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Issue Brief

Sharp Appreciation in New Taiwan Dollar vs US Dollar: Reasons and Implications

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Summary

There is a general consensus that speculation about US pressure on the Taiwanese government to let the New Taiwan Dollar (NTD) appreciate and the government's willingness to succumb to the demand appeared to have triggered the NTD's appreciation vis-à-vis the US Dollar.

In early May 2025, some Asian currencies appreciated quickly *vis-à-vis* US Dollar (USD). While this has attracted relatively less attention amid the ongoing geopolitical storms across the world, it may turn out to be a forewarning about an impending major economic realignment. That this appreciation took place in the backdrop of US trade talks with the countries concerned makes it a notable development, as a weak US Dollar to reduce the US's trade deficit has been President Donald Trump's long-standing 'demand'. The currency that saw the sharpest appreciation was the New Taiwan Dollar (NTD), necessitating statements from the top levels of the government, including President Lai Ching-te, to ease people's anxieties.

NTD Appreciation and Government Response

On 2 May 2025, the NTD saw a sharp appreciation *vis-à-vis* the USD by 2.97 per cent, with one USD available for NTD 31.064. Its appreciation *vis-à-vis* the USD continued on 5 May, the next trading day after the weekend. On 5 May, the closing rate of the USD slipped down by another 2.83 per cent to NTD 30.145. Thus, in two days, the USD lost its value by 5.84 per cent *vis-à-vis* the NTD.¹ Volatility subsided after 5 May. As per the Central Bank data, the USD steadily rose for next few days reaching NTD 30.455 on 13 May after which it again gradually declined to NTD 30.172 on 16 May 2025. Thus, as of now, the USD price is stable between NTD 30.145 (the 5 May price) and NTD 30.455 (13 May price).

Separately, the absolute and percentage falls were even sharper during the intraday trades on those two days. At one point, the USD breached the 29 mark and traded at NTD 28.931.² The market assessment is that the USD to NTD value has declined by 6.07 per cent on a yearly basis.³ Considering the highly regulated and stable currency market in Taiwan that operates within a very narrow range, this 5.84 per cent rise was sudden and historic.⁴

The Central Bank acknowledged that media speculations about US pressure was a factor behind the sharp appreciation. The two sides had held their first in-person tariff talks in Washington on 1 May 2025.⁵ However, it also underlined “a strong

¹ [“NT\\$/US\\$ Closing Rate”](#), Central Bank of the Republic of China (Taiwan).

There are many percentage figures about the decline available in the media. Some examples include Paddy Stephens, [“Taiwan Dollar Jumps 6.5% in Two Days Over Trade Deal Fears”](#), *Financial Times*, 5 May 2025; Mark Tyson, [“10% Surge in Taiwanese Currency vs US Dollar Could Hurt PC and Components Pricing”](#), Tom's Hardware, 5 May 2025. The author has calculated the decline on the basis of closing rates provided by the Central Bank.

² [“USD/TWD - US Dollar Taiwan Dollar”](#), *Investing.com*.

³ [“US Dollar to Taiwan New Dollar Exchange Rate Chart”](#), Xe.

⁴ Media reports have shown various years in the distant past when such spikes occurred. In the Author's survey of the news reports, 1983, 1988 and 2002 have been reported. However, the reports were lacking in details and the previous occurrences were mentioned in passing.

⁵ [“Taiwan and US Conclude First Round of Tariff Talks”](#), *Executive Yuan*, 3 May 2025.

performance” by Taiwan’s stock market, “where the benchmark index closed up 552.61 points” or by 2.73 per cent on 2 May and foreign investors bought a record NT\$ 42.9 billion (US\$ 1.4 billion), increasing the supply of US dollars, as a possible reason.⁶

The Central Bank informed that post the US’ suspension of new tariffs and subsequent announcement of trade talks, gains were recorded in the global stock market, which “drew foreign capital into Taiwan stocks”⁷ as well. Likewise, “manufacturers increased US dollar supply in anticipation of further appreciation”.⁸ Furthermore, it noted the NTD’s performance was in line with its general stability against the US dollar, which has been greater than “many other major currencies”.⁹ Yet, it acknowledged that it had intervened in the markets to stabilise the volatility.¹⁰

