



# Taiwan Academy of Banking and Finance (TABF) Taiwan Financial Risk Index (TAIFRI) Monthly Report

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## January TAIFRI Highlights

- TAIFRI index scored 98.7 points in January, up 1.0 from December; all four components rose**

TAIFRI			
98.7 (▲1.0)			
Asset Valuation Pressure	Non-financial Sector Stability	Financial Sector Stability	Spillover and Contagion
101.6 (▲1.5)	93.4 (▲0.1)	92.3 (▲0.1)	103.4 (▲1.7)

- Stock price volatility risk rises; real estate market risk rises slowly**

Inflation in Europe and the US reached new highs; investors expect the Fed to accelerate rate hikes and reduce its balance sheet. The stock market reflected expectations of capital tightening, showing large fluctuations in January. Taiwan VIX hit new peak since early 2021. Growth of commercial real estate prices moderated in Q4 2021 compared with the previous quarter; and residential transactions decreased slightly, but prices remained stable, thereby increasing overall real estate risks.

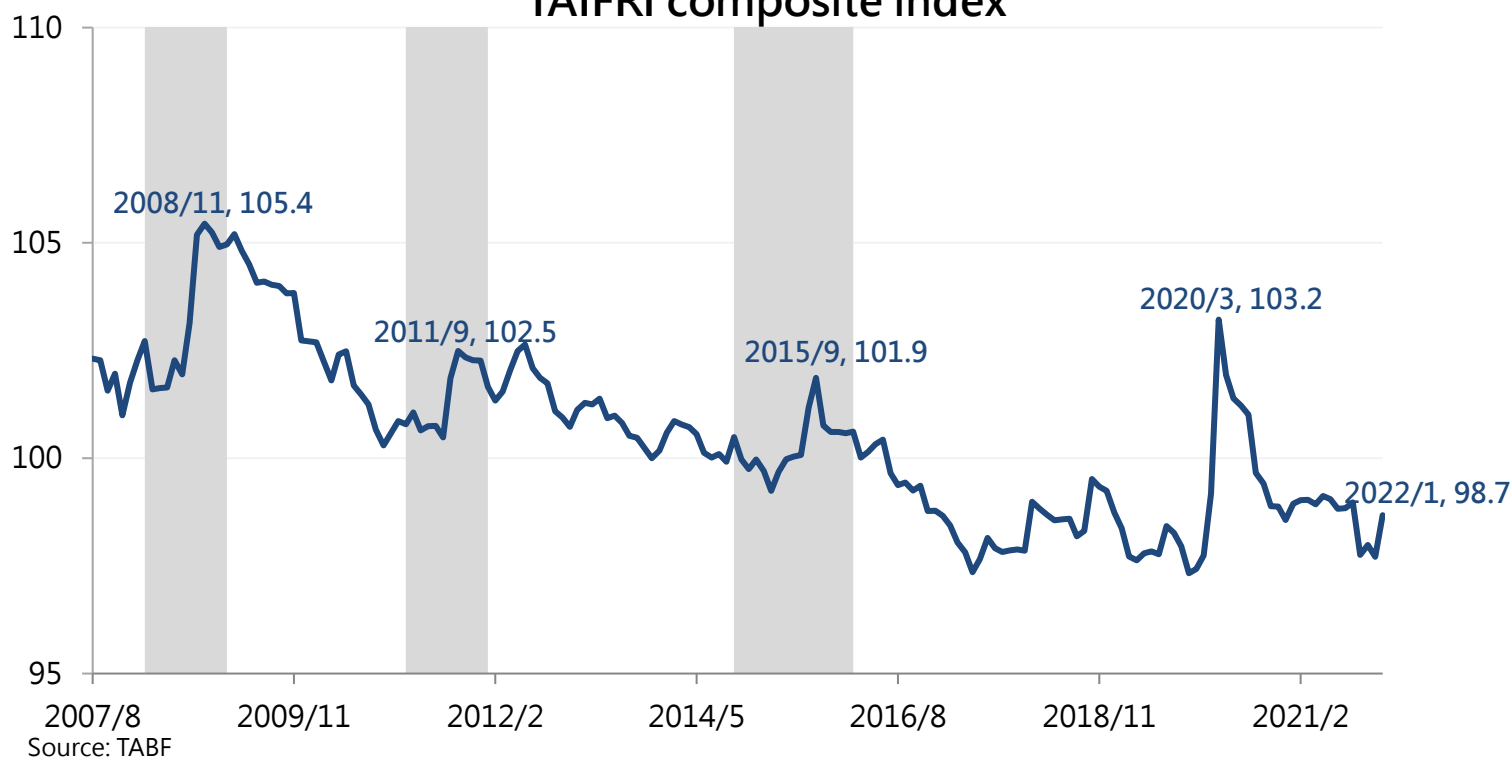
- Risks in overseas markets hit a yearlong high; contagion risks for domestic financial institutions rose slightly**

Due to increasing global uncertainties in the pandemic, border politics, inflation and the economic environment, overseas market risks reached a yearlong high. Domestic financial market contagion risk also grew slightly to a new high since Q4 2021.

