I. Overview

Potential macro environmental risk factors

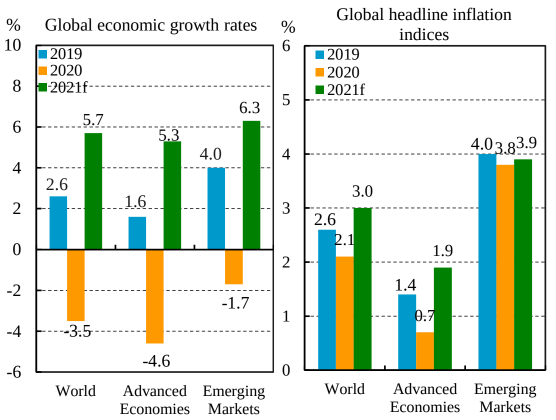
International economic and financial conditions

The global economy is expected to recover after a substantial contraction, but financial vulnerabilities continue to accumulate

In 2020, the COVID-19 pandemic had a severe impact on economic activity. Against the backdrop of shrinking global trade, subdued economic activity, and supply chain disruptions, the global economy contracted by 3.5% in 2020, the worst recession since the Great Depression. Economic growth rates in advanced economies and emerging economies both sank into negative territory. The global consumer price index (CPI) inflation rate also decelerated to 2.1% in 2020 with a fall in the prices of crude oil and other energy sources (Chart 1.1).

Looking ahead to 2021, thanks to expanded vaccinations, loosened COVID-19 restrictions, extraordinary fiscal and monetary policy support, and a relatively low base period, IHS Markit anticipates that the global economic growth rate will surge notably to 5.7%. Meanwhile, the global headline inflation rate is projected to lift to 3.0%, driven by the continued rise in commidity prices (Chart 1.1). Nevertheless, the IMF warned that logistical problems with delivering the vaccines, [1] together with uncertainties surrounding the

Chart 1.1 Global economic growth rates and headline inflation indices



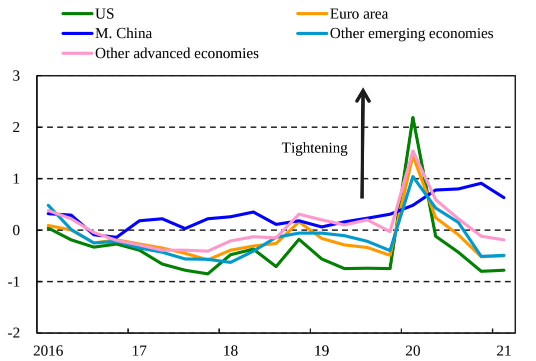
Note: Figures for 2021 are IHS Markit estimates.
Source: IHS Markit (2021/5/15).

[1] IMF (2021), *World Economic Outlook*, April.

pace of vaccine rollout and efficacy, could again cause deep wounds to the global economy.

The escalation of the COVID-19 pandemic in the beginning of 2020 induced mounting panic sentiment among investors, resulting in stock market crashes and widening corporate bond spreads. As a result, financial conditions tightened abruptly. Since the second half of 2020, extraordinary monetary and fiscal policy support launched by national authorities, and new vaccine development in positive progress have led to elevated financial market prices. Cosequently, financial conditions turned to loosen (Chart 1.2). However, extremely accommodative monetary policies pushed the debt level of the nonfinancial private sector higher. Moreover, a stark divide between financial markets and economic conditions fueled financial vulnerabilities. Once real interest rates rise rapidly and persistently, it could trigger an abrupt correction in financial markets, and in turn hamper market confidence and endanger financial stability.

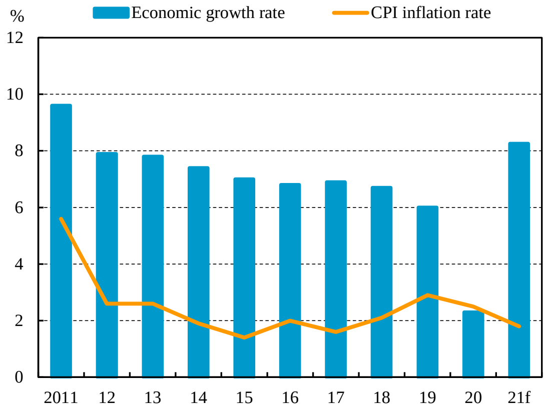
Chart 1.2 Global financial conditions indices



Notes: 1. Financial conditions indices are gauged by standard deviations from the means.
2. Other advanced economies comprise 11 economies, such as Australia, Canada, and the UK, etc.
3. Other emerging economies include 6 economies, such as Brazil and India, etc.

Source: IMF (2021), *Global Financial Stability Report*, April.

