Minutes of the Monetary Policy Meeting

September 21, 2023

Central Bank of the R.O.C. (Taiwan)

Meeting Minutes[1] on Monetary Policy at the Joint Meeting of the Board of Directors and the Board of Supervisors, Held on September 21, 2023

Date and Time: 2:00 p.m., September 21, 2023

Location: Rooms A606 and A303, Central Bank of the R.O.C. (Taiwan)

Members Present:

Chairman, Board of Directors: Chin-Long Yang

Executive Directors: Tsui-Yun Chuang, Mei-Hua Wang, Tzung-Ta Yen, Mei-Lie Chu, Chung-Dar Lei

Directors:

Jin-Lung Lin, Chao-Hsi Huang, Shiu-Sheng Chen, Fu-Sheng Hung, Yi-Ting Li, Shi-Kuan Chen, Chien-Yi Chang, Ming-Jou Yang

Chi-Chung Chen (Excused, Appointing Tzung-Ta Yen as Proxy)

Chairman, Board of Supervisors: Tzer-Ming Chu

Supervisors: Ching-Fan Chung, Sheng-Yao Lin, Tien-Wang Tsaur, Kuei-Hui Cheng

Staff Present:

Alan R.-Y. Pan, Director General, Department of Banking

Yen-Dar Den, Director General, Department of Issuing

Chiung-Min Tsai, Director General, Department of Foreign Exchange

Pei-Jen Heh, Director General, Department of the Treasury

Dou-Ming Su, Director General, Department of Financial Inspection

Yih-Jiuan Wu, Director General, Department of Economic Research

Chien-Ching Liang, Director General, Secretariat

Shu-Huei Kuo, Director General, Department of Accounting

Shu-Hui Chang, Director, Personnel Office

Kun-Shan Wu, Director, Legal Affairs Office

Chih-Cheng Hu, Secretary, Board of Directors

Chih-Jung Lee, Secretary, Board of Supervisors

Presiding: Chin-Long Yang

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[1] This English translation is provided for information purposes only; the Chinese version shall prevail in case of discrepancies.

AGENDA: ECONOMIC AND FINANCIAL CONDITIONS AND MONETARY POLICY DECISION

I. Staff Review of Economic and Financial Conditions

1. International Economic and Financial Conditions

Developments since the Board met in June 2023 showed a slow recovery in global final demand owing to the cumulative effect of aggressive tightening by major central banks in the US and Europe. Recent data pointed to continued contraction in the manufacturing sector, whereas the services sector expanded at a slower pace compared to the previous rebound that benefited from the lifting of pandemic restrictions. Among major economies, growth was uneven: The US economy advanced steadily, the euro area and the UK sputtered, Japan posted mild growth, and China saw greater risk of an economic slowdown. International institutions forecasted moderate growth momentum for the global economy in 2024.

In terms of international commodity price trends since July, crude oil prices surged to a new yearly high as Saudi Arabia's oil production cut and Russia's oil export cut were extended to the end of 2023. According to international institutions, this year's oil prices would be lower than 2022 but would rebound slightly next year. In the months since July, grains prices first rose and then trended down, while the Reuters/Jefferies CRB (RJ/CRB) Index, a global commodities benchmark, moved up alongside crude oil price upswings.

In regard to inflation trends in the year to date, global goods price inflation eased on cooling demand, whereas the services price uptrend sustained owing to downward price stickiness. Combined with recent oil price surges, the global inflation rate eased at a slow pace.

Meanwhile, some central banks continued with monetary tightening to combat still-high inflation, while some others maintained an accommodative stance. The US Federal Reserve (Fed) raised the policy rate by 0.25 percentage points in July, followed by a rate hold in September. Meanwhile, the European Central Bank (ECB) further increased its policy rates, the Bank of Japan (BoJ) stayed dovish, while the People's Bank of China (PBoC) lowered several policy rates to stimulate a stagnant economy.

In the financial markets, US and German government bonds yield curves inverted owing to recent market expectations about the Fed and the ECB keeping policy rates at high levels for a considerable time, along with concerns that the cumulative effects of monetary tightening could suppress future economic growth. With the fed funds rate expected to stay elevated, major stock markets in the world recorded weaker rallies, the US dollar index swung high, and major currencies broadly depreciated against the US dollar.

