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.