Chart 1.3 Economic growth rate and CPI inflation rate of Mainland China



Note: Figures for 2021 are IHS Markit projections.

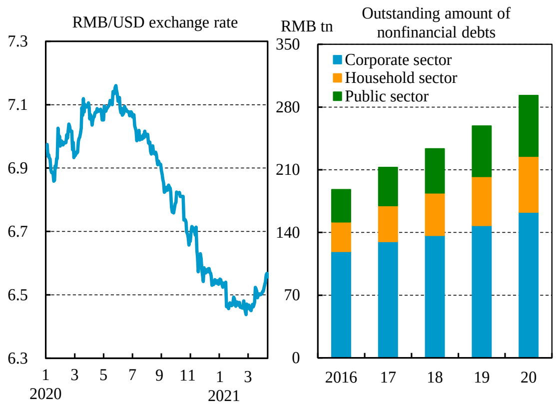
Sources: National Bureau of Statistics of China and IHS Markit (2021/5/15).

Mainland China experienced a gradual economic recovery with higher potential risks

Affected by the pandemic, Mainland China's economic growth significantly dropped to 2.3% in 2020 with the annual CPI inflation rate declining to 2.5%. IHS Markit projects that the economic growth rate will rise dramatically to 8.3% in 2021, resulting from the effective control of the pandemic and a lower base period. Meanwhile, the annual CPI inflation rate is forecast to decline to 1.8% owing to weak private consumption momentum (Chart 1.3).

Considering that a gradual rise in housing prices since the second half of 2020 showed more signs of financialization and bubbles in the housing market, Mainland China's government successively enhanced supervision measures for housing loans so as to reduce the risks of housing bubbles. Regarding the FX market, with gradual economic recovery in Mainland China and a widening of interest rate spreads between the US and Mainland China, the RMB exchange rate against the US dollar turned to appreciate and rose throughout the year (Chart 1.4, left panel). Besides this, thanks to effective control of COVID-19 and a massive inflow of foreign capital, the SSE Composite Index rebounded significantly and fluctuated upwards. In early 2021, the RMB exchange rate against the US dollar rose continually but turned to weaken from March 2021 on account of elevated US Treasury yields. Over the same period, owing to rising concerns about inflation in the US, the SSE Composite Index slid.

Chart 1.4 RMB/USD exchange rate and outstanding amount of nonfinancial debts in Mainland China



Sources: CBC and BIS.

Aggregate financing to the real economy in Mainland China continued its upward trend in 2020, while vulunerability of small and medium financial institutions escalated. The outstanding debt for nonfinanical sectors, including the corporate, household, and government sectors, continuously reached record highs at the end of the year (Chart 1.4, right panel), reflecting a rise in potential risks.

Major economies maintained accommodative monetary policies and adopted further fiscal stimulus to mitigate economic downside risks

Following the COVID-19 outbreak in the beginning of 2020, central banks in major economies adopted more accommodative and aggressive policies so as to cushion the pandemic's impact. In the second half of the year, since the global economy had not fully regained momentum, most central banks maintained accommodative monetary policies by providing low interest rates.

In addition, for the purpose of mitigating the impacts from the pandemic, major economies deployed extraordinary fiscal policy support in the first half of 2020. From the second half of the year onwards, most economies continuously launched fiscal stimulus packages amid the evolution of the pandemic. For example, the US passed the second-largest pandemic aid bill in March 2021, totaling US$1.9 trillion. The European Union (EU) agreed to a €750 billion COVID-19 recovery fund. The Japanese government also launched a new round of stimulus worth roughly ¥73.6 trillion.

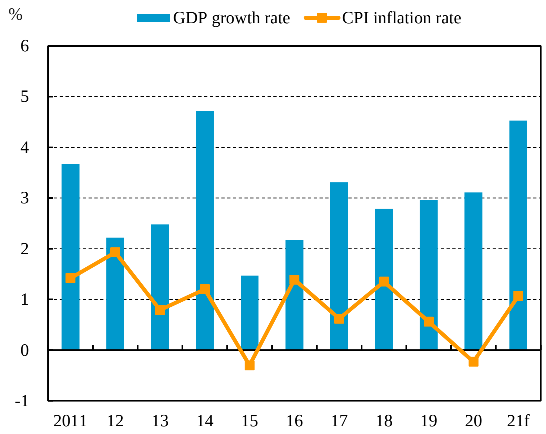
Domestic macro environment

The domestic economy grew mildly, while consumer prices rose moderately and external debt servicing capacity remained sound

In 2020, as exports rose against the trend, the annual economic growth rate in Taiwan reached 3.11%, higher than the 2.96% of the previous year. The economy maintained moderate growth for the whole year. With regard to consumer prices, annual CPI inflation registered -0.23% in 2020, lower than the 0.56% of the previous year (Chart 1.5). However, a resurgence of the pandemic internationally and an upsurge in domestic COVID-19 cases from mid-May 2021 onwards might have negative effects on economic growth momentum and thus warrant closer attention.