Looking ahead, global economic prospects face many downside risks, including the cumulative effect of major central banks' tightening and the duration for the policy rates to stay elevated, greater risk for the Chinese economic slowdown to worsen, and fragmentation in the world economy, all of which could weigh on the momentum of the global economic recovery. In addition, global inflation prospects remain uncertain as commodity supply is threatened by climate change and geopolitical risks. If heightened, they could push commodity prices higher.

2. Domestic Economic and Financial Conditions

(1) Economic situation

Recent data showed the coincident indicators went back up but leading indicators declined further, suggesting lingering sluggishness. The domestic manufacturing sector experienced relatively weak growth momentum. The Manufacturing Purchasing Managers' Index (PMI) stayed in contraction phase in August, while the Non-Manufacturing Index (NMI) showed softer expansion, with business sentiment for future outlook remaining cautious.

In respect of external demand, weak global final demand dragged Taiwan's export growth into negative territory in the year to date, with the first eight months of the year witnessing a decline of 15.7%. All primary export categories posted negative growth, except for ICT/AV (information, communication and technology, and audio-visual) products as they were buttressed by demand for AI and other emerging technology applications. Looking ahead, it was expected exports would benefit from growing demand for emerging tech applications, and rising travel service proceeds bolstered by an increase in inbound tourists. Combined with a lower base effect, the Bank forecasted Taiwan's exports to resume positive growth in real terms for the second half of the year, but the growth rate would remain in negative territory for the year as a whole before picking up next year.

Private investment, given its high correlation with exports, would likely be dampened by languid domestic production activity owing to a lackluster export outlook and by cautious business sentiment that led to curtailed or delayed capital expenditures. The Bank expected real private investment growth to still sputter in the second half of the year, with negative growth for the year as a whole followed by mild growth next year.

Private consumption were supported by stronger post-pandemic in-store shopping and thriving cross-border travel demand. The Bank expected real private consumption growth to extend the gains in the second half of the year and to register solid growth for the year as a whole. For next year, a higher base effect would bring about mild growth.

In the labor market, the total number of employed persons continued rising and the unemployment rate decreased to below the figure registered a year ago. However, manufacturing furloughs remained at higher levels owing to tepid export growth. In terms of hiring and work conditions, the manufacturing sector saw a further decrease in the number of employed persons in July, while its overtime hours worked per month for the Jan.-Jul. period were lower than the same period last year. In the services sector, for the month of July, the number of employed persons and the amount of overtime hours worked both increased year on year. In regard to wage growth in the year to date, nominal growth of total earnings of manufacturing workers slowed markedly year on year as exports stagnated, whereas that of services workers picked up year on year thanks to post-pandemic resurgence of in-person services consumption.

Overall, taking into account anemic growth momentum for exports and private investment, the Bank revised the 2023 domestic economic growth rate forecast to 1.46%, down by 0.26 percentage points from its June forecast. While the first half of the year witnessed a contraction by 0.98%, the economy was projected by the Bank to rebound at a pace of 3.81% in the second half of the year and would expand by 1.46%

for the year as a whole.

Looking to next year, Taiwan's exports and investment would likely gather pace with inventory returning to normal amid a global goods trade recovery and emerging tech applications on the rise. Minimum wage and public sector pay were scheduled to be raised next year and private consumption would enjoy further growth. Therefore, the Bank forecasted the economic growth rate to be 3.08% in 2024.

In addition, the Bank estimated that Taiwan would have a negative output gap in both 2023 and 2024. Major institutions at home and abroad projected Taiwan's economy to grow by 0.77%-2.00% in 2023 and by 2.30%-3.40% in 2024.

(2) Financial conditions

From June 2023 onwards, interbank funds transfers increased against a backdrop of banks turning in the collected income taxes to the National Treasury, large firms giving out cash dividends, and foreign institutional investors making outward remittances of the proceeds from net-selling local stocks. Nevertheless, market liquidity conditions were broadly stable thanks to the Bank's open market operations, and thus the interest rates of banks and in the money markets fluctuated moderately. For the months of June to August, excess reserves of banks averaged somewhat above NT$60 billion.

With regard to bank credit in the year so far, corporate funding needs waned as economic activity weakened more than last year and export growth remained negative, and the annual growth rate of housing loans also declined compared to last year, both weighing on bank lending to the private sector. As a result, bank loans and investments posted an average annual growth rate of 5.80% in the Jan.-Aug. period, lower than 7.77% over the same period last year.

