items purchased at least once a month still exceeded the overall CPI inflation, consumers continued to feel a noticeable impact from the price uptrends.

Annual Growth of CPI, Prices of Top 17 Staple Goods, and Prices of Items Purchased at Least Once a Month



Source: *Price Statistics Monthly* (January 2026), DGBAS, Executive Yuan.   Source: *Price Statistics Monthly* (January 2026), DGBAS, Executive Yuan.

In 2025, Taiwan's CPI grew by 1.66%. Around 81% of this increase came from rising food prices, higher residential rent, and a price increase in personal effects, with a combined contribution of 1.35 percentage points to the annual CPI inflation rate.

The main factors contributing to the rise of CPI inflation in 2025 were as follows:

(1) Prices of food went up by 3.02% and accounted for 0.82 percentage points of the annual CPI inflation rate. Among the components of the food group, prices of food away from home increased by 3.39%, contributing 0.37 percentage points to CPI inflation. With supply restrained by typhoons and torrential rain in July and August, prices of fruit moved up by 8.62%, contributing 0.21 percentage points to CPI inflation.

Meanwhile, affected by rising feed and production costs, prices of meats and prices of cereals and cereal products rose by 4.61% and 2.53% and accounted for 0.11 and 0.04 percentage points of CPI inflation, respectively.

(2) Elevated housing prices, coupled with higher prices of maintenance and repair of dwellings, pushed up prices of residential rent by 2.30%, contributing 0.34 percentage points to CPI inflation.

(3) Rising international gold prices drove up prices of gold ornaments and jewelry, leading prices of personal effects to climb by 8.79%, thereby contributing 0.19 percentage points to CPI inflation.

(4) As providers of travel and entertainment services raised prices of accommodation, group travel, and amusement park admissions, entertainment services prices moved up by 1.82%, accounting for 0.11 percentage points of CPI inflation.

(5) Higher registration fees at clinics and hospitals, along with increased charges for dentures and orthodontic services, brought prices of medical care services higher by 2.50%, adding 0.07 percentage points to CPI inflation.

(6) Increased prices of vehicle parts and higher wages for vehicle maintenance workers led prices of vehicle parts and maintenance to go up by 3.37%, accounting for 0.06 percentage points of CPI inflation.

(7) With supply reduced owing to unstable weather conditions in betel nut producing areas, prices of tobacco and betel nuts grew by 3.24%, contributing 0.06 percentage points to CPI inflation.

(8) Rising fees for elementary after-school care, high school tutoring, and supplementary courses such as language and computer classes led to a 1.94% increase in prices of education services, adding 0.06 percentage points to CPI inflation.

(9) As residential management fees were adjusted upward to reflect higher personnel, electricity, and miscellaneous costs, prices of household operations rose by 4.25%, accounting for 0.05 percentage points of CPI inflation.

The main factors contributing to downward pressure on the CPI in 2025 were as follows:

(1) Domestic fuel and lubricant fees dropped by 4.81% year on year because of the decline in global oil prices, subtracting 0.12 percentage points from CPI inflation.

(2) Following the implementation of reduced commodity taxes on vehicles from September 2025, together with additional price discounts offered by businesses, prices of vehicles fell by 1.05% for the year, deducting 0.04 percentage points from CPI inflation.

Percentage Changes in the Major Components of the CPI in 2025

Item	Annual Rate of Change (%)	Contribution to CPI Inflation Rate (Percentage Point)
CPI	1.66	1.66
Food	3.02	0.82
Food Away from Home	3.39	0.37
Fruit	8.62	0.21
Meats	4.61	0.11
Cereals & Cereal Products	2.53	0.04
Residential Rent	2.30	0.34
Personal Effects	8.79	0.19
Entertainment Services	1.82	0.11
Medical Care Services	2.50	0.07
Vehicle Parts & Maintenance	3.37	0.06
Tobacco & Betel Nuts	3.24	0.06
Education Services	1.94	0.06
Household Operations	4.25	0.05
Total		1.76
Fuel & Lubricant Fees	-4.81	-0.12
Vehicles	-1.05	-0.04
Total		-0.16
Others		0.06

Source: *Price Statistics Monthly* (January 2026), DGBAS, Executive Yuan.

5. Labor Market

Increase in Employment

In 2025, the domestic economy maintained steady growth, leading to a stable labor market. The number of employed persons steadily increased from 11.62 million at the beginning of the year to 11.65 million by the end of the year. The annual average employment was 11.63 million persons, representing an increase of 30 thousand persons or 0.26% compared to the previous year.