In addition, Taiwan's external debt[2] rose to US$189.9 billion at the end of 2020, but FX reserves remained at a sufficient level of US$529.9 billion, implying a robust capacity to service external debt. The amount of the fiscal deficit reached a record high in 2020, equivalent to 2.28%[3] of annual gross domestic product (GDP) for the year, and the ratio of total public debt to annual GDP rebounded to

Chart 1.5 Economic growth rate and CPI inflation rate of Taiwan



Note: Figures for 2021 are CBC forecasts released on March 18, 2021

Sources: DGBAS and CBC.

[2] External debt refers to the combined amount owed to foreign parties by Taiwan's public and private sectors, including long-term debt with a maturity of greater than one year and short-term debt with a maturity of one year or less. The term "public external debt" refers to debt that the public sector is either obligated to repay directly or has guaranteed. The term "private external debt" refers to private-sector foreign debt not guaranteed by the public sector.

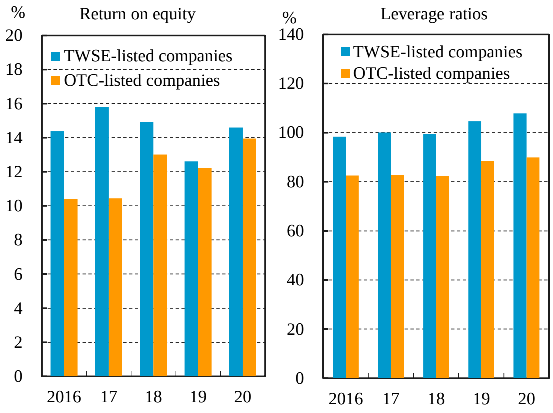
[3] As a comparison, fiscal deficits in EU member nations are not allowed to exceed 3% of GDP according to the *Maastricht Treaty* and the subsequent *Stability and Growth Pact*.

33.76%. Nevertheless, total government debt stayed within a manageable level.[4]

Corporate sector saw a sharp rise in profitability

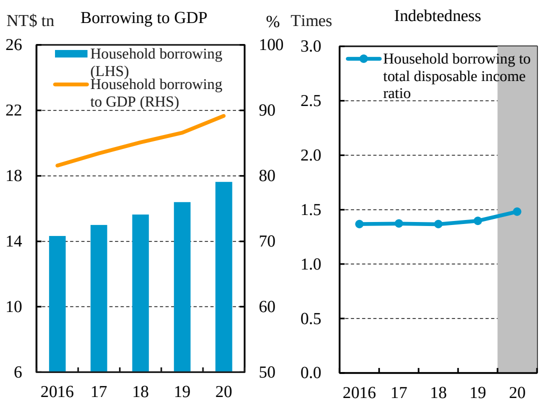
In 2020, the COVID-19 pandemic drove up remote business opportunities, inducing demand for semiconductors, information and communications technology, and 5G applications to spring up. As a result, the profitability of TWSE-listed and OTC-listed companies ascended remarkably (Chart 1.6, left panel). Their short-term debt servicing capacity remained at an adequate level, although leverage ratios elevated (Chart 1.6, right panel). The non-performing loan (NPL) ratio for corporate loans from financial institutions rose slightly to 0.28% at the end of the year, while the overall credit quality for the corporate sector stayed satisfactory.

Chart 1.6 Return on equity and leverage ratios in corporate sector



Notes: 1. Return on equity = net income before interest and tax/average equity.
2. Leverage ratio = total liabilities/total equity.
Source: TEJ.

Chart 1.7 Household indebtedness



Note: Total disposable income in shadow area is a CBC estimate.
Sources: CBC, JCIC, and DGBAS.

Household financial conditions remained sound

Total household borrowing expanded and reached NT$17.63 trillion at the end of 2020, equivalent to 89.15% of annual GDP (Chart 1.7, left panel). The ratio of household borrowing to total disposable income also increased to 1.48, reflecting a rising household debt burden (Chart 1.7, right panel). Nonetheless, in Taiwan, household net worth[5] has been held at more than 8.3

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[4] As a comparison, outstanding government debt in EU member nations is not allowed to exceed 60% of GDP according to the *Maastricht Treaty* and the subsequent *Stability and Growth Pact*.

