

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

In 2022, despite major central banks' simultaneous tightening of monetary policies to combat high inflation and the resultant global economic slowdown, Taiwan's financial markets continued to function well. Among financial institutions, the operations of the banking sector and bills finance companies remained steady. While the insurance industry faced somewhat bigger headwinds, capital increases and other countermeasures were taken to address the adverse impacts. Additionally, domestic systemically important payment systems operated smoothly. As a whole, Taiwan's financial system remained largely 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 relevant financial regulations and enhanced financial supervisory measures to facilitate sound operations of financial institutions and maintain financial stability.

Since entering the year 2023, the global economic and trade growth momentum has decelerated amid the spillover effects of major central banks' monetary tightening, while inflation has somewhat cooled but remained elevated. Moreover, the recent bank failures in the United States and Europe have resulted in severe market turbulence, which has compounded the uncertainties over global economic prospects. Looking ahead, the reopening of the Chinese economy and the ongoing Russia-Ukraine conflict may exert upward pressure on commodity prices, hindering the progress of disinflation in major economies. Furthermore, the escalating US-China technology dispute poses a potential risk to the recovery of the Chinese economy. Moreover, factors such as the US and European monetary tightening and their spillover effects, growing uncertainty in commodity supplies resulting from climate change, and escalating geopolitical risks could cause global inflationary pressures to linger, intensify financial market volatility, and heighten 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 these developments on domestic economic and financial conditions and take appropriate response measures in a timely manner so as to promote financial stability.