With regard to money supply, continued export contraction led to a reduction in net foreign exchange (FX) receipts from export/import trade transactions. The resultant slowdown in FX deposit growth and the aforementioned year-on-year decline in bank loans and investments combined to bring down the annual growth rate of M2. Measured on a daily average basis, M2 expanded by 6.60% for the first eight months of the year, lower than 7.66% of the same period last year.

In the year so far, the housing market recorded slower transaction activity and a gradual moderation in the price uptrend. Construction and real estate industries as well as banks continued to be cautious about the housing market outlook. Since the Bank implemented selected credit control measures with a total of five amendments beginning December 2020, the annual growth rate of banks' real estate lending continued falling, and the nonperforming ratios of housing loans and of construction loans remained low, indicating good credit quality.

(3) Price trends

The annual growth rate of the consumer price index (CPI) broadly trended down in the year so far and slowed to 1.75% in June. Then, as vegetables and other food items saw faster price rises and fuel and lubricant costs also turned upwards, the annual CPI growth rate climbed to 2.52% in August, while the core CPI (i.e., excluding fruit and vegetables and energy items) increased by 2.56% year on year.

The annual CPI growth rate averaged 2.29% during the first eight months of the year. Around 66% of this increase came from price rises in food (such as food away from home and meat) and entertainment services, as well as higher rent, with a combined contribution of 1.51 percentage points. For the same period, the annual growth rate of the core CPI averaged 2.66%.

By frequency of purchase, prices of staples more frequently purchased rose by slightly smaller margins in August. As international raw material prices declined, import prices posted negative growth for several consecutive months, indicating still subdued pressures of imported inflation.

By type of items, commodity price uptrends softened in the year so far, reflecting downswings in domestic import prices and producer prices. In contrast, services prices still exhibited strong rises owing to still robust demand for entertainment services in such areas as food/beverages and hospitality, translating into a slow moderation in the domestic inflation rate. The Bank expected that in the second half of the year, the domestic inflation rate would be somewhat lower than in the first half of the year. For the year as a whole, the CPI and core CPI inflation rates were forecasted to be 2.22% and 2.44%, respectively, lower than last year's 2.95% and 2.61%.

For next year, international institutions projected a modest rebound in international oil prices, which would then mildly push up domestic commodity prices. In contrast, services prices would likely extend the slowdown from the fourth quarter of 2023 onwards. The Bank forecasted the CPI and core CPI inflation rates to further decrease to 1.83% and 1.73% in 2024, respectively.

Forecasts by major domestic and foreign institutions for Taiwan's inflation rate ranged between 2.00% and 2.60% for this year and between 1.10% and 1.90% for the year 2024. The future path of domestic inflation would be affected by weather events and price trends of international commodities as well as domestic services.

3. Considerations for Monetary Policy Decision-Making

(1) Domestic inflation to come down gradually, with the inflation rate slowing to below 2% next year

A. According to the Bank's projections, the inflation rate in the second half of the year would be slightly lower than the first half; for the year as a whole, the annual CPI and core CPI growth rates are forecasted to be 2.22% and 2.44%, respectively, lower than the 2.95% and 2.61% registered last year.

B. For next year, in view of a modest rebound in global oil prices from this year's levels as projected by international institutions and a slower rise in domestic services prices, the Bank forecasts Taiwan's annual CPI and core CPI growth rates to further come down to 1.83% and 1.73%.

C. The future path of domestic inflation trends would likely be affected by movements of international commodity prices and domestic services prices, as well as weather events.

(2) Domestic economic growth slower than expected, and the output gap expected to be negative for both 2023 and 2024

A. Taiwan's economic growth rate is forecasted by the Bank to be 1.46% this year, downgraded from the 1.72% forecasted in June.

B. The global economy is expected by international institutions to expand at a tepid pace, with the global economic and financial outlook facing the following headwinds: (1) The cumulative effect of monetary tightening and the duration of high policy rates adopted by major central banks, (2) heightened risk of China's economic downturn, and (3) global economic fragmentation, all of which could slow the momentum for the world to achieve an economic recovery.

II. Proposition and Decision about Monetary Policy

1. **Policy Propositions: To maintain the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations at 1.875%, 2.25%, and 4.125%, respectively**
2. Board members reached a unanimous decision to keep the policy rates unchanged. Related discussions are summarized as follows.