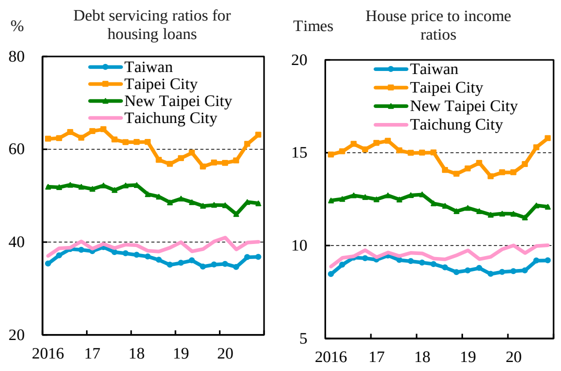
[5] Household net worth includes household net non-financial assets and net financial assets. Net non-financial assets include produced assets (buildings and constructions, transport equipment, machinery equipment, etc.) and non-produced assets (construction land, non-construction land, and other assets). Net financial assets are domestic and foreign financial assets minus liabilities (deposits, loans, shares of listed companies or other enterprises, life insurance reserves, etc.).

times the GDP in recent years, indicating a healthy financial condition and a sustained debt servicing capacity of households. Meanwhile, the NPL ratio of household borrowing decreased to a new low of 0.17%, showing satisfactory credit quality.

Real estate market saw an increase in both trading volume and housing prices, and mortgage burden rebounded

Trading volume in the housing market increased in 2020, as the total number of building ownership transfers for transaction increased by 8.76% year on year. Meanwhile, the national housing price index released by the Ministry of the Interior (MOI), the Sinyi housing price index (for existing residential buildings), and the Cathay housing price index (for new residential buildings) also reached historical high levels. Nevertheless, the pressure on reducing the mounting number of unsold new residential properties remained. In 2020 Q4, the debt servicing ratio for housing loans and the house price to income ratio in Taiwan ascended marginally year on year to 36.81% and 9.20, respectively, demonstrating a rebound of the mortgage burden. Among the six metropolitan areas, Taipei City showed the heaviest mortgage burden (Chart 1.8).

Chart 1.8 Debt servicing ratios for housing loans and house price to income ratios



Notes: 1. Debt servicing ratio for housing loans = median monthly housing loan payment/median monthly household disposable income.
2. House price to income ratio = median house price/median annual household disposable income.

Source: Housing Price Affordability Indicator Statistics, Construction and Planning Agency of the MOI.

To curb speculation in the housing market, the government initiated the Healthy Real Estate Market Plan in December 2020 and the relevant ministries and agencies successively amended the regulations to refine management schemes on the housing market as well as applying a reasonable property tax. The Bank twice revised targeted macroprudential measures on real estate loans as well, aiming to foster a sound real estate market.

Financial system assessment

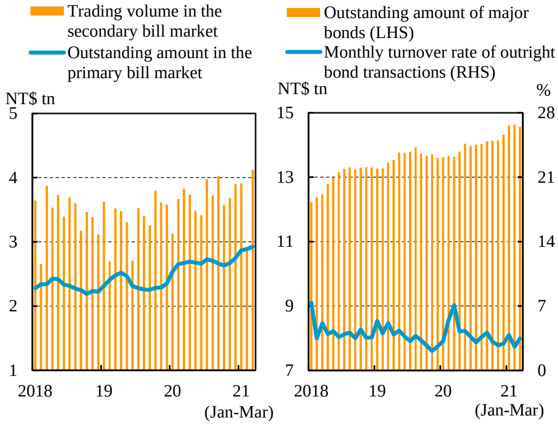
Financial markets

Bill and bond issuance in the primary market hit a new high, while their trading volume in the secondary market took divergent directions

The outstanding amount of bill issuance in the primary market increased markedly by 16.75% year on year at the end of 2020, owing to the fact that corporates significantly increased commercial paper (CP) issuance for fund raising. The bill trading volume in the secondary market also saw a rise of 8.97% in 2020 (Chart 1.9, left panel). As for the bond market, the outstanding amount of bond issuance increased marginally by 5.32% at the end of the year because bond interest rates hit a record low, which attracted corporates to increase bond issuance. However, trading volume in the secondary bond market[6] decreased by 9.30% as repurchase agreement (repo) transactions saw diminishing trading volumes. The average monthly outright turnover rate of major bonds[7] elevated to a recent high of 7.11% in March 2020 (Chart 1.9, right panel), and turned to fall afterwards.

Considering that the recent rise in US inflation expectations could push up US government bond yields and, in turn, propel Taiwan's 10-year government bond yields to increase further, interest rate risks related to bond investments might elevate and warrant close attention.

