



2026 Taiwan Economic Forecast: A Revision

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- Rising Further, with Sharper Divergence

In the first half of 2026, the global economy faced challenges from geopolitical conflicts in the Middle East, instability in energy supply chains, and U.S. tariff policy. However, the rapid expansion of demand for artificial intelligence (AI) applications boosted Taiwan's exports, investment, and financial markets, raising first-quarter economic growth to 14.55% and underscoring the strong expansionary momentum of Taiwan's economy within the global technology demand cycle. In the second half of the year, continued expansion in global AI investment is expected to support sustained high growth in Taiwan's exports, while steady private consumption will further strengthen domestic demand. With both domestic and external demand contributing to growth, we forecast Taiwan's 2026 economic growth rate at 10.16%, an upward revision of 6.45 percentage points from the 3.71% forecast made last December. Domestic demand and net foreign demand are projected to contribute 5.03 and 5.13 percentage points to economic growth, respectively.

The wealth effect from repeated record highs in the stock market has gradually lifted consumer willingness to spend. Demand for dining, leisure and entertainment, and performances and exhibitions has increased significantly, while residents' outbound travel expenditure has continued to grow. Real private consumption grew by 4.74% year-on-year in the first quarter. In the first five months, turnover in general merchandise retail, electronic shopping and mail-order retail, and information and communications and household appliance retail all grew by more than 5%, raising overall retail turnover, excluding motor vehicles and motorcycles, to 5.71% year-on-year growth. Food and beverage turnover also increased by 4.05% from a year earlier, indicating steady expansion in domestic consumption. Looking ahead, a stable labor market, higher corporate earnings, and active stock trading are expected to support household disposable income and consumption. Nevertheless, uncertainty over global interest rate policy and international political and economic conditions remains, and financial market volatility warrants continued attention. Real private consumption is forecast to grow by 3.60% in 2026.

Real private investment grew by 5.79% year-on-year in the first quarter, supported by firms expanding capacity and capital expenditure in response to demand for emerging technology applications such as AI. In the first half of the year, capital equipment imports measured in New Taiwan dollars rose by 41.33% year-on-year, including a 29.41% increase in semiconductor equipment. The manufacturing production index for

investment goods also continued to record double-digit growth, rising by 67.22% year-on-year. In the second half of the year, strong AI application demand and expanded investment in Taiwan by major international firms are expected to sustain investment growth momentum. Real private investment is forecast to grow by 9.79% in 2026. With the government continuing to promote public infrastructure investment, real gross fixed capital formation is forecast to grow by 8.59% for the full year.

As business opportunities in AI, high-performance computing, and cloud services remained strong, exports of high-end chips, servers, and related products maintained robust momentum and boosted import demand for related intermediate and capital goods. In the first quarter, real exports and imports of goods and services grew by 35.76% and 26.34% year-on-year, respectively. In the first half of the year, exports of electronic and information and communications products measured in New Taiwan dollars surged by 61.83% year-on-year. Exports of traditional industries also gradually emerged from weakness, with nominal export growth of basic metals, plastics and rubber, and chemical products turning positive after contracting in 2025. Looking ahead, global demand for AI, high-performance computing, and cloud services is expected to continue, supporting strong exports of high-end chips, servers, and related components. As export production expands, imports of key components and intermediate inputs are also expected to increase in tandem. Taiwan's foreign trade growth momentum is therefore expected to continue, with real exports and imports of goods and services forecast to grow by 23.02% and 21.91%, respectively, in 2026.

On prices, the Middle East conflict pushed up international crude oil and other energy prices in the first half of the year. However, government supply-side measures, including mechanisms to stabilize energy prices, kept goods price inflation moderate, with goods prices rising by 0.96% year-on-year in the first half. The consumer price index (CPI) rose by an average of 1.70% year-on-year. Core CPI increased by 2.03%, reflecting higher prices for services such as dining out, entertainment, and transportation, which rose by 2.39% year-on-year in the first half. Driven by higher prices of petroleum and coal products, electronic components, computers, electronic products, and optical products, the producer price index (PPI) shifted from a 1.79% decline in 2025 to an average increase of 6.41% year-on-year in the first half of 2026, indicating a marked rise in upstream cost pressures. CPI growth accelerated from 1.20% in March to 2.60% in June, indicating rising consumer-side pressure as well. Cost pass-through to end prices typically lags, so continued monitoring is needed to assess whether upstream pressure will further feed into consumer prices. Key factors for the second half include raw material price trends, geopolitical risk, and service price changes. CPI and

PPI growth for 2026 are forecast at 1.95% and 10.69%, respectively.

In the domestic labor market, the average unemployment rate in the first five months was 3.30%, slightly lower than the 3.32% recorded in the same period of 2025, indicating stable labor market conditions. The unemployment rate is expected to be around 3.34% in 2026. On money supply, average M2 growth in the first five months was 6.51%, above the 4.21% recorded in the same period of 2025, mainly reflecting financial market fluctuations and stronger momentum in lending and investment. M2 is forecast to grow by 6.10% in 2026.

Looking ahead to the second half of the year, the global AI investment cycle has become a key force driving a new wave of technology-sector development, but its future path will still depend on the scale of capital expenditure, the realization of corporate profit models, and infrastructure bottlenecks. If financial leverage among AI-related firms continues to expand, it may also amplify volatility in international financial markets. Geopolitical risks and climate change may also continue to influence commodity prices, adding uncertainty to the global inflation outlook. At the same time, the pace of monetary policy adjustment in major economies and the future direction of U.S. tariff policy will continue to affect financial markets, exchange rates, and the global trade environment.

Table 1 2026 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	28,501.38	10.16	6,841.83	14.55	6,805.67	8.75	7,258.48	10.90	7,595.40	7.01
Private Consumption	11,912.36	3.60	2,967.37	4.74	2,931.98	4.21	2,960.50	3.40	3,052.50	2.13
Government Consumption	3,404.45	5.01	748.39	4.06	806.94	2.90	863.40	5.28	985.72	7.31
Fixed Capital Formation	7,324.25	8.59	1,763.44	6.21	1,902.45	12.70	1,768.97	9.20	1,889.37	6.36
Private Enterprises	6,084.85	9.79	1,541.66	5.79	1,625.53	14.80	1,477.05	9.69	1,440.62	8.94
Public Enterprises	425.32	-5.68	80.54	8.99	91.42	-6.97	99.25	1.90	154.11	-15.02
Government	807.70	8.07	141.12	9.00	183.38	6.44	191.44	9.27	291.76	7.88
Balance of Trade	5,684.51	28.35	1,344.97	76.24	1,102.68	16.42	1,604.85	27.56	1,632.02	11.74
Exports of Goods & Services	23,499.11	23.02	5,489.90	35.76	5,744.28	20.14	6,093.06	22.12	6,171.87	16.72
Imports of Goods & Services	17,888.13	21.91	4,144.93	26.34	4,684.24	22.18	4,509.62	20.85	4,549.34	18.87
Price										
CPI	111.74	1.95	110.50	1.23	111.55	2.17	112.26	2.22	112.66	2.20
PPI	121.09	10.69	113.94	0.54	112.02	12.56	123.12	15.33	125.28	14.85
Monetary Aggregate										
M2	69,695.82	6.10	68,495.31	5.59	69,078.98	6.60	70,142.31	6.04	71,066.69	6.16
Exchange Rates (NT\$/US\$)	31.60									

Source: Institute of Economics, Academia Sinica, July 13, 2026.