

a negative shock from the epidemic.

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

Despite the fact that the pandemic continued to develop, though its impact on global economic activity began to gradually fade, Taiwan's financial markets and financial infrastructure functioned well and developed steadily in 2021. Profitability of financial institutions also remained satisfactory with sound asset quality and adequate capital levels. Overall, Taiwan's financial system remained stable. The Bank continued to adopt appropriate monetary, credit and foreign exchange policies in response to changes in the global and domestic economic and financial conditions to promote financial stability. Meanwhile, the FSC revamped financial regulations and enhanced financial supervisory measures to facilitate sound operations of financial institutions and maintain financial stability.

Entering the year 2022, global economic recovery continued. However, the resurgence of the Omicron variant, persistent supply chain bottlenecks and the recent Russian invasion of Ukraine which propelled major economies to impose economic and financial sanctions on Russia have constrained raw commodity supplies, resulting in price hikes and adding to global inflationary pressures. Moreover, with the United States and other major countries gradually withdrawing from their accommodative monetary policies, global economic growth is expected to be more moderate. Looking ahead, geopolitical tensions, soaring international raw material prices and recurring pandemic outbreaks caused by new coronavirus variants could lead elevated global inflation to become entrenched. Moreover, the accelerated pace of monetary tightening in major economies could increase volatility in financial markets and create more downside risks to the global economy.

Considering that the international economic outlook is still surrounded by many uncertainties, 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.