- Abundant liquidity in the business sector; banks are in good condition**

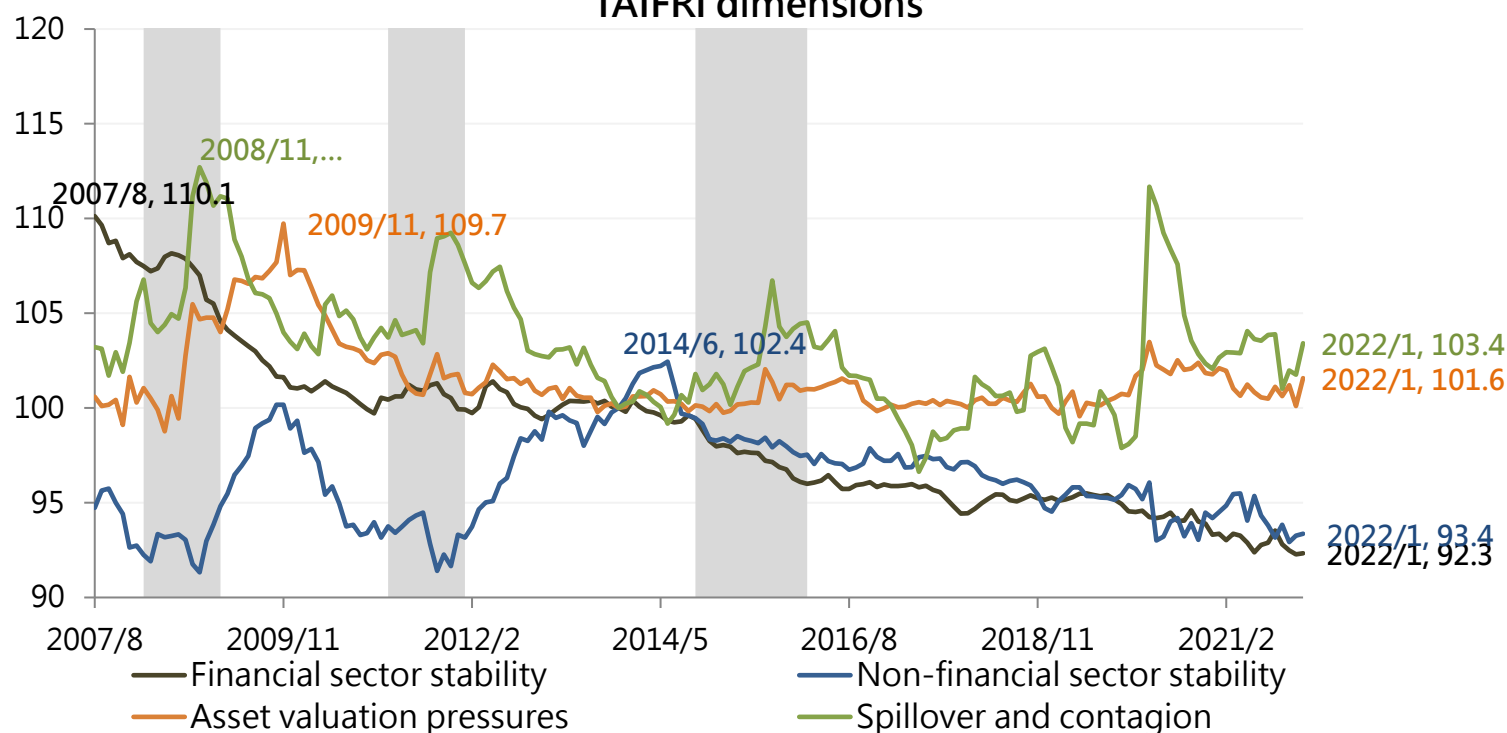
Spreads between BBB-rated bonds and public bonds are 0.6%, indicating low cost of business capital. Business loans grew at a 10-year high rate. NPL, bad debt coverage, and capital adequacy ratios remained at historical best ranges, but banks greatly increased bad debt provisions at the end of 2021, so the bad debt coverage ratio fell slightly at January 2022.

