

## 4. Foreign Exchange Market

### The NT Dollar Exchange Rate

In 2024, on a daily average basis, the NT dollar appreciated against the Japanese yen and the Korean won but depreciated against the euro, the US dollar and the renminbi (RMB). The trade-weighted nominal effective exchange rate index of the NT dollar decreased by 1.13% on a daily average basis. The exchange rate movements of the NT dollar vis-à-vis each of the above foreign currencies are as follows.

During the course of the year, the NT dollar depreciated broadly against the US dollar. In the first half of the year, the US dollar strengthened as signs of US labor market resilience and higher-than-anticipated CPI inflation repeatedly delay market expectations of a Fed rate cut. Combined with a capital outflow in July as foreign investors cut their equities holdings in Taiwan, the NT dollar generally weakened against the US dollar in the first seven months of the year. Later, the US dollar softened as the August-release of FOMC meeting minutes showed that the upside risk to inflation had diminished while downside risks to the labor market had increased, and the Federal Reserve cut its policy rate by 0.50 percentage points in mid-September; consequently, the NT dollar appreciated against the US dollar. By November, though, the NT dollar weakened again as foreign investors became net sellers in the Taiwan stock market and resulted in a portfolio outflow amidst market concerns about the potential adverse impact of Trump's trade policies after he was re-elected as US President. The local currency weakness continued as the US dollar rebounded on Fed Chair Powell's remarks signaling slower rate cuts despite the expected mid-December cut by 0.25 percentage points. At the end of 2024, the NT dollar depreciated by 6.2% against the US dollar compared with the end of the previous year. On a daily average basis, the NT dollar depreciated against the US dollar by 3.0% in 2024.

In 2024, the NT dollar first depreciated against the euro and then appreciated, mainly tracking the monetary policy actions of the European Central Bank (ECB). In the first few months of the year, the ECB first kept its policy rate unchanged with headline inflation moderating but core inflation still higher than expected. Then, although core inflation in the euro area was consistent with previous expectations and most economic data were positive as of late May, which supported a 0.25 percentage point rate cut in early June, the ECB raised its inflation forecast on concerns about persisting inflationary pressures. Against this backdrop, the NT dollar broadly depreciated against the euro in the first half of the year. Later, despite ECB's mid-July rate hold and market expectations of a September rate cut that led to a weakening of the euro against the US dollar, the NT dollar depreciated against the euro owing to net

foreign capital outflows. Thereafter, as expected, the ECB delivered three 0.25 percentage point rate cuts in September, October and December, while its dovish tone in the December rate decision also prompted market expectations of further monetary easing, all of which helped drive the appreciation of the NT dollar against the euro. Overall, compared with the end of the previous year, the NT dollar depreciated against the euro by 0.4% at the end of 2024. On a daily average basis, the NT dollar depreciated against the euro by 3.1%.

In the first half of 2024, the NT dollar appreciated against the Japanese yen; however, it weakened in the third quarter before consolidating and rebounding thereafter. At the beginning of the year, the yen weakened on the continuous accommodative stance of the Bank of Japan (BoJ) as inflation moderated, leading to an appreciation of the NT dollar against the yen. In March, as the market had expected and reacted in advance to the BoJ's discontinuation of negative interest rate and yield curve control (YCC) policies, coupled with a considerable US-Japan interest rate spread, the yen weakened instead of strengthening against the US dollar and the NT dollar vis-à-vis the yen fluctuated within a range. In the following quarter, the NT dollar strengthened against the yen as the market viewed the BoJ's rate holds in April and June as dovish. However, the NT dollar then weakened against the yen in the third quarter, which mainly reflected market sentiment for yen strength amid more hawkish BoJ actions, including: In July, alongside market anticipation of a narrowing US-Japan interest rate spread owing to their monetary policy divergence, the BoJ delivered a rate hike on July 31; in September, Shigeru Ishiba, who was generally viewed as supporting the BoJ's monetary tightening, was elected as president of the ruling party and on the way to becoming the next prime minister. Afterwards, the yen depreciated again, as comments from the incoming Prime Minister Ishiba and BoJ Governor Kazuo Ueda both lowered the possibility of further interest rate hikes and, with the October 27 parliamentary election giving no party majority, the ensuing political uncertainty led to market expectation for slower BoJ hikes. This yen weakness then caused the NT dollar to appreciate against the yen. In late November, with Japan's higher-than-expected inflation boosting market expectation for a December BoJ rate hike, which strengthened the yen, the NT dollar thus depreciated against the yen. However, the BoJ later maintained, not raised, its policy rate, prompting the NT dollar to appreciate against the yen. Compared to the end of 2023, the NT dollar appreciated by 3.6% against the yen by the end of 2024. In terms of average exchange rates, the NT dollar appreciated by 4.5% against the yen compared to the previous year.