One board director pointed out that while Taiwan's exports still recorded a double-digit decline in the Jan.-Aug. period compared to a year ago, the August figure showed a narrower year-on-year contraction by single digits for the first time in ten months. Looking at the coming quarters, with the supply chain inventory drawdown nearing the end, AI-related business booming, new tech products hitting the market, and orders rising for the high season, it was expected that growth in exports would see a smaller decline in only single digits for the third quarter of 2023 and would turn positive in the fourth quarter, albeit still in negative territory for the year as a whole. The export decline also caused private investment to constrict. By contrast, after the pandemic concerns receded, pent-up demand was released briskly, sending private consumption growth to a 33-year high in the second quarter of 2023. Both retail and food/beverage sectors witnessed the strongest sales in history during the Jan.-Jul. period, reflecting robust consumer spending and revealing Taiwan's "cold out, warm within" economic situation. Provided that domestic inflation softens steadily, a rate hold would be in favor so that domestic demand sectors (consumption, investment, etc.) would not be thwarted by higher interest rates.

One board director noted that exports' vital role in the economy makes Taiwan closely interconnected with, and susceptible to, the world economy. The underperformance of Taiwan's exports this year mainly resulted from two factors: (1) A pullback from pandemic-era upsurges, and (2) the US-China confrontation, as well as a disappointing Chinese economic recovery. At present, the anticipated upgrade across the AI supply chain would likely propel export growth, whereas other products remained stymied by sluggish global demand. Overall, in the fourth quarter this year, Taiwan's exports would perform better than the third quarter, with broad expectations of a remarkable upturn next year. As for domestic demand, a wide range of consumption industries enjoyed record high growth, but still some others were cramped by labor shortage. Considering that with the exception of a certain electronics industries, most sectors were still struggling, a rate hike would not be an appropriate move.

One board director stated the current domestic downturn was partly due to a higher base effect arising from robust economic growth in the past three years, while global inflation also took its toll on our economy. As international forecasts put the 2023-2027 average inflation rate of the world at still high levels, leading to a new normal of elevated prices, Taiwan's exports would therefore be markedly hindered under the circumstances. Meanwhile, despite the current steady growth in domestic demand, once the policy rates are raised, mortgage borrowers' interest burden would increase, causing households to cut spending and thereby denting domestic demand momentum. In addition, a rate hike now would have only modest effects on future price trends. Therefore, the director was in favor of keeping the policy rates steady.

One board director pointed out that the index of import prices was trending down, conducive to domestic price stability. In August 2023, the annual growth rate of the CPI went up; meanwhile, the core CPI recorded a lower annual growth rate, but the Bank's internal research showed that leading indicators for the core CPI were on the rise, which called for attention. In addition, despite some signs of cooling in housing transactions and slower price rises, the uptrend in housing prices still continued; given that residential rent serves as a lagging indicator of housing prices and has a significant weighting in the CPI basket, rises in rent could in turn drive up overall prices. In the meantime, the annual growth rates of the commodities or services whose price changes consumers are more conscious of were still high, which could buoy up public inflation expectations. On the other hand, the Bank made another downgrade to its 2023 GDP growth rate forecast and estimated that the output gap would remain negative this year. Since current economic readings were divergent, the director approved of a rate hold for the time being, and noted that continued monitoring was warranted for another quarter, with a possibility of having to proactively address the issue of inflation.

One board director discussed domestic economic fundamentals. Regarding export growth, although there were signs of recovery after a series of declines for 12 consecutive months, it was not rebounding forcefully and order visibility was low. Meanwhile, private consumption continued on the growth path but at a slower pace, and private investment just recorded the sixth consecutive month of negative growth, with firms wary of making investment plans. As for prices, temporary factors caused the annual CPI growth rate to exceed 2% again in August; and the overall price trend, though heading downwards, still called for continuous monitoring. In sum, the director was in favor of a rate hold. Another board director pointed out that the actual value of Taiwan's current unemployment rate was similar to the natural unemployment rate estimated by the Bank, indicating the policy rates were currently at appropriate levels. Therefore, a rate hold would be the proper move in today's Meeting.

One board director stated the importance of heeding the possible impact of the upcoming electricity tariff hike on the prices in the services sector. In addition, the hiring bottleneck also warranted special attention as continued labor shortage in services and construction industries pushed up wage and related prices, carrying adverse implications for inflation.

