

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.

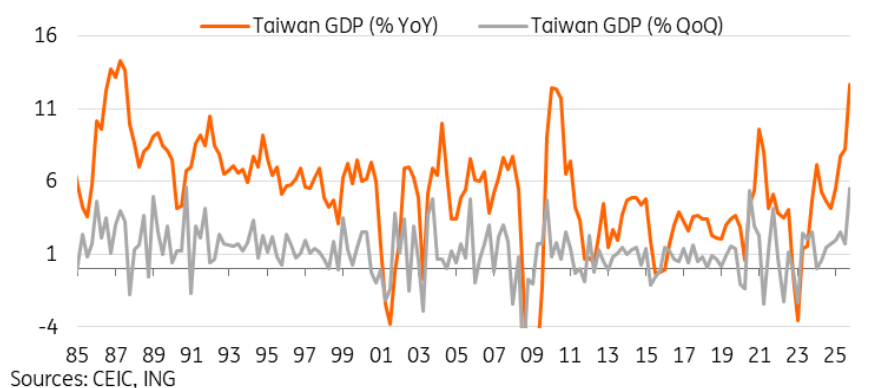
Taiwan's fourth-quarter GDP for 2025 surged to 12.68% year-on-year, the highest YoY read for any quarter since the third quarter of 1987. 2025 GDP ended the year at 8.63% YoY, which was the highest level since 2010. Unlike in 2010, when Taiwan benefited from a very supportive base effect from weak -1.6% 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



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-fueled 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.

Author

Lynn Song

Chief Economist, Greater China

lynn.song@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.