Minutes of the Monetary Policy Meeting

March 21, 2024

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 March 21, 2024

Date and Time: 2:00 p.m., March 21, 2024

Location: Room A606, 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

In the intermeeting period since December 2023, the Global Manufacturing PMI (Purchasing Managers' Index) returned to the expansion territory from January onwards while the Services PMI, having bottomed out, was expected to expand at a faster pace. For year 2024 as a whole, it was projected that the world would see sector expansion for manufacturing and services, and the world trade volume growth would also rebound. However, with major central banks such as the US Federal Reserve (Fed) and the European Central Bank (ECB) maintaining high policy rates, the global economy continued to experience tepid growth momentum. International institutions forecasted that the world economic growth rate would be slightly lower than 2023.

In regard to global commodity price trends since entering 2024, international oil prices swung upwards amid tensions in the Middle East and extension of the output cut by the members of the Organization of the Petroleum Exporting Countries and allies, known as OPEC+. For year 2024, crude oil prices were projected to run slightly higher than last year according to international institutions. Meanwhile, year-to-date declines were recorded for grain prices, but the price of cocoa reached a historical high and industrial metal prices turned upwards, leading to an uptrend in the Reuters/Jefferies CRB index, a global commodities benchmark.

In terms of inflation, though labor market tightness in advanced economies would likely ease, services prices were buoyed by continued wage growth in the US, Europe, and Japan. Combined with a receding higher base effect, it was expected that global inflation would come down slowly this year.

In respect of monetary policy moves by major central banks, the US Fed and the ECB held policy rates steady in the year to date. The Bank of Japan (BoJ) embarked on policy normalization with a rate hike this week, ending the negative interest rate policy and abolishing yield curve control while maintaining a loose monetary policy stance. The People's Bank of China, on the other hand, deployed more easing measures.

In the financial markets, recent indications by Fed and ECB officials refraining from beginning a rate cut soon and slower disinflation in the US and Europe combined to send the 10-year US and German government bond yields higher. The year-to-date strength in the US dollar index (DXY) was underpinned by strong US employment data and the change of market expectations towards a later onset of the Fed's rate cuts, which led to a broad weakening in major currencies against the US dollar. Major stock markets across the world mostly gained ground, with particularly strong rallies among technology stocks.

Looking ahead, the global economic outlook is confronted by many uncertainties, as these factors, including monetary policy paths of major central banks (such as the timing of a Fed or ECB pivot to easing, developments after the BoJ ended negative interest rate policy, etc.), spillover effect of China's economic slowdown, and global economic fragmentations and supply chain restructuring, could all affect trade, economic, and financial development of the world. In addition, geopolitical risks and climate change may further heighten uncertainty surrounding global inflation.

2. Domestic Economic and Financial Conditions

(1) Economic situation

Recently, the domestic leading and coincident indicators continued rising. While Taiwan's Manufacturing PMI remained in contraction territory, it rose for the third month in a row, with the six-month outlook subindex pointing to expansion for the first time in 21 months. The Non-Manufacturing Index (NMI) and its six-month outlook subindex remained expansionary, pointing to sustained economic recovery and manufacturing growth momentum picking up.

Looking at the components of domestic GDP growth, exports grew at an annual rate of 9.7% during the first two months of the year, benefiting from a demand boom for AI and other emerging technology applications as ICT/AV (information, communication and technology, and audio-visual) products recorded positive growth while the other major export product categories all showed contraction. For the year as a whole, export growth would continue to receive a boost from the steadily rising demand for emerging tech applications, as well as benefiting from an increase in inbound travel. Considering also a lower base effect, the Bank forecasted solid real export growth in 2024.

In respect of private investment, an improving outlook for goods exports would likely drive private investment in 2024. In addition, firms continued to step up efforts in net-zero energy transition and airlines were looking to further expand their fleets, which would also help build up growth momentum for private investment. Nonetheless, major companies remained cautious in devising investment strategies given the uncertainties about the global economic outlook. On balance, the Bank expected real private investment to resume modest positive growth in 2024.