In 2024, the NT dollar fluctuated within a certain range against the RMB. The NT dollar started the year with a general downtrend vis-à-vis the RMB. This was mainly because China's deflation risk prompted the People's Bank of China (PBoC) to first lower the reserve requirement ratio for financial institutions by 0.50 percentage points on February 5 and then cut the 5-year loan prime

rate (LPR) by 0.25 percentage points on February 20 to stimulate the economy, which resulted in a depreciation of the NT dollar against the RMB. Subsequently, as China's sluggish property market dampened its economic performance, coupled with weak investment and consumer confidence and ongoing deflationary risks, the PBoC conducted multiple reverse repo operations to inject liquidity into the market, leading to a rebound in the NT dollar exchange rate against the RMB. In the third quarter, July's release of June export growth exceeded expectations, boosting the RMB and weakening the NT dollar against the RMB. The PBoC's rate cut in late July amid continued weak demand and persistent overcapacity caused the NT dollar to appreciate against the RMB. In September, though, the NTD-RMB softened again as market expectation of a shift toward the Fed's policy easing prompted an unwinding of RMB carry trades. In the last quarter of the year, the RMB softened and the NTD firmed up, mainly because October's signal of new fiscal stimulus measures, announced later in November, fell short of market expectations, and concerns over heightened US-China trade friction under Trump's administration further weighed on the RMB. The weakness of China's currency continued in December as the PBoC's hold on the LPR was met with the claim from its *China Financial Stability Report* to implement "moderately accommodative" monetary policy and a range of policy tools to maintain ample liquidity. Consequently, the NTD-RMB exchange rate rebounded. Compared to the end of 2023, the NT dollar depreciated by 3.5% against the RMB by the end of 2024. In terms of average exchange rates, the NT dollar depreciated by 1.4% against the RMB compared to the previous year.

In 2024, the NT dollar fluctuated within a certain range against the won in the first three quarters of 2024, before appreciating in the final quarter. The Bank of Korea (BoK) maintained its policy

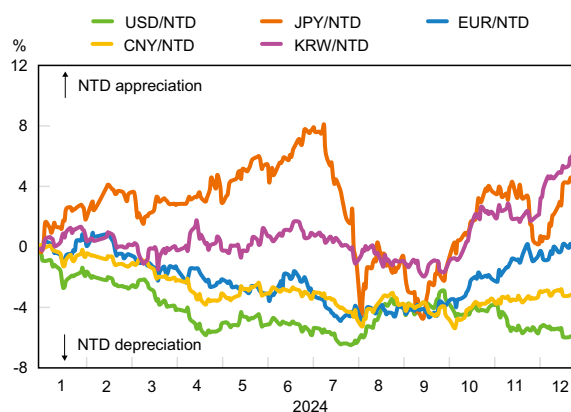
### Annual Changes of NTD Exchange Rate Against Major Currencies

	NTD/USD	NTD/EUR	NTD/JPY	NTD/CNY	NTD/KRW
Exchange Rate (2024/12/31)	32.781	34.132	0.2098	4.4913	0.0223
Exchange Rate (2023/12/29)	30.735	34.011	0.2173	4.3338	0.0237
Annual Change	-6.2%	-0.4%	3.6%	-3.5%	6.5%
Average Exchange Rate (2024)	32.108	34.753	0.2121	4.4610	0.0236
Average Exchange Rate (2023)	31.150	33.682	0.2217	4.3973	0.0239
Annual Change	-3.0%	-3.1%	4.5%	-1.4%	1.3%

Source: Department of Economic Research, CBC.

rate to wait for further assessment on the progress in disinflation and the still-elevated uncertainties surrounding the monetary policies of major economies and geopolitical factors. Consequently, the NT dollar moved within a narrow range against the won during this period. In the second half of the year, the BoK's rate hold in August caused a range-bound downtrend in the NTD-won exchange rate, followed by won depreciation as the BoK implemented two consecutive rate cuts in October and November alongside a slowdown in export growth. Then, Korea's December 3 martial law incident and the following presidential impeachment added to political uncertainty and further weakened the won, leading to NT dollar appreciation against the won. At the end of 2024, the NT dollar appreciated by 6.5% against the Korean won compared to the end of 2023. On a daily average basis, the NT dollar appreciated by 1.3% against the won in 2024.