Chart 1.9 Primary and secondary bill and bond markets



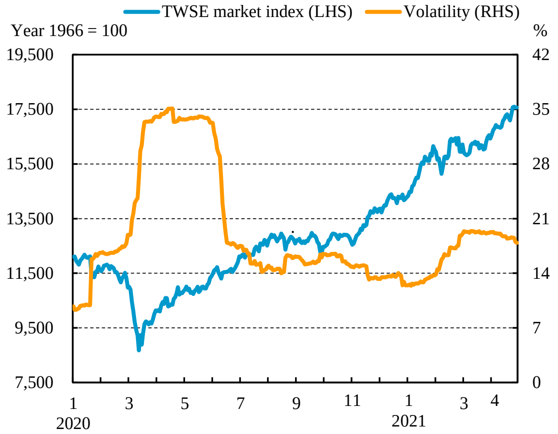
Notes: 1. Major bonds include government bonds, international bonds, corporate bonds, and financial debentures.
2. Monthly turnover rate = trading value in the month/average outstanding amount of bonds issued. Average outstanding amount of bonds issued = (outstanding amount at the end of the month + outstanding amount at the end of last month)/2.

Sources: CBC and FSC.

6 Includes repo and outright transactions.
7 Includes government bonds, international bonds, corporate bonds, and financial debentures.

Stock indices successively reached their historical highs with increased volatility

Chart 1.10 TWSE market index and volatility



Note: Volatility refers to the annualized standard deviation of 60-day daily index returns.
Sources: TWSE and CBC.

In March 2020, owing to the impact of the pandemic, the Taiwan Stock Exchange Weighted Index (TAIEX) of the TWSE market dropped significantly to a recent low of 8,681. Afterwards, thanks to the quantitative monetary easing policies and the fiscal relief measures implemented by major economies, along with the strong recovery exhibited by the domestic economy, the TAIEX rebounded sharply and posted an annual increase of 22.80% in 2020, higher than the major indices in other international stock markets. In the beginning of 2021, the TAIEX fluctuated with an upward trend and registered 17,567 at the end of April, surging by 19.24% compared to the end of 2020 (Chart 1.10). Nevertheless, with market expectations of interest rate hikes by the Fed and the resurgence of the pandemic globally and domestically, the TAIEX saw a decline in the middle of May.

Volatility in the TWSE market surged sharply in the first half of 2020, and then dropped to 12.55% at the end of the year, still higher than the 9.71% of the previous year. In the beginning of 2021, owing to significant fluctuations in global stock markets triggered by rapidly elevating US bond yields, volatility of the TWSE market increased to 17.91% at the end of April (Chart 1.10), and further jumped above 20% in May.

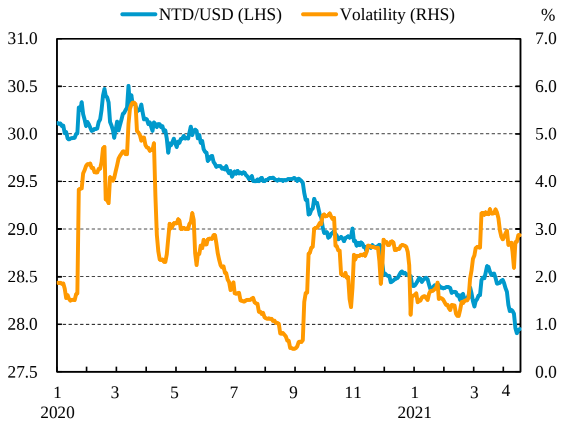
The NT dollar broadly strengthened against the US dollar, while its volatility remained relatively stable

In the beginning of 2020, the NT dollar exchange rate against the US dollar depreciated owing to the impacts of the COVID-19 pandemic and the outward remittance of foreign capital. Afterwards, as exports and the economy demonstrated stellar performance, the NT dollar appreciated steadily and stood at 28.508 at the end of 2020, gaining by 5.61% year on year.

The NT dollar exchange rate by and large moved along an appreciating path from the beginning of 2021 onwards, and closed at 27.950 as of the end of April, increasing in value by 2.00% compared to the end of 2020 (Chart 1.11).

