Taiwan’s GDP continues to defy all expectations

Despite a wave of aggressive forecast upgrades, Taiwan's 4Q25 GDP continued to blow market expectations out of the water with 12.7% YoY growth – the fastest growth of any single quarter since 1987. The strong 4Q data brought full-year growth to 8.63% YoY. Taiwan has remained one of the key beneficiaries of the tech boom

Taiwan's fourth-quarter GDP recorded the highest year-on-year reading for any quarter since 1987

8.63% YoY

Taiwan's 2025 GDP growth

Fastest annual growth since 2010

Higher than expected

Taiwan's GDP growth continues to defy all expectations

The tech boom amid the AI race continued to pick up in 2025. Taiwan, as the manufacturer of the world's most cutting-edge chips, was one of the prime beneficiaries of this theme, and the 2025 GDP data confirmed this once more.

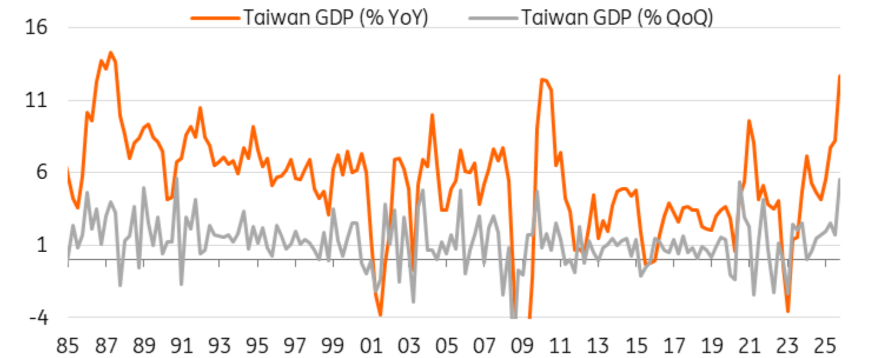
Taiwan's fourth-quarter GDP for 2025 surged to 12.68% year-on-year, the highest YoY read for any quarter since the third quarter of 1987. 2025 GDP ended the year at 8.63% YoY, which was the highest level since 2010. Unlike in 2010, when Taiwan benefited from a very supportive base effect from weak -1.6% YoY growth in 2009 in the wake of the Global Financial Crisis, 2025 saw no such benefits, instead coming on the heels of a strong 2024.

Once again, GDP continues to surprise on the upside, despite a wave of very aggressive upward revisions, as Taiwan's exports easily shrugged off the impact of a US reciprocal tariff hike. Recall that this time last year, markets were looking for growth of under 3%. It turns out that even after a wave upgrades to over 7%, forecasts continued to undershoot reality.

This strength was almost entirely concentrated on the external side. Net demand from the rest of the world contributed a whopping 11.91ppt of the 12.68ppt of growth in 4Q25, and 6.63ppt of the 8.63ppt of growth for the full year. Domestic demand, as a result, only contributed 0.77ppt in 4Q25 and 2.0ppt for the year as a whole – much less impressive.

This is consistent with what we've been seeing in the monthly data as well. Exports and industrial production have been seeing double-digit growth throughout the year, while retail sales and consumer confidence data have been considerably softer.

4Q25 growth sees the single the highest YoY growth of any quarter since 1987



Sources: CEIC, ING

As the tech boom continues, likely so will Taiwan's run of outperformance

2025 delivered a simple message for Taiwan forecasters across the entire market: we were clearly not bullish enough on the tech boom and its ability to lift Taiwan's growth through net exports.

Is the market about to repeat the same mistake in 2026? Consensus forecasts currently are looking for 3.9% YoY growth in 2026. We are upgrading our 2026 Taiwan GDP forecasts to 6.8% YoY on the back of the strong 4Q outperformance and expectations that the tech-fuelled strength will at least continue for some months ahead, which Taiwan's surging export orders data suggests is likely to be the case for some time.

The biggest single risk to the scenario is the fact that growth remains very highly contingent on the AI boom and tech race continuing. The GDP breakdown clearly illustrates this, as does the fact that TSMC's share of the Taiex index has surged to over 44%, up from around 24% in 2020. If we do see an end to this boom, the ripple effects would likely be considerable. In contrast, if we instead see substantive breakthroughs that could guarantee years of strong demand moving forward, Taiwan's longer-term outlook could remain quite bright.

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