Private consumption, on the other hand, was forecasted to continue expanding in real terms as the domestic economic recovery bolstered consumer confidence, along with brisk trading in the stock market.

In the labor market, recent data showed the total number of employed persons trended up month by month, the unemployment rate continued falling, and the number of furloughed workers also declined. Regarding sector employment, the manufacturing payroll employment showed slower declines in January 2024, indicating a gradual recovery, whereas the number of employees on services payroll continued rising. Regarding monthly earnings, total nominal earnings of workers in the industrial and services sectors posted mild growth in January, increasing by 2.32% and 2.21% respectively.

Overall, the Bank forecasted Taiwan’s economy to expand by 3.22% year on year in 2024, higher than 1.31% of 2023, based on the expectation of exports and private investment resuming positive growth and private consumption continuing rising. Compared to the previous forecast made in December 2023, there was a slight upward revision by 0.10 percentage points, reflecting increased contribution from net foreign demand and private consumption.

In addition, the Bank estimated that Taiwan would have a negative output gap in 2024. Major institutions at home and abroad expected Taiwan’s economy to grow by 2.69%-3.70% in 2024.

(2) Financial conditions

Demand for currency increased prior to the Lunar New Year Holidays, which fell in February this year. After the Holidays, though, currency flowed back into the banking system and market liquidity tightness eased, with bank interest rates and money market rates exhibiting mild fluctuations. For the first two months of the year, excess reserves of banks averaged around NT$54.9 billion.

In terms of bank credit, as the annual growth rate of housing loans had picked up since the second half of 2023 and Taiwan's export growth stabilized in the fourth quarter, bank loans and investments gradually rose to an annual pace of 6.58% by the end of 2023. For the first two months of 2024, the average annual growth rate of bank loans and investments rose further to 7.19%.

Regarding money supply, the daily average annual growth rate of the monetary aggregate M2 dropped from 7.48% in 2022 to 6.25% in 2023, returning to the 2.5%-6.5% reference range. Partly reflecting faster year-on-year growth in bank loans and investments so far this year, the M2 annual growth rate edged back up to 5.59% in February and averaged 5.51% for the first two months of 2024.

In the housing market, several factors drove a rebound in housing transactions in the second half of 2023, including the introduction of the government's updated version of the Preferential Housing Loans for the Youth program, an increase in ownership transfers of newly-completed presale housing units, and a lower base effect from 2022. For housing prices, the annual growth rate broadly trended downwards. Regarding the housing market outlook, construction and real estate businesses turned more optimistic while the number of banks with cautious sentiment decreased.

Since the Bank strengthened its selective credit control measures by amending relevant regulations five times beginning December 2020, the annual growth rate of construction loans extended by banks had been declining. However, the rebound in housing market transactions since the second half of 2023 drove the annual growth rate of housing loans upward. The resultant rise in the annual growth rate of real estate lending also caused this loan bracket to maintain a high share in banks' total lending.

Meanwhile, the non-performing ratios of banks' housing loans and construction loans both remained low, indicating sound credit quality.

(3) Price trends

The annual growth rate of the consumer price index (CPI) rose from 1.80% in January 2024 to 3.08% in February mainly reflecting holiday charges commonly seen in some services around the Lunar New Year as well as group travel fee hikes. Similarly, the annual growth rate of the core CPI (i.e., excluding fruit, vegetables, and energy items) also rose from 1.65% in January to 2.90% in February on account of the Lunar New Year Holidays. Overall, the pace of disinflation remained slow.

During the first two months of the year, the CPI rose by 2.43% on average over the same period last year. Of this increase, 65% was attributed to price rises in food (particularly fruit, food away from home, and meat) and entertainment services, as well as higher rents, with a combined contribution of 1.59 percentage points.

By frequency of purchase, the items purchased at least once a month and the 17 CPI-basket top staple items both recorded higher price rises than the overall CPI rises during the first two months of the year. This shaped a more acute sense of price rises in staple items among consumers.

Meanwhile, the price declines in international raw material prices led to continued negative growth in the February import prices and prices of domestic sales excluding imports, indicating further easing in imported inflation pressures and supporting a stabilization in domestic commodity prices.