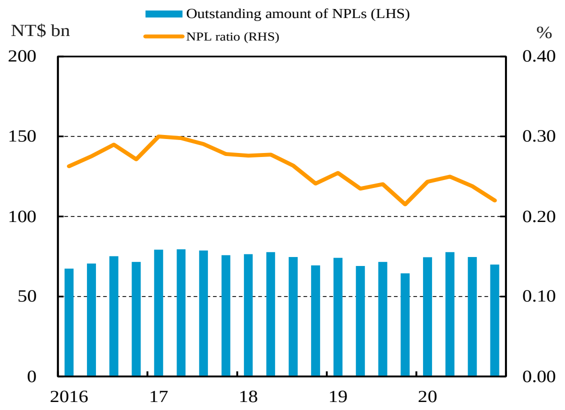
Furthermore, volatility in the NT dollar exchange rate against the US dollar shifted between 0.49% and 5.66% in 2020 and registered an annual average of 2.66%. During January to April 2021, volatility in the NT dollar exchange rate against the US dollar registered between 1.17% and 3.42% (Chart 1.11). Compared to major currencies such as the Japanese yen, the euro, the Singapore dollar, and the Korean won, the NT dollar exchange rate has stayed relatively stable against the US dollar.

Chart 1.11 Movements of NT dollar exchange rate against US dollar



Note: Volatility refers to the annualized standard deviation of 20-day daily returns.
Source: CBC.

Chart 1.12 NPLs of domestic banks



Note: Excludes interbank loans.
Source: CBC.

Financial institutions

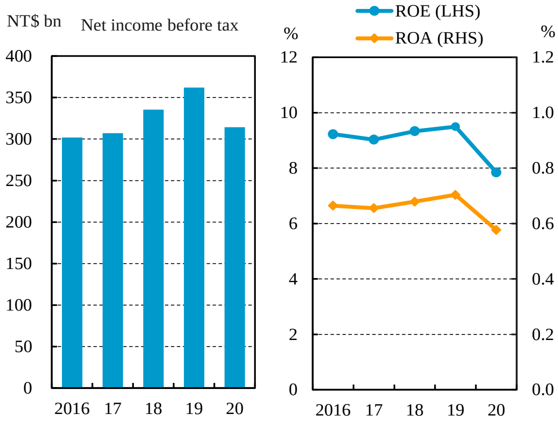
The profitability of domestic banks decreased, while capital levels increased with satisfactory asset quality

Customer loans of domestic banks kept rising in 2020, while the credit concentration in corporate and real estate loans went up marginally. The NPL ratio recorded 0.22% at the end of the year (Chart 1.12), reflecting satisfactory credit quality, and provisions for loan losses remained sufficient. Nevertheless, the impact of the COVID-19 pandemic on banks' credit quality warrants close attention. Meanwhile, the aggregate amount of exposure to Mainland China contracted in 2020, and the ratio of the exposures to banks' net worth dropped to 39% at the end of the year, hitting the lowest level in recent years. Nevertheless, the potential risks in

Mainland China still need to be closely monitored. Moreover, banks are facing risks of the London Interbank Offered Rate (LIBOR) cessation, which should be carefully evaluated and responded to appropriately.

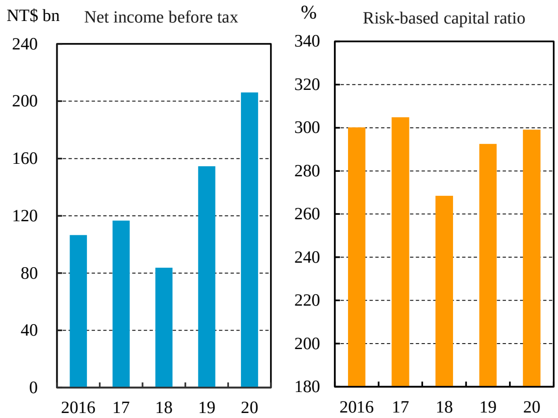
The net income before tax of domestic banks decreased by 13.19% to NT$314.3 billion in 2020, the sharpest fall in 10 years (Chart 1.13, left panel). The average return on equity (ROE) and return on assets (ROA) also went down to 7.84% and 0.58%, respectively (Chart 1.13, right panel), showing weakening profitability. However, the average capital adequacy ratio of domestic banks ascended dramatically to 14.84% at the end of 2020, with satisfactory capital quality.

Chart 1.13 Profitability of domestic banks



Notes: 1. ROE = net income before tax/average equity.
2. ROA = net income before tax/average total assets.
Source: CBC.

Chart 1.14 Net income before tax and risk-based capital ratio of life insurance companies



Note: Figures for risk-based capital ratios exclude insurance companies taken into receivership by the FSC.
Source: FSC.

