
Abstract

In 2024, global economic growth was moderate, accompanied by easing inflationary pressures. Taiwan similarly experienced steady economic growth and a gradual decline in inflation rates. Overall profitability of the corporate sector exceeded market expectations and household financial health remained sound, while housing market transactions showed signs of cooling. Under this macro environment, Taiwan's financial markets operated smoothly, and financial institutions maintained robust performance. Meanwhile, domestic systemically important payment systems functioned in an orderly manner. On the whole, Taiwan's financial system remained broadly stable. Nevertheless, in view of adverse factors such as the uncertainty surrounding US tariff policies and climate change, the Bank will continue to pay close attention to subsequent developments and take appropriate policy measures in a timely manner to promote financial stability.

International and domestic macro environments and the impacts of US tariff policies

As for international economic and financial conditions, major central banks gradually shifted toward a more accommodative monetary policy stance in 2024. Amid moderate global economic growth, easing inflationary pressures, and widespread expectations of lower interest rates, global financial conditions became more accommodative. However, since early 2025, heightened uncertainty surrounding US tariff policies has triggered significant turbulence in global financial markets, leading to tighter global financial conditions and posing potential downside risks to global economic growth and inflation.

Domestically, Taiwan's economy demonstrated steady growth in 2024, while inflation gradually moderated. Listed companies on both the Taiwan Stock Exchange (TWSE) and the over-the-counter (OTC) market reported increases in revenue and profitability. Moreover, corporate leverage ratios remained within acceptable levels, and the short-term debt servicing capacity improved. Household financial conditions remained sound, with credit quality staying satisfactory. Although housing market activity showed signs of cooling, mortgage burdens continued to weigh on homebuyers. Since early 2025, the spillover effects of US tariff policies

have likely constrained Taiwan's economic growth momentum, placed pressure on corporate operations and household debt-servicing capacity, and indirectly affected the performance of the housing market. Accordingly, close monitoring of these developments is warranted.

Financial markets, institutions, and infrastructures in Taiwan maintained smooth operations

In 2024, the outstanding amount of issuance and trading volume of bills and bonds both expanded steadily. Domestic stock indices repeatedly hit record highs amid active market trading, while the foreign exchange (FX) market remained dynamically stable. Domestic banks continued to post record-high profits, supported by sound asset quality and capital adequacy. Life insurance companies experienced a notable rebound in profits and an increase in average risk-based capital (RBC) ratios. Bills finance companies also reported improved profitability, with capital levels remaining adequate. Furthermore, domestic systemically important payment systems functioned smoothly.

From early 2025 onwards, uncertainty surrounding the Trump administration's policy direction triggered a sharp decline in domestic stock indices, followed by a gradual recovery. Although the NT dollar exchange rate exhibited increased short-term volatility, it remained relatively stable over the longer term. Meanwhile, the money and bond markets operated with limited fluctuations. The asset quality of financial institutions remained resilient, with no significant deterioration observed to date. However, if US tariff policies were to undermine the debt servicing capacity of the corporate and household sectors – the main borrowers of financial institutions – this could lead to increased credit default risks, which in turn would adversely affect the profitability and capital adequacy of financial institutions. Moreover, heightened volatility in both domestic and international financial markets could dampen the investment performance of financial institutions, particularly for life insurance companies, which maintain sizable investment exposures across both domestic and foreign markets and are more susceptible to market risks. The Bank will continue to closely monitor developments in US tariff policies and related negotiations with major economies, with the aim of identifying emerging risks and responding prudently.

Measures to promote financial stability and in response to the impact of US tariff policies

The Bank raised its policy rates by 0.125 percentage points (pps) in March 2024 and conducted open market operations for the purpose of adjusting liquidity in the banking system. To curb excessive allocation of banks' credit resources to the real estate market, the Bank adjusted its selective credit control measures twice in conjunction with raising the reserve requirement ratios on NT dollar deposits. Additionally, the Bank adopted a FX policy to safeguard the dynamic stability of the NT dollar exchange rate. In parallel, the Financial Supervisory Commission (FSC) continued to revise financial regulations and strengthen supervisory measures to support sound business operations of financial institutions and to promote financial stability.

In response to the impacts of US tariff policies, the Executive Yuan launched a NT\$93 billion investment plan in April 2025 to promote 20 support measures aimed at assisting domestic industries. At the same time, the Bank has implemented four exchange rate stabilization mechanisms to dynamically address fluctuations in the FX market, and established a comprehensive liquidity provision mechanism to ensure ample liquidity within the banking system. The FSC also launched measures aimed at promoting financial stability, while the relevant ministries actively introduced complementary support initiatives, including financing, subsidies, and tax incentives.

The Bank will take appropriate measures in a timely manner to promote financial stability

In 2024, Taiwan's financial markets operated in an orderly manner, financial institutions remained sound, and major payment systems functioned smoothly. Overall, Taiwan's financial system remained broadly stable. However, since early 2025, growing uncertainty surrounding US tariff policies, together with geopolitical tensions and climate change, has emerged as a key risk that may adversely affect global economic prospects and financial stability, posing potential risks to Taiwan's financial stability. The Bank will continue to closely monitor these developments and assess their impact on domestic economic and financial conditions. It remains committed to taking timely and appropriate measures to safeguard domestic financial stability.