By type of items, the annual growth rate of the commodity CPI registered 2.22% for the Jan.-Feb. period, whereas that of the services CPI posted a faster increase at 2.62%.

For the outlook of the entire year, domestic commodity prices would likely rise mildly given that international oil prices were forecasted by foreign institutions to go modestly higher than 2023. Domestic services prices were expected to show a slower increase owing to a high base effect. However, considering the influence of the planned hike in domestic electricity tariff in April this year, the Bank revised upward its 2024 forecasts for the CPI and core CPI annual growth rates to 2.16% and 2.03%, albeit with both inflation rates slowly coming down quarter by quarter this year. Headline inflation forecasts by major domestic and foreign institutions ranged between 1.50% and 2.50% for year 2024.

Key factors affecting the future path of domestic prices this year include the following. Upside pressures could arise from (1) elevated fruit prices, as supply declines owing to the lagged effect of last year's typhoons and torrential rain; (2) a food price uptrend, including food away from home and meat; (3) higher rent; (4) hikes in prices of hotel stays and group travel fees in response to strong demand among domestic consumers for leisure and entertainment services; (5) a universal hike in domestic electricity tariffs this year. On the other hand, downside pressures could come from reductions in prices of mobile phones and other communication devices.

3. Considerations for Monetary Policy Decision-Making

(1) The inflation rate is expected to gradually come down quarter by quarter this year; for the year as a whole, the inflation rate would register lower than last year. However, as inflation has been relatively elevated since 2021 and the electricity tariff hike is to take effect in April, they could fuel higher inflation expectations.

A. The annual growth rate of the CPI was 1.97% in 2021, 2.95% in 2022, and 2.49% in 2023 and is projected by the Bank to be 2.16% in 2024.

B. The Bank's 2024 inflation projections were revised upwards on account of the planned electricity tariff hike in April. The revised forecasts for the annual CPI and core CPI growth rates were 2.16% and 2.03%, lower than the 2.49% and 2.58% registered last year.

(2) The domestic economic growth is expected to pick up pace this year. The Bank slightly revised upward its forecast for the GDP growth rate to 3.22%, higher than the 1.31% posted last year.

II. Proposition and Decision about Monetary Policy

1. **Policy Propositions: To raise the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations by 0.125 percentage points to 2%, 2.375%, and 4.25%, respectively**

2. Board members decided to raise the policy rates by 0.125 percentage points. Related discussions are summarized as follows.

One board member supported a rate hike by 0.125 percentage points. The member noted that inflation expectation is one of the vital considerations in monetary policymaking, and strongly entrenched inflation expectations are difficult to contain. Given that Taiwan's CPI annual growth rate has come close to or exceeded 2% for four consecutive years, the inflation expectation problem should be heeded. In particular, the scheduled April electricity tariff hike could induce a new wave of upward price adjustments among businesses and stoke inflation expectations. Since not talking about it does not make the problem nonexistent, there needs to be countermeasures to rein it in. A 0.125 percentage point rate hike would have an announcement effect that demonstrates the Bank takes the inflation issue very seriously. Going forward, if inflation is still elevated, there is a possibility of further rate hikes to fulfill the Bank's overarching mission of and unwavering efforts in maintaining price stability.

One board member pointed out that Taiwan's GDP growth was estimated to advance at a solid pace this year, whereas price rises in food away from home and housing rent remained unabated. Adding in the effect of the coming electricity tariff hike, Taiwan's annual CPI inflation rate could exceed 2% for the third year in a row. Against this backdrop, raising the policy rates by 0.125 percentage points would not only show the Bank was taking the inflation issue seriously but also demonstrate the intention to contain inflation expectations. Therefore, the member concurred with the rate hike proposition. Another board member also supported the proposition, stating that, given how conscious the general public could be of price increases, a rate hike policy would be a good move if it helps tame price upswings.