Another board director noted that the import price index in US dollar terms dropped in the Jan.-Aug. period; in NT dollar terms, the index also fell despite NTD weakness vis-à-vis the USD. The producer price index also decreased, another sign of easing inflationary pressures. Regarding the influence of international oil prices on domestic inflation, despite the recent uptrend, it was still expected that for the year as a whole, oil prices would on average exert downward pressures on the domestic inflation rate compared to last year. As for the upcoming power tariff hike partially imposed on some domestically-oriented industries from October onwards, the Bank estimated it would have a limited impact on this year's inflation rate. Looking at economic growth, the forecasted underperformance this year was attributable to the global economic malaise causing Taiwan's exports and, in turn, private investment to both record negative growth. All in all, these developments in prices and economic growth warranted a policy rate hold at the current juncture. Nevertheless, uncertainties still abounded for price trends and economic activity; in the future, the Board could still consider adjusting the policy rates if deemed necessary.

One board director stated that monetary policy-making needs to take into account public perception of prices. In particular, goods purchased at least once per month and the top 17 staple goods in the CPI basket both registered annual growth rates higher than that of the overall CPI; the annual growth rate of the core CPI also rose faster than the overall CPI. Regarding the CPI for rent, it climbed back up in August from a modest downswing earlier. For the first eight months of the year, the annual CPI growth rate for rent came higher than last year, while that for entertainment services was elevated; given that housing rent and prices of services tend to exhibit downward price stickiness, the future path of these categories warrant continuous monitoring. The director expressed support for a rate hold today, but noted that by the time the next quarterly Board Meeting is convened, the Bank should pay special attention to price uptrends and to whether consumer sentiment about prices would step up inflation expectations and create an impact on price stability. Should there be renewed signs of prices firming up, the Bank would probably need to take stronger initiative to clamp down inflation.

One board director pointed to tepid exports and private investment and cautioned that these sectors remained mired in negative growth despite some signs of recovery. The Bank's downgrade of its forecast for Taiwan's 2023 GDP growth rate implied still lukewarm growth momentum for the domestic economy. With the world, especially China, still facing downside risks to the economy, Taiwan's export growth and future economic recovery could be constrained. On the other hand, the price trends in the intermeeting period were similar to those considered for the previous Board Meeting, and it was forecasted that the inflation and core inflation rates would be lower this year than last year and would likely ease to below 2% next year. In terms of economic growth, despite the aforementioned forecast downgrade for this year, growth was projected to accelerate next year. These showed that relevant policy efforts to rein in inflation and to reinvigorate the economy had been effective and hence it would be right to continue forward on the same path. The director therefore supported the decision to keep the policy rates steady.

One board director noted Taiwan’s economy was slackening, particularly pointing out how worrying the slowdown was in exports and private investment, the two driving forces behind Taiwan’s economic growth. On the other hand, the domestic inflationary pressure were diminishing and the inflation rate was expected to decline to below 2% next year. After considering for the Bank’s mandate of price stability and economic growth, the director saw little reason for either a rate hike or a rate cut and stated that a rate hold would be the sensible decision.

3. Monetary Policy Decision:

The board directors decided unanimously to keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 1.875%, 2.25%, and 4.125%, respectively.

Voting for the proposition: Chin-Long Yang, Tsui-Yun Chuang, Mei-Hua Wang, Tzung-Ta Yen, Mei-Lie Chu, Chung-Dar Lei, Jin-Lung Lin, Chao-Hsi Huang, Shiu-Sheng Chen, Fu-Sheng Hung, Yi-Ting Li, Shi-Kuan Chen, Chien-Yi Chang, Ming-Jou Yang, and Chi-Chung Chen (Excused, Appointing Tzung-Ta Yen as Proxy)

Voting against the proposition: None

III. The Press Release

The board directors approved unanimously to issue the following press release in the post-meeting press conference, together with the Supplementary Materials for the Post-Monetary Policy Meeting Press Conference prepared by the Bank.