By sector, the annual average employment in the services sector increased by 42 thousand persons or 0.60% year on year, while the industrial and agricultural sectors declined by four thousand persons (0.10%) and eight thousand persons (1.54%), respectively. Of total employment, the services sector accounted for the highest share at 61.01%, up by 0.20 percentage points from the previous year. On the other hand, the industrial and agricultural sectors accounted for 34.81% and 4.18%, respectively, down by 0.13 and 0.08 percentage points from the previous year.

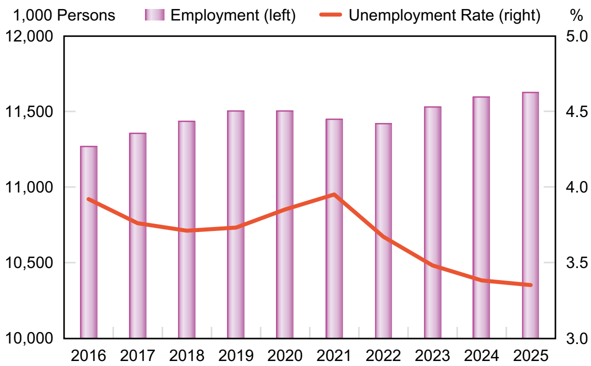
By occupation, white-collar workers made up 47.01% of total employment, increasing by 35 thousand persons or 0.64%. Service and sales employment, comprising 20.16% of total employment, grew by 16 thousand persons or 0.68%. In contrast, the number of blue-collar workers, who accounted for 32.83% of total employment, declined by 21 thousand persons or 0.55%.

Lowest Unemployment Rate Since 2001

In 2025, the unemployment rate generally trended downwards to 3.30% in December, except for seasonal fluctuations such as the post-Lunar New Year period (February to March) and the summer period (June to August) due to job transitions and new graduates entering the labor market. For the year as a whole, the unemployment rate averaged 3.35%, marking the lowest level since 2001.

Under improved employment conditions, the average unemployment duration decreased by 0.90 weeks over the previous year to 19.87 weeks. In terms of age groups, unemployment duration declined across all age brackets. The age group 65 and above saw the largest reduction of 6.95 weeks to 13.78 weeks, followed by the age

Employment and Unemployment Rate



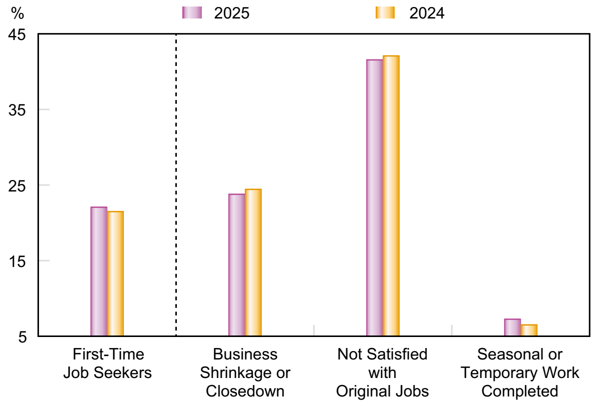
Source: DGBAS, Executive Yuan.

group 45-64 with a decrease of 1.38 weeks to 20.76 weeks. Additionally, the number of the long-term unemployed[3] fell by four thousand persons to 45 thousand persons.

Total unemployment was 403 thousand persons in 2025, decreasing by three thousand persons or 0.82% compared to the previous year. This was mainly driven by a decline in experienced job seekers, who accounted for 77.77% of total unemployment and whose number fell by five thousand persons or 1.64%.

Among experienced job seekers, those who lost their jobs due to business shrinkage or closedown saw the largest reduction of four thousand persons or 3.53%. Their share of total unemployment declined from 24.55% the previous year to 23.88%, reflecting the positive impact of economic expansion on reducing involuntary unemployment. Unemployment owing to dissatisfaction with original jobs also fell by four thousand persons or 2.03% from the previous year, though it remained the leading cause of unemployment with the highest share at 41.83%. Conversely, unemployment due to the conclusion of seasonal or temporary work, accounting for 7.37%, increased by three thousand persons or 9.59%.

Causes of Unemployment

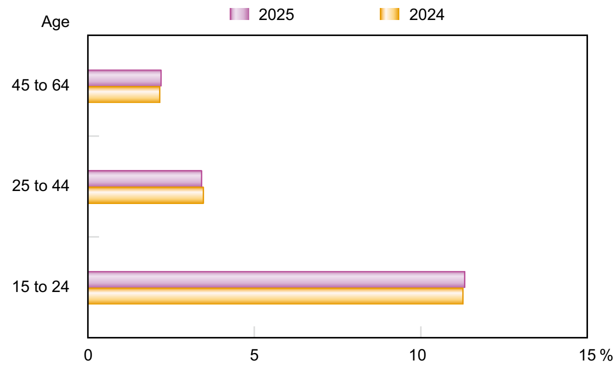


Source: DGBAS, Executive Yuan.