**Percentage Changes of NT Dollar  
Against Major Currencies  
( Compared with End-2023 )**



Source: Department of Economic Research, CBC.

## Foreign Exchange Trading

Trading in the Taipei foreign exchange market increased in 2024. Total net trading volume for the year was US\$10,923.6 billion, representing a 16.9% year-on-year increase. The daily average turnover was US\$44.59 billion in 2024.

In terms of trading partners, transactions between banks and nonbank customers accounted for 30.5% of the total turnover, while interbank transactions made up 69.5%, including 19.9% for transactions among local banks and 49.6% for those between local banks and overseas banks.

As far as traded currencies were concerned, NT dollar trading against foreign currencies accounted for 43.6% of the total trading volume, of which trading against the US dollar made up a dominant 42.1%. Transactions in third currencies contributed to 56.4% of the total trading volume, with trading in currency pairs of USD-RMB, USD-yen, and USD-euro accounting for respective shares of 18.8%, 9.7%, and 6.7%. Compared with 2023, the volume of NT dollar trading against foreign currencies increased by 13.1% while that of transactions in third currencies increased by 20.1%.

With respect to types of transactions, the major types were foreign exchange swaps and spots, accounting for 51.8% and 38.0% of total turnover, respectively. Compared with 2023, the trading volume in all categories increased, including foreign exchange swaps, spot transactions, forward transactions, options, cross currency swaps, and margin trading.

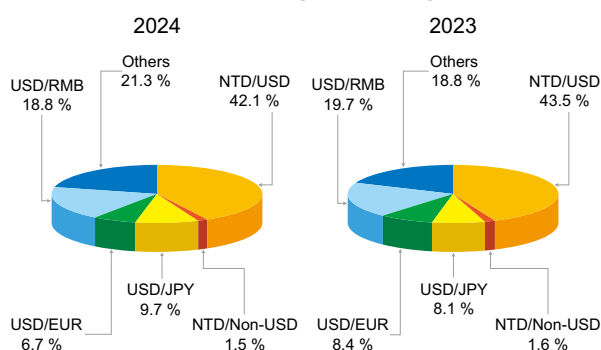
### Turnover of Major Products in the Taipei Foreign Exchange Market

Unit: US\$billion

Year	Spots	Forwards	Forex Swaps	Margin Trading	Options	Cross Currency Swaps	Total
2020	3,408.8	503.7	4,110.9	7.3	206.0	34.5	8,271.0
2021	3,584.5	507.6	3,839.4	4.7	222.7	29.1	8,188.1
2022	3,658.9	522.1	4,174.0	6.6	206.0	14.9	8,582.6
2023	3,608.3	681.0	4,773.8	4.2	258.3	15.6	9,341.0
2024	4,145.6	761.7	5,657.3	4.6	333.6	20.9	10,923.6
2023-2024 Annual Growth Rate (%)	14.9	11.9	18.5	11.1	29.2	34.1	16.9

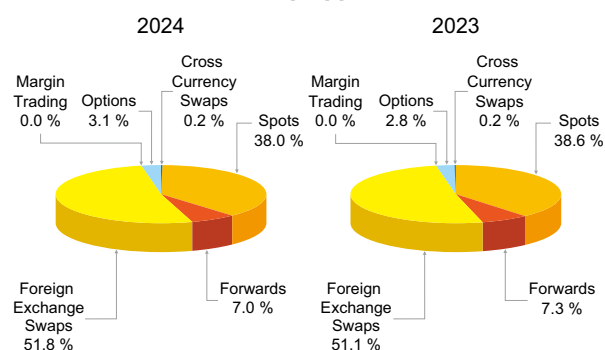
Source: Department of Foreign Exchange, CBC.

