

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

In 2023, central banks in the United States and European countries continued with monetary tightening. The cumulative effect of interest rate hikes along with an escalating geopolitical risk owing to the Israel-Hamas conflict have weakened global economic growth momentum. Against this backdrop, Taiwan's financial institutions still maintained robust operations, and the financial infrastructure operated smoothly. As a whole, Taiwan's financial system remained stable. The Bank continued to adopt appropriate monetary, credit and FX 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 preserve financial stability.

Since early 2024, global inflation has moderated, with market expectations for interest rate cuts increasing. In addition, post-pandemic inventory adjustments by the manufacturing sector also gradually concluded. Against this backdrop, the global economy is expected to rebound. However, ongoing geopolitical conflicts such as the Red Sea crisis pose a potential risk to global supply chains, compounding the uncertainties over global economic prospects. Looking ahead, the trajectory of monetary policy stances by major central banks may affect global economic growth and financial stability. Geopolitical risks and climate change would add to the uncertainties over global inflation as well as trade and economic development. Moreover, the high interest rate environment and the spillover effect of economic downturn in China still exist. These, coupled with supply chain restructuring and fragmentation of the global economy stemming from the ongoing US-China competition and the rise of national security awareness influencing the context of globalization, could pose adverse impacts on global economic development and financial stability.

As the international economic outlook remains surrounded by many downside risks, the Bank will continue to pay close attention to the impacts of the subsequent developments on domestic economic and financial conditions and take appropriate response measures in a timely manner with a view to promoting financial stability.