

Relationship between Selective Credit Controls and Construction Industry Stock Prices

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Abstract: On September 20, 2024, the Central Bank of Taiwan implemented its seventh round of stringent selective credit controls on the housing market. As mortgage ratios in many banks had already approached the legal ceiling set by Article 72-2 of the Banking Act, these measures were expected to deliver a strong negative signal to the construction industry. This study examines whether the policy announcement generated significant negative abnormal returns for listed construction-related firms. Empirical results indicate that compared with the previous six rounds of controls, the seventh policy caused markedly stronger negative impacts on construction stocks. On the announcement day and the following day, firms experienced significant negative abnormal returns. The effect was most severe for construction firms, particularly the top ten developers by project volume in 2023. In contrast, non-construction firms and smaller developers experienced relatively milder declines.

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