Life insurance companies posted elevated profitability and capital levels, but face higher market risk

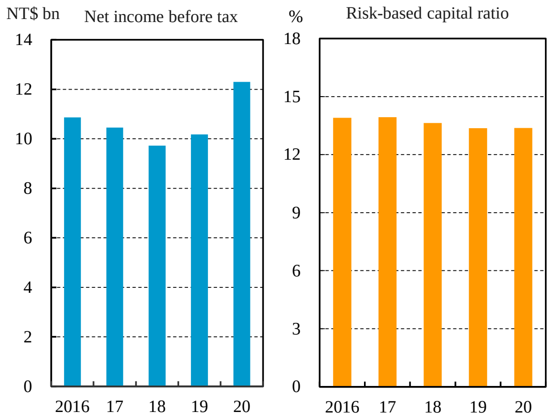
Life insurance companies reported a record-high net income before tax of NT$206.1 billion in 2020, a substantial year-on-year increase of 33.26% (Chart 1.14, left panel). This was mainly contributed to by an increase in investment revenue as life insurance companies actively realized capital gains of stock and bond investments. Additionally, at the end of the year, the average risk-based capital (RBC) ratio and the average equity to asset ratio[8] of life insurance companies significantly rebounded to 299.13% (Chart 1.14, right panel) and 8.57%, respectively.

Foreign portfolio positions of life insurance companies grew to NT$18.66 trillion at the end of 2020. However, from the beginning of 2021 onwards, the stock indices rebounded strongly in some financial markets, which seemed to have decoupled from the real economy and, in turn,

[8] Assets are exclusive of separated account products assets.

increased the risk of bubbles in some assets. Meanwhile, US government bond yields rose significantly, which was unfavorable to the valuation of bond positions. As a result, life insurance companies still faced higher equity risk and interest rate risk.

Chart 1.15 Net income before tax and capital adequacy ratio of bills finance companies



Source: CBC.

Liquidity risk of bills finance companies remained high, but their profitability improved markedly

CP guaranteed by bills finance companies expanded in 2020, mainly because corporates increased CP issuance to raise funds on the back of a new low level of interest rates in the money market. The credit quality of bills finance companies remained sound as the guaranteed advances ratio declined consecutively to 0.01% at the end of the year; however, the impact of the evolution of the pandemic on their credit quality warrants close attention. Meanwhile, maturity mismatches between long-term assets and short-term liabilities persisted, reflecting a still high liquidity risk in bills finance companies.

Bills finance companies posted a net income before tax of NT$12.3 billion in 2020, increasing remarkably by 20.79% year on year (Chart 1.15, left panel) mainly owing to a decrease in interest expenses of bill and bond repo transactions deriving from lower interest rates. The average capital adequacy ratio of bills finance companies rose slightly to 13.38% at the end of 2020 (Chart 1.15, right panel), and the capital adequacy ratio for each company remained well above the statutory minimum of 8%.

Financial infrastructure

Domestic payment and settlement systems functioned well, and the penetration rate of mobile payments rose

The CBC Interbank Funds Transfer System (CIFS) functioned smoothly in 2020, settling funds worth a total of 25.5 times the GDP for the year. Affected by the pandemic, the overall consumption expenditure via various electronic payment tools[9] deceased slightly by 0.37% year on year. However, the amount of mobile payment transactions has grown rapidly, and its penetration rate[10] reached 67.5% in September 2020. With an aim to increase the penetration of mobile payments, the Bank urged the Financial Information Service Co., Ltd. (FISC) to set up an inter-institutional electronic payment institutions platform, which allowed inter-institutional interconnection between banks and non-bank payment institutions, and thus promoted the efficiency of the overall payment market.

The Bank initiated programs on CBDC research and experimentation in response to the advent of the digital payment era

In response to the global trends of digital payment innovations by central banks, the Bank completed the first phase program with a technical report on the feasibility of a wholesale CBDC in June 2020 and moved on to the second phase program on a general purpose CBDC in September of the same year.

Other measures to strengthen the financial system

To ensure the competitiveness of the domestic financial system and comply with international standards, the FSC revised the regulations governing risk weights of real estate exposures on domestic banks by adopting a Loan-to-Value (LTV) approach at the end of 2020. The FSC also launched "Corporate Governance 3.0" and "Green Finance Action Plan 2.0" in 2020 in order to promote the sustainable development of corporates and financial institutions. Moreover, the FSC encouraged banks to promote open banking services to speed up the process of financial data sharing as well as launching the "New Wealth Management Scheme" to increase the competitiveness of the domestic wealth management industry.

Moreover, to cope with the trends of financial digitalization and FX business development, as well as to promote the diversification of domestic financial bond markets and financial products, the Bank amended the *Regulations Governing Foreign Exchange Business of Banking Enterprises* in January 2021 to relax some restrictions for banks engaging in FX business.

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[9] Electronic retail payment tools include credit cards, debit cards, electronic tickets, electronic payment accounts, and ACH interbank collection.

[10] The National Development Council has set the mobile payment penetration rate as the ratio of the number of users who have used mobile payments to the number of active mobile phone users within a specific period.