#### Composition of Foreign Exchange Transactions by Currency Pair



Source: Department of Foreign Exchange, CBC.

#### Composition of Foreign Exchange Transactions by Type of Product



Source: Department of Foreign Exchange, CBC.

For other foreign currency derivatives, including forwards, swaps, and options based on foreign currency interest rates, stock price indices, commodity prices, and credit derivatives, their combined

### Turnover of Other Products in the Taipei Foreign Exchange Market

Unit: US\$billion

Year	Interest Rate-Related Products				Commodity-Related Products	Stock Index Options	Credit Derivatives	Total
	Interest Rate Swaps	Interest Rate Options	Foreign Currency Interest Rate Futures	Subtotal	Commodity Options			
2020	52.1	9.6	34.9	96.6	3.1	0.1	0.4	100.2
2021	79.0	10.7	104.3	194.0	4.1	0.4	0.6	199.2
2022	90.4	14.7	202.6	307.6	2.9	0.3	0.8	311.7
2023	79.8	8.6	168.3	256.6	1.8	1.9	0.5	260.8
2024	92.7	6.4	188.6	287.7	2.6	2.4	0.8	293.5
2023-2024 Annual Growth Rate (%)	16.2	-25.5	12.1	12.1	44.4	27.2	66.3	12.5

Note: "Forward Rate Agreements" is excluded from the table because the turnover has been 0 since 2017.

Source: Department of Foreign Exchange, CBC.

turnover was US\$293.5 billion. Of this amount, interest rate-related derivatives accounted for the lion's share at 98.0% with US\$287.7 billion, rising by 12.1% from the previous year owing mainly to the increase in interest rate futures turnover.

## Renminbi Business

Renminbi investment tools became even more diversified during 2024. By the end of 2024, there were 65 domestic banking units (DBUs) and 56 offshore banking units (OBUs) engaging in renminbi business. The balance of renminbi deposits amounted to RMB119.1 billion; renminbi remittances totaled RMB2,871.7 billion in 2024; renminbi settlement through the Taipei Branch of the Bank of China totaled RMB5,998.5 billion.

### Renminbi Business Conducted by Financial Institutions

Unit: RMB Billions

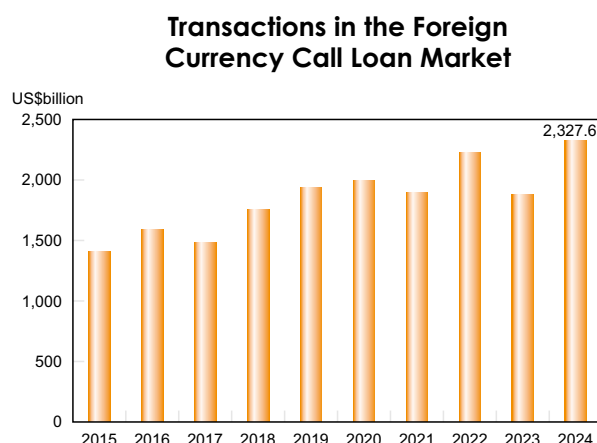
Business Items	Amount
Deposit balance (including NCDs, end of 2024)	119.1
Total remittances (February 2013 to December 2024)	22,336.9
Total settlement through the Taipei Branch of the Bank of China (February 2013 to December 2024)	55,202.5
Total value of 206 RMB-denominated bonds issued (as of the end of 2024)	135.9
Accumulated premium receipts from RMB-denominated investment-linked insurance business (February 2013 to December 2024)	21.9
Accumulated premium receipts from RMB-denominated traditional insurance business (April 2014 to December 2024)	10.1

Source: Department of Foreign Exchange, CBC.