## TAIFRI composite index

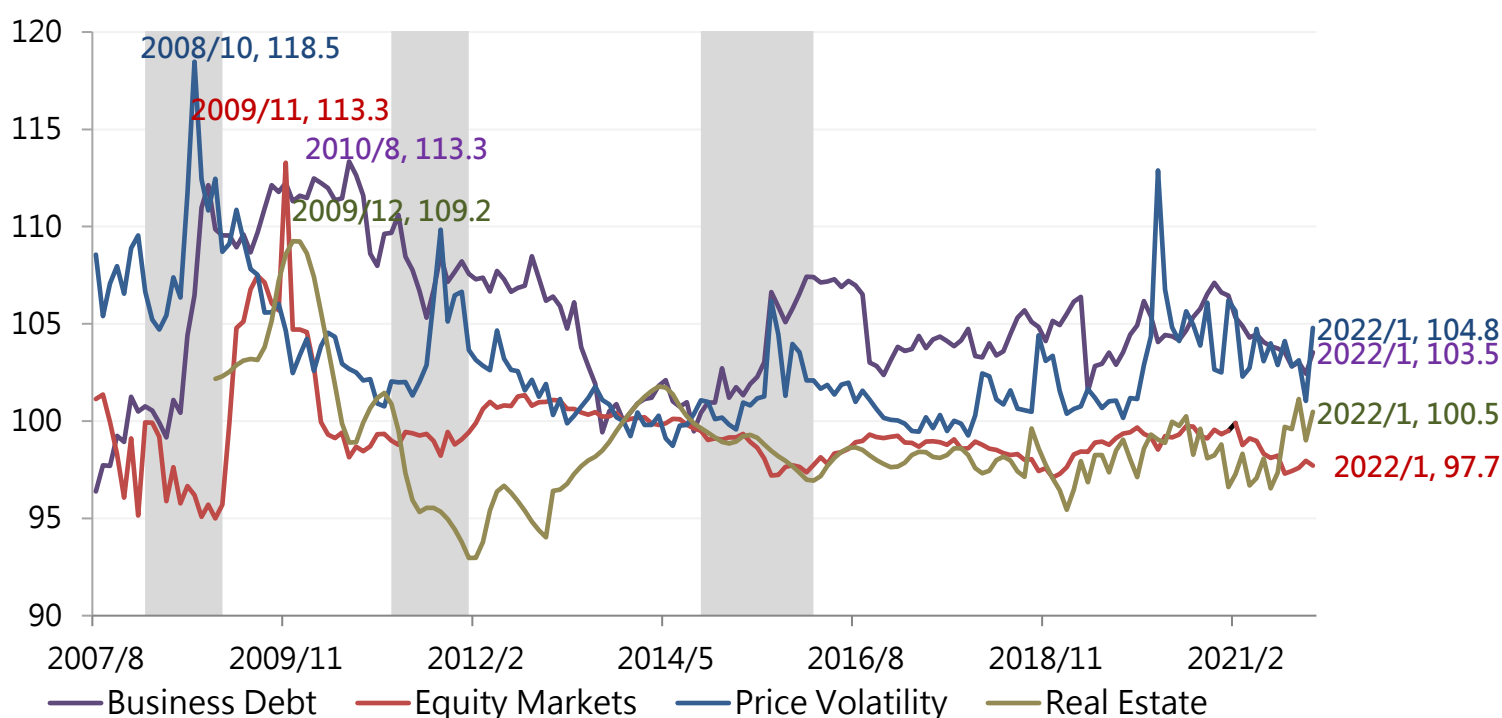


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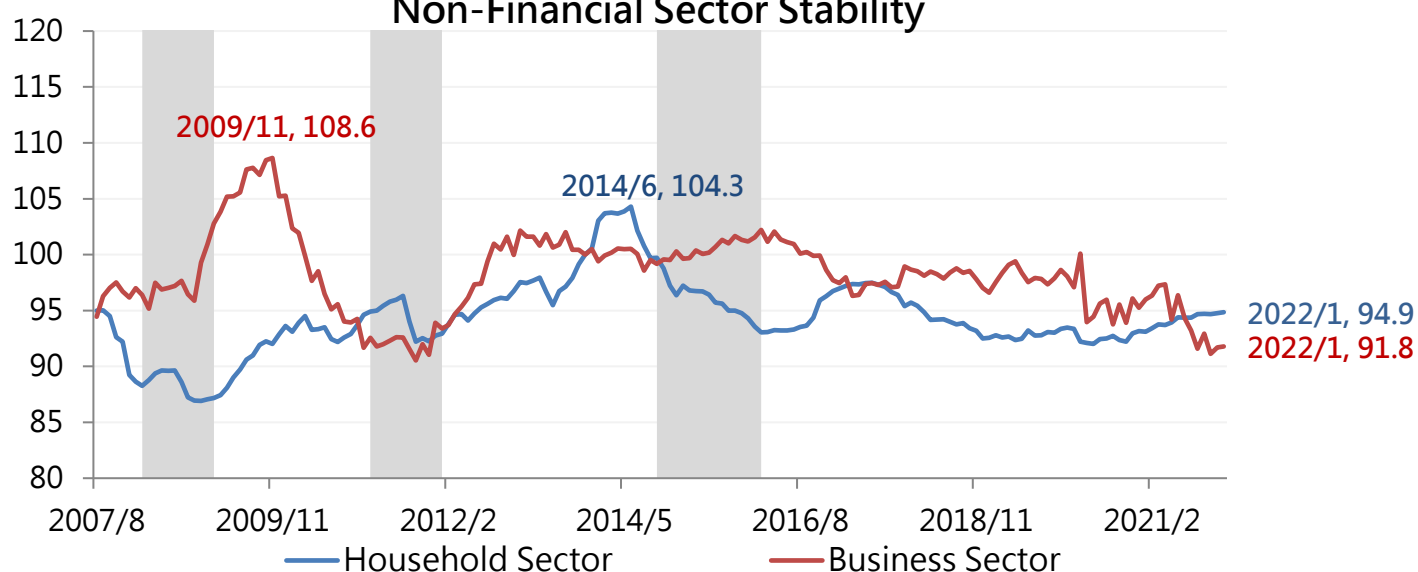