Reportedly, Taiwanese life insurance companies led this appreciation. Taiwanese life insurers are estimated to “hold \$682 billion of foreign assets, mostly in US fixed income”,¹¹ of which only around 60 to 70 per cent is estimated to be hedged against currency market fluctuations through hedging instruments. They reportedly rushed to sell their holdings amid speculation and increased the supply. Understandably, local companies and investors in currency also joined this rush. Incidentally, Taiwan’s insurance companies were reported to have “suffered combined losses of nearly USD 620 million” in the preceding month (April) due to currency market volatility following Trump’s “global tariff threats”.¹²

The Central Bank found that some companies and individuals had “disguised foreign loans as a means to bring funds into Taiwan, converting them into Taiwan dollars without legitimate use”, which “were parked in Taiwan dollar demand deposit accounts rather than being immediately invested in domestic securities as declared in the remittance nature”.¹³ This method increased the supply of USD in the Taiwanese market.

⁶ Charlotte Lee, [“Central Bank Steps In as Taiwan Dollar Posts Strong Single-day Gain”](#), *Taiwan News*, 2 May 2025.

⁷ Lily LaMattina, [“Central Bank Says US Did Not Push Taiwan to Appreciate Currency”](#), *Taiwan News*, 5 May 2025.

⁸ Ibid.

⁹ Charlotte Lee, [“Central Bank Steps In as Taiwan Dollar Posts Strong Single-day Gain”](#), no. 6.

¹⁰ Ibid.

¹¹ [“Taiwanese Life Insurers' Portfolios have Billions of Unhedged Dollars”](#), *Reuters*, 6 May 2025.

¹² Ibid.; Robyn Mak, [“Taiwan Insurers Get A Stern Currency Warning”](#), *Reuters*, 12 May 2025; Bloomberg, [“Taiwan Insurers Hit by Losses on US Dollar Slump”](#), *Taipei Times*, 14 May 2025; Jonalyn Cueto, [“Taiwan Insurers Face Major Losses from US Dollar Decline”](#), *Insurance Business*, 14 May 2025.

¹³ Charlotte Lee, [“Central Bank Identifies Currency Speculators Following Taiwan Dollar Rise”](#), *Taiwan News*, 9 May 2025; Chen Cheng-hui, [“Central Bank to Conduct Inspections to Combat Speculative Capital Inflows”](#), *Taipei Times*, 7 May 2025.

The buzz around the sharp appreciation in the NTD's value *vis-à-vis* the USD began being felt in the streets. There was a traffic jam situation on banks' foreign currency applications as people suddenly and massively undertook foreign currency exchange activities.¹⁴ People who had saved in USD worried about the decreasing valuation of their savings. The development had the potential to acquire political overtones, with the opposition accusing the Democratic Progressive Party (DPP)-led government of caving in to US pressures.

In response, various government branches swung into action denying this pressure. The Central Bank had to deny the reports that there was pressure from the US Department of the Treasury on it to let the NTD appreciate.¹⁵ It clarified that “it was not part of Taiwan's negotiating team with the US and has never participated in the talks”.¹⁶ The Cabinet's Office of Trade Negotiations separately clarified that “the negotiations with the US have not covered forex exchange issues”.¹⁷ Premier Cho Jung-tai intervened, defending the Central Bank by saying that it “has always abided by the law in observing fluctuations in exchange rates”.¹⁸ He also insinuated that speculators had a hand in the currency volatility. He assured that there would be no tolerance shown towards “such illegal market behaviour”.¹⁹

Finally, President Lai Ching-te had to issue a video statement to assuage public concerns. He informed the people that “the latest round of bilateral trade talks did not involve currency issues” and reassured them that “his administration would safeguard national interests in negotiations”. He appealed to the people “to remain confident in the local economy”, asserting that “the large trade surplus Taiwan enjoys with the US” is not because of any currency manipulation by Taiwan but because of “strong demand from American buyers for Taiwan-made high-tech gadgets”. He attributed the sudden appreciation to speculative activities and warned people with bad intentions to refrain from any such activities when Taiwan's negotiations with the US were at a critical stage.²⁰

¹⁴ Keoni Everington, “[Taiwan Dollar Hits NT\\$29 Per US Dollar Triggering Currency Exchange Rush](#)”, *Taiwan News*, 5 May 2025.

¹⁵ Su Ssu-yun and Frances Huang, “[No Request from U.S. for Appreciation of Taiwan Dollar: Central Bank](#)”, *Focus Taiwan*, 2 May 2025.

