

## 2.3 General assessment of international and domestic macro environments

As for international economic and financial conditions, major central banks gradually adopted a more accommodative monetary policy stance in 2024. In the meantime, the global economy saw steady growth and inflationary pressures began to ease, along with market expectations of interest rate cuts. All of these contributed to more favorable financial conditions. However, in 2025, the heightened uncertainties stemming from US tariff policies have already triggered significant turbulence in global financial markets and led to a tightening of global financial conditions, potentially posing downside risks to global economic growth and inflation.

Regarding the domestic macro environment, Taiwan's economy grew steadily in 2024, and the price indices declined moderately, reflecting easing inflationary pressures. The corporate sector saw significant revenue growth and profitability that exceeded market expectations. Moreover, their leverage ratios remained at an acceptable level and the short-term debt servicing capacity improved. As for the household sector, borrowing continued to grow, and short-term debt burden trended mildly upwards. However, the financial health of households was sound, supported by their substantial net worth. In the housing market, although transactions declined after a significant increase and the upward trend in housing prices moderated, the financial burden on homebuyers continued growing. On a positive note, the NPL ratios of housing loans remained low, indicating that risk management was still effective.

From the beginning of 2025, US tariff policies have introduced considerable uncertainty to Taiwan's macroeconomic outlook. Should the policies be fully implemented, these could impact the supply chains and competitiveness of Taiwan's information and communication technology products and erode the traditional industries, thereby dampening export momentum and affecting economic performance. Furthermore, they may amplify the downside risks. Preliminary estimates by domestic and foreign institutions suggest that the tariff policies could reduce Taiwan's economic growth rate in 2025 by 0.4 to 1.61 pps. Nevertheless, Taiwan's globally competitive supply chains in emerging technologies such as AI, robust inventory buildup by firms, and potential positive order reallocation are expected to mitigate the impact from the tariff policies. In May 2025, S&P Global also revised Taiwan's economic growth forecast upward by 0.26 pps to 2.88%.

Additionally, the tariff policies may pose several challenges for Taiwan's corporate sector, including declining exports, reduced production and revenue, as well as intensified exchange rate volatility. These factors could, in turn, inhibit growth momentum in profits and impair debt servicing capacity in the future. As for households, a deteriorating labor market may erode

disposable income, and increased volatility in stock and bond markets could heighten the financial risks of households. Therefore, close attention should be paid to changes in the debt servicing capacity of some households with higher debt burdens. Regarding the real estate market, the ongoing moderation of housing prices, together with uncertainty about US economic and trade policies which may indirectly affect the domestic housing market through Taiwan's economy and financial markets, may have an impact on financial institutions' asset quality, thus warranting close attention.

In summary, Taiwan's macroeconomic conditions, along with its corporate and household sectors, remain sound at present. However, given the potential direct and indirect effects of the heightened uncertainty stemming from US tariff policies, it is essential to continue paying close attention to the future developments and related spillover effects.