In 2025, the unemployment rate of the age group 25-44 declined by 0.06 percentage points from the previous year to 3.41%. The unemployment rate of the age group 15-24 edged up by 0.05 percentage points to 11.32%, the highest among all age groups. The unemployment rate of the age group 45-64 also edged up by 0.04 percentage points to 2.20%.

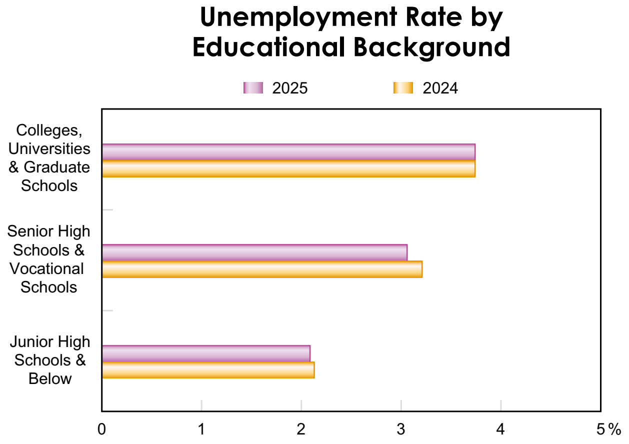
In terms of educational background, the unemployment rate of workers with a junior high school degree or below and that of workers with a senior high school or vocational school degree declined by 0.04 and 0.15 percentage points to 2.09% and 3.06%, respectively. The unemployment rate of those with a college degree or higher remained unchanged from the previous year at 3.74%.

Unemployment Rate by Age

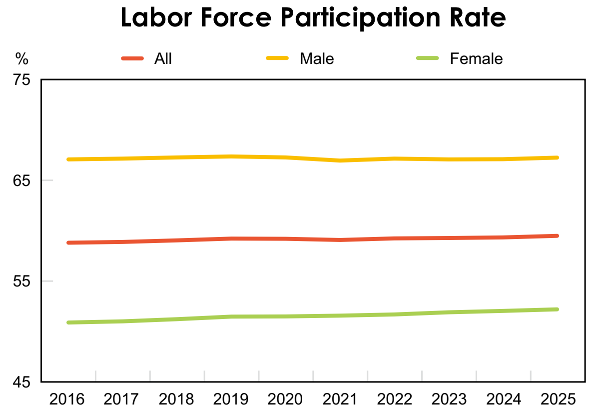


Source: DGBAS, Executive Yuan.

[3] Referring to those who have been unemployed for one year or more.



Source: DGBAS, Executive Yuan.



Source: DGBAS, Executive Yuan.

Both Labor Force and Labor Participation Rate Increased

In 2025, the labor force (employed and unemployed combined) reached 12.03 million persons, an increase of 27 thousand persons or 0.23% from the previous year. Meanwhile, the non-labor force[4] population decreased by 32 thousand persons or 0.39% to 8.21 million persons. The annual average labor force participation rate rose by 0.15 percentage points over the previous year to 59.43%, the highest since 1990.

In terms of gender, the male labor force participation rate increased by 0.14 percentage points over the previous year to 67.22%. The female labor force participation rate, which has risen steadily since 2010, increased by 0.17 percentage points to 52.12% in 2025, reflecting the positive outcomes of the government's long-term commitment to promoting gender equality, improving workplace conditions, and supporting women's employment.

In terms of age groups, the labor force participation rates increased across all age brackets in 2025. The labor force participation rates of the 15-24, 25-44, and 45-64 age groups increased by 0.98, 0.42, and 1.01 percentage points to 38.17%, 91.44%, and 68.22%, respectively. Although Taiwan's labor force participation rate has gradually rebounded since 2022, structural factors such as extended schooling, which delays labor market entry among younger cohorts, and early retirement among middle-aged and older workers, continue to keep Taiwan's labor force participation rate below those of countries such as the United States (62.4%), Japan (63.8%), South Korea (64.7%), and Singapore (67.9%). In response to an aging workforce, the government has been actively

[4] The top three reasons for non-participation in the labor force in 2025 were "old age or disability" (accounting for 39.31% of the total non-labor force), "housekeeping" (30.66%), and "attending school or preparing for entrance exam" (18.25%).

implementing measures[5] to promote employment among middle-aged and elderly workers, and these efforts are expected to yield positive results in the future.