Measures to promote financial stability and address the COVID-19 pandemic

Measures undertaken by the Bank and the FSC to promote financial stability

Measures undertaken by the Bank to promote financial stability

To alleviate the impact of the pandemic on the domestic economy and employment, the Bank cut the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations each by 25 basis points (bps) in March 2020. Besides this, the Bank initiated a special accommodation facility for SMEs from April 2020 onwards, and successively conducted rolling reviews on the contents of the facility as needed in order to facilitate banks' financial intermediary function and funding access for SMEs. Furthermore, to maintain sufficient liquidity of the financial market, the Bank conducted open market operations, and flexibly adjusted the issuance frequency and total amount of negotiable certificates of deposit (NCDs) from April onwards. The Bank also regularly conducted small-scale testing of repo operations with counterparties.

In addition, with the aim of precluding an excessive flow of bank credit into the real estate market, the Bank adjusted targeted macroprudential measures twice in December 2020 and March 2021, respectively. The Bank also continually adopted flexible FX rate policies and undertook appropriate FX management measures, such as reinforcing off-site monitoring efforts on forward transactions and urging authorized FX banks to enhance their exchange rate risk management, to safeguard the dynamic stability of the NT dollar exchange rate and aptly maintain FX market order.

Measures undertaken by the FSC to maintain financial stability

From 2020 onwards, to assist the stable development of Taiwan's financial industry, the FSC continued putting forward several measures focusing on capital markets, green finance, corporate governance, and trust services. In addition, to mitigate the impact of the COVID-19 pandemic on domestic stock markets, the FSC launched several flexible measures in March 2020, such as putting restrictions on the short selling of securities, for the purpose of maintaining orderly stock markets. The measures were then repealed in June 2020 and reverted to regular regulations when the stock markets gradually stabilized.

Moreover, the FSC required domestic banks and insurers to conduct supervisory stress tests, for the purpose of evaluating the risk bearing capacities of financial institutions amid the pandemic shock. The FSC also adopted several measures, including targeted examinations, to enhance risk control of real estate lending for financial institutions. Additionally, the FSC promoted the New Generation Insurance Solvency Regime, as well as adding provisions setting out the net worth ratio as dual supervisory indicators, so as to reinforce the risk bearing capacity of insurance companies.

Effectiveness of Taiwan's measures to address the COVID-19 pandemic

In response to the impact of the COVID-19 pandemic on the domestic economy and society, Taiwan's government launched economic relief measures sequentially with a total of NT$1.26 trillion, equivalent to 6.1% of GDP. The Bank also launched the special accommodation facility to support SMEs to access the working capital needed to weather the pandemic. Thanks to the effectiveness of those economic relief measures, Taiwan sustained economic growth at 3.11% in 2020, better than major economies in Europe, North America, and Asia. The unemployment rate gradually declined from its peak, and the number of employees who agreed on negotiated reductions of working hours with their employers also decreased significantly. Meanwhile, the corporate sector saw a sharp rise in the profitability of TWSE-listed and OTC-listed companies, driving the domestic stock market to record highs.

Moreover, despite the impact of the pandemic, financial institutions in Taiwan continued to make profits in 2020. Among them, life insurance companies and bills finance companies even registered dramatic growth in profits. Meanwhile, the average NPL ratios of domestic financial institutions remained at a low level, reflecting satisfactory credit quality, and their capital levels remained adequate and well above the statutory minimum. All of the aforementioned performance shows that financial institutions still operated soundly amid the pandemic shock. Moreover, Taiwan's financial markets saw limited impact from the COVID-19 pandemic. Domestic systemically important financial infrastructures, which were not affected by the pandemic, still functioned well and steadily.

In response to the global pandemic resurgence and the evolution of the domestic pandemic in the middle of May 2021, the Legislative Yuan passed amendments to some articles of the *Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens* on May 31, 2021. The amendments extended the applicable period until June 30, 2022 and raised the special budget ceiling to NT$840 billion with an aim to reduce the impact of the pandemic on the domestic economy and society.

The Bank will continue to adopt measures to promote financial stability when necessary

Overall, in 2020, Taiwan's financial system remained stable amid the COVID-19 pandemic. In response to the impact of the pandemic on the domestic economy and the financial system, the Bank continually adopted appropriate monetary, credit, and foreign exchange policies. The FSC also continued to revamp financial regulations and enhance financial supervisory measures in the hope of facilitating sound operations of financial institutions and promoting financial stability.

However, considering that international economic and financial developments are still surrounded by many uncertainties and the domestic pandemic has not yet eased, the Bank will continue to pay close attention to the impacts of relevant subsequent developments on domestic economic and financial conditions so as to take appropriate response measures in a timely manner to promote financial stability.