

4.2 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 launched economic relief measures successively with a total of NT\$1.26 trillion in 2020,⁷⁹ equivalent to 6.1% of GDP. The government rolled out measures to provide relief funds or subsidies to the most affected firms and employees, to facilitate pandemic containment, to deploy financial relief and economic stimulus, to offer wage support and working capital subsidies, to promote vaccine research, development, and procurement, and to continuously assist vulnerable industries. Among these measures, the Special Accommodation Facility launched by the Bank in April 2020 to support financially-distressed SMEs had approved 204,051 applications with the amount totaling NT\$270.5 billion as of April 8, 2021 (Table 4.3), representing an effective effort to help vulnerable SMEs access the needed working capital to weather the pandemic.

Table 4.3 The effectiveness of the Bank's special accommodation facility to support SMEs (as of April 8, 2021)

		Program A	Program B	Program C	Total
Applications	No. of cases	48,091	34,216	127,859	210,166
	Amount (NT\$ bn)	88.2	136.8	60.8	285.8
Cases approved	No. of cases	46,402	32,871	124,778	204,051
	Amount (NT\$ bn)	83.7	128.0	58.8	270.5

Notes: 1. Program A aims at assisting SMEs to obtain financing up to NT\$4 million per borrower. The program is offered at an interest rate of up to 1% per annum with 90% of credit guaranteed by Taiwan SMEG. This scheme is available from April 1, 2020 to June 30, 2021.

2. Program B aims at assisting SMEs to obtain financing up to NT\$16 million per borrower. The program is offered at an interest rate of up to 1.5% per annum with collateral required by banks (or 80% of credit guaranteed by Taiwan SMEG). This program is available from April 1, 2020 to June 30, 2021.

3. Program C aims at assisting small-scale business entities to obtain financing up to NT\$0.5 million per borrower. The program is offered at an interest rate of up to 1% per annum with 100% of credit guaranteed by Taiwan SMEG. This program is available from May 4, 2020 to June 30, 2021.

Source: CBC.

Thanks to the effectiveness of those economic relief measures, Taiwan sustained economic growth at 3.11% in 2020, not only higher than the 2.96% in the year before the outbreak of the

⁷⁹ It included the special budget at NT\$420 billion, the funds and disbursement through reprioritization at NT\$140 billion, and relief funds provided by financial institutions at NT\$700 billion.

pandemic, but also much better than major economies in Europe, North America, and Asia. The unemployment rate gradually declined from a peak of 4.07% in May 2020 to 3.68% at the end of the year, and the number of employees who agreed on negotiated reductions of working hours with their employers also decreased significantly from a peak of 31,816 at the end of June to 3,729 in April 2021. Meanwhile, benefiting from strong demand for telework-related products as well as for electronic parts and components amid the pandemic, the corporate sector saw a sharp rise in the profitability of TWSE-listed and OTC-listed companies in 2020, 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 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.

However, new waves of the global pandemic and a surge in domestic COVID-19 cases in the middle of May 2021 could affect the economic growth momentum in Taiwan. In response, 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 the aim of reducing the impact of the pandemic on the domestic economy and society.

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

In 2020, Taiwan's financial markets and financial infrastructure were functioning well and developing steadily despite a severe global recession triggered by the COVID-19 pandemic shock. Moreover, profitability of financial institutions remained satisfactory with sound asset quality and higher capital levels. Overall, Taiwan's financial system remained stable. The Bank continued to adopt appropriate monetary, credit and foreign exchange policies in response to the impact of the pandemic on the domestic economy and the financial system. Meanwhile, the FSC revamped financial regulations and enhanced financial supervisory measures to facilitate sound operations of financial institutions and promote financial stability.