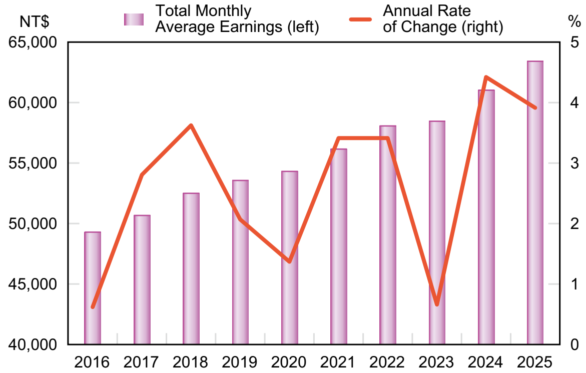
In terms of educational background, the labor force participation rate of workers with a college degree or above rose by 0.13 percentage points to 67.56% in 2025, while those of workers with a junior high school degree or below and of workers with a senior high school or vocational school degree dropped by 0.73 and 0.06 percentage points to 35.24% and 61.37%, respectively.

Moderate Wage Growth

For the year 2025, the total monthly average earnings per worker in the nonfarm sector (industrial and services sectors) reached NT$63,386, with an annual growth rate of 3.91%. Accounting for inflation, the real total monthly average earnings increased by 2.21% to NT$57,834, the largest increase since 2019.

In terms of major sectors, driven by rising labor productivity because of strong export growth, wage growth in the industrial sector recorded the highest rate in four years. The services sector grew at a slower pace due to a slowdown in the real estate sector and subdued private consumption growth, although employers adjusted wages higher in response to the continued increase in the minimum wage. The total monthly average earnings in the industrial and services sectors were NT$67,135 and NT$60,839, growing by 5.44% and 2.81%, respectively, while real wages in these two sectors increased by 3.72% and 1.13%, respectively.

Amount and Growth of Total Monthly Average Earnings of Nonfarm Workers



Source: DGBAS, Executive Yuan.

In terms of industrial classification, the finance and insurance sector had the highest total monthly average earnings at NT$110,080, and the electricity and gas supply sector ranked second at NT$97,961. In contrast, the education sector[6] and the accommodation and food services sector had relatively lower total monthly average earnings at NT$35,245 and NT$39,030, respectively, owing to the high proportion of part-time employees in these sectors. In terms of growth rates, the water supply and remediation activities sector registered the fastest growth at 5.73%, followed by the manufacturing sector at 5.72%.

[5] To promote employment among middle-aged and senior workers, the government enacted the "Act for Promoting the Employment of Middle-Aged and Elderly Persons," which was implemented in December 2020. The Ministry of Labor has also implemented the "Employment Promotion Program for Middle-Aged and Elderly Persons (2023–2025)."

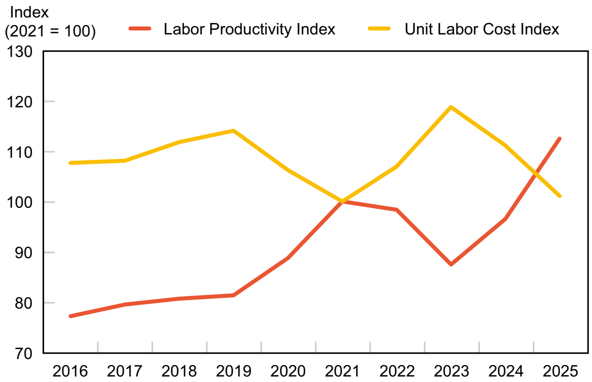
[6] Excluding schools at all levels within the formal education system (except preschools).

Remarkable Increase in Labor Productivity and Declining Unit Labor Cost

With production growth outpacing the increase in working hours, labor productivity in the industrial and manufacturing sectors rose by 16.68% and 18.24% year on year, respectively. Within the manufacturing sector, the computers, electronic, and optical products sector registered the highest increase in labor productivity with 50.51%, followed by the electronic parts and components sector at 21.33%, both reflecting robust demand for electronic and ICT products driven by the wave of artificial intelligence applications.

Since total earnings increased at a slower pace than production output, unit labor cost indices in the industrial and manufacturing sectors declined by 9.09% and 10.25% year on year, respectively. Among all manufacturing sectors, unit labor costs in the computers, electronic, and optical products sector saw the steepest decline, falling by 32.08%.

Labor Productivity and Unit Labor Cost of Industrial Sector



Source: DGBAS, Executive Yuan.