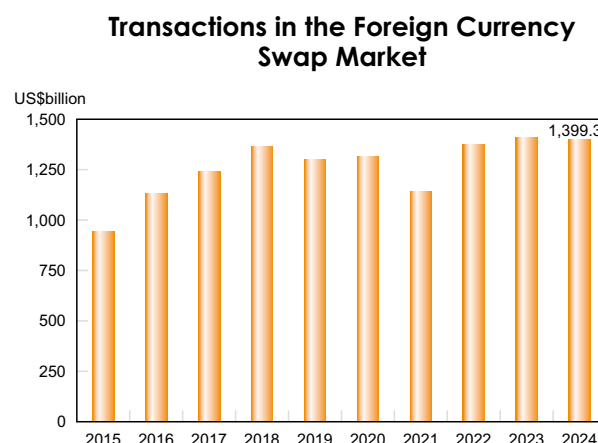
## Foreign Currency Call Loan & Swap Markets

The transaction volume in the foreign currency call loan market in 2024 was US\$2,327.6 billion, an increase of 23.9% over the previous year. Of the total, US dollar transactions accounted for a dominant share of 81.6% with US\$1,899.8 billion, increasing by 9.5% from 2023. Renminbi transactions decreased by 10% year on year to RMB626.7 billion in 2024, making up a share of 3.7% of the total. Japanese yen transactions reached ¥45,761.5 billion in 2024, representing a share of 12.8% of the total with a year-on-year increase of 2,803.0% in volume. The amount of euro transactions was around €15.4 billion, with a modest share of 0.7%. Other currencies accounted for a combined 1.2% of the total transaction volume. Meanwhile, the balance of foreign currency call loan transactions stood at US\$49.3 billion at the end of 2024.

The volume of foreign currency-NTD swap transactions reached US\$1,399.3 billion, 0.7% less than 2023, while the balance was US\$253.5 billion at the end of 2024.



Source: Department of Foreign Exchange, CBC.



Source: Department of Foreign Exchange, CBC.

## OBU Assets

There were 59 OBUs at the end of 2024, with 35 of them operated by domestic banks and the other 24 by foreign banks. The total assets of all OBUs decreased to US\$276.6 billion at the end of the year, down by US\$0.7 billion or 0.2% from the previous year end owing to a decrease in claims on financial institutions. Domestic banks' OBUs made up 90.1% of these combined assets with an amount of US\$249.3 billion, and the OBUs of foreign banks accounted for 9.9% of the total with US\$27.4 billion.

In terms of the uses of funds, portfolio investments represented the majority share of 47.1% of total OBU assets with an amount of US\$130.3 billion. Loans to nonfinancial institutions and claims on financial institutions came in second and third place, respectively, accounting for 26.7% and 22.8% of total OBU assets. In terms of the destinations for funds, Asia accounted for the majority with a share of 42.1%, followed by America at 34.3%.

The OBUs' main source of funds came from due to financial institutions, making up 48.8% of total liabilities and equity. Deposits of nonfinancial institutions accounted for 42.6% of the total. The main funding origin of OBUs was Asia, accounting for 64.8%, followed by America with a share of 25.3%.

Forex trading turnover of all OBUs increased by 23.1% to US\$1,462.6 billion, of which US\$524.2 billion went for spot transactions, US\$238.1 billion for forward transactions, and US\$700.3 billion for forex swap transactions. Compared with the previous year, the growth rates of trading of spots, forwards, and forex swaps were -14.1%, 29.3%, and 78.0%, respectively.

For OBUs, total turnover of other derivatives products increased by 52.5% to US\$661.7 billion over the previous year. Of this amount, interest rate swaps registered the highest turnover of US\$255.6 billion, making up 38.6% of the total.

### Balance Sheet of OBUs in the Banking System

Unit: US\$billion

Year / Month (End of month)	Loans to Non-financial Institutions	Portfolio Investment	Claims on Financial Institutions	Other Assets	Total Assets= Total Liabilities & Equity	Deposits of Non-financial Institutions	Due to Financial Institutions	Securities Issued	Other Liabilities & Equity
2020/12	79.0	86.0	61.9	12.5	239.5	91.1	124.9	0.0	23.5
2021/12	78.5	93.7	68.2	9.5	249.9	104.5	125.1	0.0	20.3
2022/12	76.0	108.2	75.7	6.2	266.1	117.7	128.0	0.0	20.5
2023/12	70.2	122.0	78.3	6.7	277.3	113.3	138.8	0.0	25.2
2024/12	73.7	130.3	63.1	9.5	276.6	117.9	134.9	0.0	23.8
2023/12-2024/12 Growth Rate (%)	5.0	6.8	-19.4	40.9	-0.2	4.1	-2.8	0.0	-5.8

Sources: *Financial Statistics Monthly*, CBC; Department of Foreign Exchange, CBC.