

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.

Since the beginning of 2021, global economic growth had picked up thanks to wider vaccine coverage across countries, massively scaled-up fiscal support launched by the United States, rising inflation expectations fueled by increasing commodity prices, and abundant liquidity in global financial markets and would likely to resume positive growth. However, four major risks could still hinder this outlook, including lingering uncertainties around coverage and efficacy of vaccines, a possible deterioration of current economic and financial situations caused by the pandemic, sudden tightening of the financial situation driven by increased risk aversion in markets, and heightened uncertainty about global economic and trade policies. Should the above-mentioned risks intensify or materialize, the global economic recovery could be dampened.

In sum, the 2021 global economic growth is expected to return to positive territory on the back of such favorable developments as expanded vaccinations. However, considering that international economic and financial developments are still surrounded by many uncertainties and the domestic pandemic has not yet subsided, 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.