



2025 Taiwan Economic Forecast: A Revision

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- Reading the Winds: Strategic Judgment

In the first half of 2025, robust momentum in exports and investment was driven by the rapid expansion of applications related to high-performance computing and artificial intelligence, as well as firms' proactive inventory restocking in anticipation of adjustments to U.S. tariff policies. These dual forces propelled real GDP growth to 5.48% in the first quarter, outperforming market expectations. Despite this strong start, growth momentum is projected to weaken notably in the second half due to heightened uncertainty surrounding U.S. trade policy and the potential dampening effects of tariffs on global demand. Accordingly, Taiwan's real GDP growth rate is forecast at 2.93% in 2025, with a downward revision of 0.17 percentage points from the previous forecast. Domestic demand is expected to contribute 1.71 percentage points to growth, while net external demand will contribute 1.22 percentage points, with private investment identified as the main driver within domestic demand.

Real private consumption grew by 1.36% in the first quarter, supported by sustained enthusiasm for overseas travel and strong demand for dining, entertainment, and sports-related activities. However, consumer confidence was dampened by heightened financial market volatility, driven by uncertainties surrounding U.S. tariff policies, global trade tensions, and geopolitical risks. The Non-Manufacturing Index (NMI) signaled a contractionary outlook for the next six months, and total retail sales increased by only 0.10% year-on-year during the first five months, with notable declines in automobile, textile, and apparel sales. Given subdued consumer sentiment and persistent financial market fluctuations, private consumption growth is expected to remain moderate, with an annual growth rate of 1.53% projected for 2025.

Buoyed by the rapid advancement of AI technologies, Taiwan's semiconductor industry ramped up capital expenditures, pushing real private investment growth to 20.77% in the first quarter. Domestic acquisition of fixed assets in the manufacturing sector rose by 82.29% year-on-year, with miscellaneous machinery up by 96.54%. Capital equipment imports surged by 67.34%, with semiconductor equipment alone increasing by 102.79%. However, rising global uncertainty, along with U.S. tariff and reshoring policies, has led firms to reassess supply chains and investment plans. As a result, investment is expected to slow in the second half of the year. Real private investment for 2025 is projected to grow by 5.46%, and with continued public infrastructure investment, total fixed capital formation is expected to increase by 5.35%.

To meet the U.S. tariff adjustment deadline, foreign clients front-loaded their

orders, leading to real export and import growth of 20.29% and 24.43%, respectively, in the first quarter. Electronic and ICT product exports jumped 37.22% in the first five months. In contrast, traditional industries faced sluggish demand, with exports of plastics and textiles declining. Given the front-loading effect, continued policy uncertainty, and appreciation of the NT dollar, export momentum is expected to weaken in the second half. For the full year, real export and import growth rates are projected at 11.72% and 12.43%, respectively.

On the price front, the Consumer Price Index (CPI) rose by an average of 2.04% year-on-year from January to May, due to persistent price pressures in food, rent, and healthcare services. Core CPI increased by 1.65% over the same period. The Producer Price Index (PPI) was affected by geopolitical risks and electricity price hikes in 2024, leading to a year-on-year increase exceeding 3% in the first quarter. However, in May, raw material price corrections and currency appreciation caused the PPI to decline by 4.30%, resulting in a mild average year-to-date increase of 1.45%. Although the stronger NT dollar has helped mitigate import price pressures, continued uncertainty surrounding global tariff barriers could elevate supply chain costs. As firms face rising costs and utility subsidies prove unsustainable, inflation risks remain. CPI and PPI are forecast at +1.85% and -2.03% in 2025.

In the labor market, the average unemployment rate from January to May was 3.32%, slightly below the 3.36% recorded in the same period of 2024, suggesting a stable employment outlook. For the whole year, the unemployment rate is projected to be around 3.36%. Regarding money supply, the average year-on-year growth rates of M1B and M2 from January to May were 2.43% and 4.21%, respectively, both lower than the same period in 2024. This slowdown reflects net capital outflows and weakened lending and investment, affected by financial market volatility. Given the uncertain economic outlook, firms are expected to adopt a cautious approach to funding, with M1B and M2 growth forecast at 2.01% and 3.71%, respectively, for 2025.

Looking ahead, volatile U.S. trade policy continues to cast a shadow over the global trade environment, influencing supply chain restructuring and market fragmentation. These developments may further destabilize the global economic outlook and financial markets. Additionally, geopolitical tensions, climate-related disruptions, and the proliferation of trade barriers have all contributed to heightened commodity price volatility, adding further uncertainty to global inflation trajectories. The forecasted range is between 2.54% and 3.17%.

Table 1 2025 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	24,397.50	2.93	5,948.00	5.48	6,075.89	4.97	6,042.63	0.53	6,330.97	1.06
Private Consumption	11,458.30	1.53	2,819.06	1.36	2,823.97	1.23	2,883.09	1.90	2,932.18	1.61
Government Consumption	3,272.47	2.39	710.90	0.44	774.60	2.77	836.35	1.99	950.62	3.93
Fixed Capital Formation	6,367.10	5.35	1,650.87	18.15	1,569.59	4.66	1,475.68	2.09	1,670.97	-1.79
Private Enterprises	5,217.30	5.46	1,446.76	20.77	1,297.35	4.28	1,205.09	1.34	1,268.11	-3.62
Public Enterprises	422.69	6.40	74.90	3.32	101.46	5.32	94.37	3.57	151.96	10.66
Government	725.41	3.95	129.70	1.73	170.60	7.16	175.67	6.62	249.44	1.24
Balance of Trade	3,208.58	9.43	776.63	5.58	923.42	44.26	799.29	-3.08	709.24	-3.05
Exports of Goods & Services	16,150.48	11.72	4,031.54	20.29	4,535.64	29.05	3,825.82	0.29	3,757.48	-0.49
Imports of Goods & Services	12,957.06	12.43	3,254.92	24.43	3,628.17	26.22	3,026.18	1.21	3,047.81	0.11
Price										
CPI	109.81	1.85	109.15	2.21	109.26	1.72	110.23	1.83	110.59	1.65
PPI	109.12	-2.03	113.35	3.72	108.00	-3.45	107.86	-4.04	107.28	-4.20
Monetary Aggregate										
M1B	28,015.08	2.01	27,957.31	2.64	27,978.58	2.10	28,038.43	1.63	28,085.99	1.69
M2	65,189.44	3.71	64,868.08	4.74	64,871.80	3.42	65,206.89	3.32	65,810.99	3.40

Source: Institute of Economics, Academia Sinica, July 4, 2025.