Press Release September 21, 2023

Monetary Policy Decision of the Board Meeting (2023Q3)

I. Global economic and financial conditions

Since the Board met in June this year, the cumulative effects of significant policy rate hikes by major central banks in the US and Europe since 2022 have continued to work through the economy. Growth in the global manufacturing sector has remained tepid, while services activity has turned weaker. There has been a divergence in economic growth across major economies. The US economy has exhibited solid expansion, whereas the euro area and the UK have registered anemic economic growth. Japan's economy has grown mildly, yet China has faced rising downside economic risks. With regard to inflation trends, commodity prices have declined as global demand softened, whereas services prices have remained stubbornly high because of downward price stickiness, leading global inflation to trend down at a slow pace.

In recent months, considering still elevated inflation rates, some central banks continued their rate hike paths, while other central banks kept policy rates on hold. As inflationary pressures linger in major economies, high interest rates may sustain for some time. It is thus expected that the world economic and trade growth momentum would remain subdued. In recent months, global financial markets fluctuated as investor expectations on US and European monetary policy paths shifted. The US dollar index rebounded and major currencies broadly depreciated against the US dollar.

Looking ahead, the global economic and financial outlooks are clouded by multiple uncertainties, such as the cumulative effects of monetary tightening by major central banks and the duration of interest rates staying high, China's economic slowdown, and fragmentation of the global economy, which could all restrain the momentum for global economic recovery. International institutions projected the world economy to grow at a moderate pace and the inflation rate to drop further in 2024. Nevertheless, geopolitical risks and climate change may affect the supply of commodities, and the global inflation trends remain uncertain.

II. Domestic economic and financial conditions

1. In the months since midyear, the decline in Taiwan's export growth has

slowed as continued sluggishness in global final demand was somewhat offset by stronger export momentum of information communication technology products to meet demand for emerging technology applications and by narrower contractions in traditional sector exports. In respect of domestic demand, corporate investment willingness remained muted, with imports of capital equipment still mired in double-digit negative growth. In contrast, private consumption rose steadily on the back of strong post-pandemic demand for dining and tourism. For the second half of the year, the Bank projected the GDP growth rate to rebound to 3.81% on account of a lower base effect. The Bank's GDP growth forecast for the year as a whole was 1.46% (see Appendix Table 1 for the forecasts by major institutions), lower than the June forecast of 1.72%. Regarding labor market conditions in recent months, job gains continued, the unemployment rate came lower than a year ago, and nominal wage increased mildly.

For the outlook of next year, it was expected that exports and private investment would gather pace amid a pickup in global goods trade growth and further development in emerging technology applications. Private consumption would also continue expanding next year thanks to the planned minimal wage hike and public sector pay raise, albeit with slower year-on-year growth than 2023 owing to a higher base effect. The Bank expected Taiwan's economy to grow by 3.08% in 2024.

2. In the months from June onwards, the annual growth rate of the consumer price index (CPI) rebounded after dipping, mainly reflecting changes in fruit, vegetables, and oil prices, while the annual growth rate of the core CPI (i.e., excluding fruit, vegetables, and energy items) edged down. For the first eight months of the year, the headline inflation rate averaged 2.29% and the core inflation rate averaged 2.66%. According to the Bank's projections, inflation would trend slightly lower in the second half of the year than in the first. For this year as a whole, the annual growth rate of the CPI and that of the core CPI were forecasted to register 2.22% and 2.44%, respectively (see Appendix Table 2 for the forecasts by major institutions), lower than the 2022 readings of 2.95% and 2.61%. Indeed, domestic inflation came down slowly in the year so far, mainly because a gradual moderation in commodity inflation amid faltering import and production price trends was counteracted by elevated

services inflation owing to robust post-pandemic demand for entertainment services.

In regard to the price trends next year, it was expected that, despite a modest rebound in international oil prices, softer domestic services inflation would bring Taiwan's inflation rate lower than this year. The Bank forecasted the headline and core inflation rates to further slow down to 1.83% and 1.73% in 2024, noting that the future path of domestic inflation could still be affected by factors including the price trends of international commodities and domestic services, as well as weather-related disruptions.

3. Domestic market liquidity was ample and short and long-term market rates fluctuated within a small range in recent months. Banks' excess reserves averaged slightly above NT$60 billion for the June-August period. The annual growth rate of M2 (measured on a daily average basis) and that of bank loans and investments averaged 6.60% and 5.80% respectively in the first eight months of the year, lower than the 7.66% and 7.77% recorded in the same period last year.