¹⁶ Pan Tzu-yu and Frances Huang, “[Central Bank Urges Commentators Not to Speculate on NT Dollar Strength](#)”, *Focus Taiwan*, 5 May 2025.

¹⁷ Ibid.

¹⁸ Staff Writer, “[No Currency Manipulation: Premier](#)”, *Taipei Times*, 7 May 2025.

¹⁹ Ibid.

²⁰ Yeh Su-ping and Frances Huang, “[President Lai Addresses Taiwan Dollar Rise, Reassures Public on Trade Talks](#)”, *Focus Taiwan*, 6 May 2025.

Impact Assessment

A weak NTD against the USD helps Taiwan's export-oriented economy. Exports accounted for 70 per cent of its Gross Domestic Product (GDP). An appreciation in the NTD may help Taiwan's imports and some industry sectors such as outbound tourism,²¹ as a strong NTD will aid travel abroad at cheaper prices. But on the whole, the appreciated NTD will take a toll on exporters' profits since the economy is export-oriented. Every one per cent appreciation of the NTD is estimated to reduce the operating margin of the Taiwan Semiconductor Manufacturing Company (TSMC) by 0.4 percentage points and the gross margin of the United Microelectronics Corporation (UMC) by 0.4 percentage points.²²

The ASE Technology Holding Company, an IC packaging and testing services provider giant, assesses that “whenever the Taiwan dollar rises NT\$1 against the Greenback, its gross margin is cut by about 1.5 percentage points”.²³ The NTD appreciation has reportedly compelled Foxconn, which was already dealing with challenges created by US tariffs, to make a downward revision of its “full-year” growth outlook.²⁴ The large corporate houses, particularly in the high-tech sector, such as the TSMC, UMC and Foxconn, can still absorb the pressure of appreciation, but a sustained appreciation in NTD will leave traditional machine manufacturers in a more difficult situation.

As per an assessment, a one per cent appreciation “may affect the revenue of Taiwan's traditional industries by 0.1 per cent to 0.3 per cent”. Smaller companies of this sector generally lack currency risk hedging tools and are “less resilient”.²⁵ Therefore, the Taiwan Association of Machinery Industry (TAMI) “urged” the government “to allow more flexibility for the Taiwan dollar to depreciate” and allow it “to depreciate appropriately”, reminding the government that the machinery industry was already struggling to cope with “challenges from US tariff uncertainties”.²⁶

²¹ TVBS News Staff, “[Currency Strength Hurts Tech but Boosts Travel Sector](#)”, TVBS, 5 May 2025; Keoni Everington, “[Rising Taiwan Dollar Over Trump Tariffs has Pros and Cons](#)”, *Taiwan News*, 5 May 2025; Shelley Shan, “[Ministry to Monitor NT Dollar Impact on Tourism](#)”, *Taipei Times*, 9 May 2025.

²² Chang Chien-chung and Lee Hsin-Yin, “[TSMC, UMC Caution Taiwan Dollar Surge Will Affect Profit Margins](#)”, *Focus Taiwan*, 2 May 2025.

²³ Chung Jung-feng and Frances Huang, “[Stronger Taiwan Dollar to Challenge IC, Auto Part Exporters](#)”, *Focus Taiwan*, 5 May 2025.

²⁴ Wen-Yee Lee and Yimou Lee, “[Nvidia Supplier Foxconn Cuts Outlook due to Currency Appreciation](#)”, *Reuters*, 15 May 2025.

²⁵ Sean Scanlan, “[Taiwan Dollar Appreciation Wipes Away Profits for Some Exporters](#)”, *Taiwan News*, 6 May 2025.

²⁶ Michael Nakhiengchanh, “[Sharp Taiwan Dollar Rise Puts Pressure on Machine Exporters](#)”, *Taiwan News*, 3 May 2025.

How much more NTD will appreciate is difficult to determine. Maybe it will not touch 28,²⁷ as eventually market will determine the currency’s strength and it will “move in line with other Asian currencies in the longer term”.²⁸ Yet, it may hover around 30 or even fall below it if perception about the US pressure holds,²⁹ and 30 is estimated to be the figure below which exporters are expected to begin feeling a serious pinch.³⁰ A continuing appreciation may prove “pessimistic” for Taiwan’s growth in 2025.³¹

Implications

There is a general consensus that speculation about US pressure on the Taiwanese government to let the NT Dollar appreciate and the government’s willingness to succumb to the demand appeared to have triggered the appreciation primarily. Taiwan’s health insurers subsequently fuelled it. While there may be a grain of truth in the speculation that US pressure triggered the surge, it will always be difficult to prove this because of the confidential and complex nature of the trade talks between Taiwan and the US.