## TAIFRI dimensions



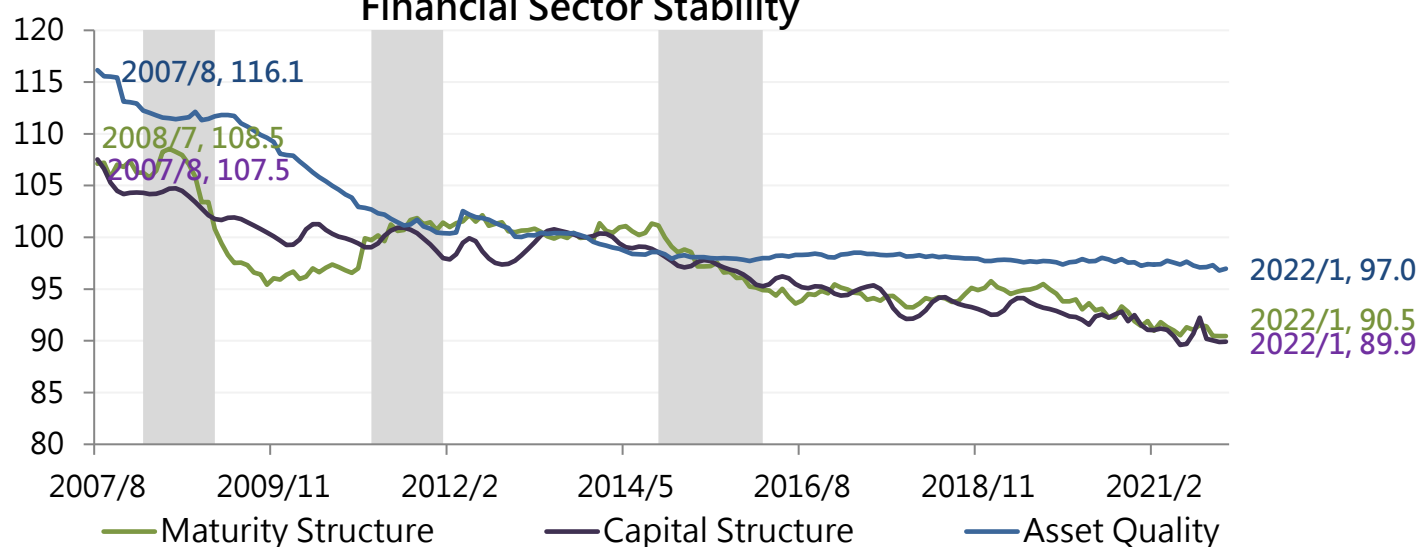
## Asset Valuation Pressures



## Non-Financial Sector Stability



## Financial Sector Stability



## Spillover and Contagion