III. The Board decided unanimously to keep the policy rates on hold

While taking into account the aforementioned economic and financial conditions at home and abroad, the Board also considered the following: Domestic inflation is softening gradually and the inflation rate is expected to come down to below 2% next year. Furthermore, the domestic economy would likely expand at a slower-than-expected pace this year and the output gap is estimated to be negative for both this and next year. The Board judged that a rate hold will help foster sound economic and financial development on the whole.

At the meeting today, the Board decided to maintain the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations at current levels of 1.875%, 2.25%, and 4.125%, respectively.

Going forward, in view of downside risks to the global economy and the persistence of inflationary pressures, the Bank will stay attentive to the developments including the spillover effects of monetary tightening by major economies, signs of steepening in China's economic slowdown, international raw material price changes, geopolitical risks, and extreme weather events. The Bank will assess their implications for domestic economic activity and financial conditions and adjust its monetary policy in a timely manner as warranted, so as to fulfill the statutory duties of maintaining financial and price stability and fostering economic development within the scope of the above objectives.

IV. The Bank has made five amendments to its selective credit control measures since December 2020 to help enhance bank management of real estate credit risk and curb an excessive flow of credit resources into the real estate market. The Bank's tightening of the policy rates and the reserve requirement ratios since March 2022 have further strengthened the effectiveness of the selective credit controls. In the year to date, growth in construction loans and housing loans have both slowed and the non-performing loan ratio of real estate lending has stayed low, indicating good credit quality. As government agencies carry on with their policy efforts under the Healthy Real Estate Market Plan and improve relevant mechanisms and measures, housing transactions and the price uptrend have both eased so far this year, with more policy effects expected to show successively. Going forward, the Bank will continuously monitor the developments in housing credit and the real estate market and the implementation results of the selective credit control measures, and will make adjustments as needed in order to promote financial stability and sound banking operations.

V. The NT dollar exchange rate is in principle determined by market forces. Nonetheless, when irregular factors (such as massive inflows or outflows of short-term capital) and seasonal factors lead to excess volatility or disorderly movements in the NT dollar exchange rate with adverse implications for economic and financial stability, the Bank, in accordance with its statutory mandates, will step in to maintain an orderly market.

Appendix Table 1
Taiwan's Economic Growth Forecasts by Major Institutions

Unit: %

Forecast institutions		**2023 (f)**	**2024 (f)**
Domestic institutions	**CBC (2023/9/21)**	**1.46**	**3.08**
	DGBAS (2023/8/18)	1.61	3.32
	Academia Sinica (2023/7/27)	1.56	n.a.
	TIER (2023/7/25)	1.66	n.a.
	CIER (2023/7/20)	1.60	2.88
	NTU/Cathay (2023/6/28)	1.80	n.a.
	TRI (2023/6/19)	1.45	n.a.
Foreign institutions	Goldman Sachs (2023/9/18)	0.98	2.71
	Citi (2023/9/18)	1.50	3.40
	BofA Merrill Lynch (2023/9/15)	0.90	3.20
	Nomura (2023/9/15)	1.60	2.90
	Morgan Stanley (2023/9/15)	2.00	2.30
	S&P Global Market Intelligence (2023/9/15)	0.77	3.04
Forecast Average		**1.45**	**2.98**

Appendix Table 2

Taiwan's Inflation Forecasts by Major Institutions

Unit: %

Forecast institutions		2023 (f)	2024 (f)
Domestic institutions	**CBC (2023/9/21)**	**2.22 (CPI) 2.44 (Core CPI*)**	**1.83 (CPI) 1.73 (Core CPI*)**
	DGBAS (2023/8/18)	2.14	1.58
	Academia Sinica (2023/7/27)	2.11	n.a.
	TIER (2023/7/25)	2.15	n.a.
	CIER (2023/7/20)	2.10	1.73
	NTU/Cathay (2023/6/28)	2.00	n.a.
	TRI (2023/6/19)	2.60	n.a.
Foreign institutions	Goldman Sachs (2023/9/18)	2.20	1.57
	Citi (2023/9/18)	2.10	1.90
	BofA Merrill Lynch (2023/9/15)	2.20	1.50
	Nomura (2023/9/15)	2.20	1.40
	Morgan Stanley (2023/9/15)	2.10	1.10
	S&P Global Market Intelligence (2023/9/15)	2.16	1.73
Forecast Average		**2.18**	**1.59**

* Excluding vegetables, fruit, and energy.