That the US has had concerns regarding Taiwan’s “large trade account surplus and foreign exchange reserves” is well-known.³² That Taiwan’s currency practices and macroeconomic policies have been in the currency monitoring report of the US Treasury Department since 2020 is also well-known. The 2025 National Trade Estimate Report on Foreign Trade Barriers of the President of the United States on the Trade Agreements Program, published by the Office of the United States Trade Representative in March 2025, has also underlined the issue. The US has long considered the NTD as undervalued.

Allowing appreciation of the NTD may not require a written agreement. It can be very well achieved through subtle interventions over a period. Therefore, it may not have been part of the trade deal talks. The government’s complaint and action against speculative activities may also be genuine, but the point here is that a strong NTD is in line with Trump’s demand and the Taiwanese government has been

²⁷ Pan Tzu-yu, Frances Huang et al., “[Taiwan Dollar Unlikely to Rise to NT\\$28 against Greenback: Analyst](#)”, *Focus Taiwan*, 5 May 2025.

²⁸ Su Ssu-yun and Frances Huang, “[U.S. Dollar Expected to Dip Below NT\\$30 Mark in Short Term: Economist](#)”, *Central News Agency*, 5 March 2025.

²⁹ Ibid.

³⁰ Charlotte Lee, “[Central Bank Steps in as Taiwan Dollar Posts Strong Single-day Gain](#)”, no. 6.

³¹ Sean Scanlan, “[Taiwan Dollar Appreciation Wipes Away Profits for Some Exporters](#)”, no. 25.

³² Karen M. Sutter, “[U.S.-Taiwan Trade and Economic Relations](#)”, *Congress.gov*, 10 April 2025.

understandably keen on clinching a deal with the US, which is Taiwan’s sole security ‘guarantor’ in the world *vis-à-vis* Chinese aggression.

Therefore, they may have arrived at an understanding to accommodate the US on this count and big players such as the insurers who have ‘skin in the game’ may have sensed it. If the appreciation in NTD does not eventually turn out to be an ordinary market fluctuation and is sustained in coming months, one may conclude that apprehensions were genuine and the US’ demand has been accommodated. The general sentiment on this issue is best captured in the following words: “The sudden move of the NTD does not seem to be fully market driven even if there is no official acknowledgment of the opposite.”³³

An appreciated NTD suits Trump’s re-industrialisation of the US, but it may make Taiwan unattractive for export-oriented manufactures. It, along with other policy measures such as increased tariffs by the US government, may compel Taiwanese companies, including mid-sized ones in the high-tech semiconductor, computer and automobile sector, to shift closer “to their main clients’ locations”, that is, the US or other developed markets. However, a large chunk of Taiwanese companies is composed of companies operating in traditional industries such as machinery and petrochemicals. They are dominated by small and medium scale enterprises and need government support comparatively more. To meet the pressure created by the appreciated NTD and the US policies, they will tend to look towards the nearby big Chinese market, which will reverse the trend of shifting out from China, which Taiwan achieved with some success.³⁴

Yet, a third option remains of introducing a fundamental transformation in Taiwan’s industrial space through innovation in Artificial Intelligence and other critical technological as well as traditional industry spaces, and keeping Taiwan competitive as envisaged in President Lai’s Five Point strategy to deal with Trump’s tariff challenge.³⁵ Trump’s tariff war has brought Taiwan to an interesting juncture in the economic field, which has unmistakable security and geopolitical implications as well.

³³ Alicia García Herrero, [“A ‘Mar-a-Lago Accord’ for the Taiwan Dollar? The Economic and Geopolitical Consequences”](#), *The Corner*, 13 May 2025.

³⁴ Yen Mo, [“Taiwan’s Currency Surge Reflects Potential Outcomes of Taiwan-U.S. Trade Talks”](#), *Modern Diplomacy*, 8 May 2025.

³⁵ [“President Lai Delivers Remarks on US Tariff Policy Response”](#), Office of the President, Republic of China (Taiwan), 6 April 2025.

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