One board member noted that Taiwan's labor market conditions remained stable, but the real total earnings of payroll employees posted negative growth last year for the first time in seven years, an issue attributable to elevated inflation. In the fight against inflation, rent and food-away-from-home prices were still rising. Given the downward price stickiness of rent, if housing prices continue climbing and push up rent along the way, it would pose an even greater challenge for price stability. Likewise, downward price stickiness of food away from home also warrants attention as its annual growth rate has stayed elevated, and a faster hike in food-away-from-home prices could make it harder for inflation pressures to ease anytime soon. Therefore, raising the policy rates by 0.125 percentage points would be a good move because it shows the Bank's stance on mitigating upside pressures on prices. Meanwhile, the Bank still needs to keep close watch on the issue of persistent inflation.

Another board director stated that Taiwan's annual CPI growth rate has remained above 2% for some time, mainly owing to price rises in food away from home and rent. The CPI annual growth rate of food away from home has gone above 4% every month since February 2022, except for February 2023. The longer the uptrend persists, the worse it is for public inflation expectations. Meanwhile, the CPI annual growth rate of rent continued to exceed 2% every month since July 2022, and higher retail store rent costs could feed into food-away-from-home prices. However, considering that a larger policy rate hike could cause property owners to pass the additional interest burden through to tenants and thus push up rent, the proposed hike by 0.125 percentage points seemed appropriate.

One board director pointed out that Taiwan's real interest rate would be negative when subtracting the CPI inflation rate from the nominal policy rate, indicating that there remains room for policy rate hikes. In the past, changes to oil or electricity rates were hardly reflected in the CPI readings; it is necessary to start taking them into account, with close attention to be paid to their potential effects on inflation expectations as they could in turn affect actual inflation. Given that a rate hike would help keep inflation expectations anchored, the member showed support to the proposition of hiking the policy rates by 0.125 percentage points.

One board director observed that, with the policy rates kept unchanged since it was last raised by 0.125 percentage points in March 2023, the fact that the 2023 annual CPI growth rate remained high could somehow indicate insufficient monetary tightening had led to persistently elevated inflation. On top of that, the coming electricity tariff hike could further fuel public inflation expectations in 2024. Moreover, unlike major economies, Taiwan has a negative real interest rate. Therefore, while a policy rate hike is the right move amid solid economic growth and stable labor market conditions, a 0.25 percentage point hike should be the appropriate pace of tightening in line with what is commonly adopted among central banks. Still, the member agreed with today’s 0.125 percentage point rate hike proposition.

One board member gave the opinion that while deposit rates at banks usually track central bank policy rate changes, the pace of banks’ adjustments varies across countries. Given the importance of deposit rates to households, the member suggested looking at the real interest rate from the perspective of depositors. Take the average inflation rate of the past twelve months (March 2022 to February 2023) and the one-year deposit rate, with today’s proposed rate hike dismissed, then a cross-country comparison would show that the real interest rates were negative in not only Taiwan, but also the US, Switzerland, Hong Kong, the euro area, the UK, Singapore, and Japan, with the level of Taiwan’s real interest rate higher than the aforementioned economies. And after today’s 0.125 percentage point policy rate hike, combined with the projected slowdown in the domestic inflation rate, Taiwan’s real interest rate is expected to move toward positive territory.

One board director stated that Taiwan is currently facing greater price-related pressures than many other economies, mainly because of relatively smaller price increases in oil and electricity rates in the past. In spite of tax policy actions by the Ministry of Finance to help keep prices steady, Taiwan Power Company and the CPC Corp. had been struggling with heavy losses. According to several domestic institutions, a 10% hike on average in the electricity tariff would push the 2024 CPI annual growth rate to 2.2%-2.4%. The member thus supported the 0.125 percentage point rate hike as a preemptive move. Although the size of the hike alone may not bring the inflation rate back down to below 2%, it would help lower public inflation expectations and demonstrate the Bank’s resolution in combating inflation through monetary tightening at a time when Taiwan is under inflationary pressures.

One board member remarked on recent developments in different economic sectors. The services sector grew at a steady pace and exports continued expanding, with robust growth in exports of chips and servers in the AI-related supply chain; but this was not the case for every industry. For instance, exports of non-AI servers and mobile phones were tepid. This indicated a growing polarizing in Taiwan's manufacturing sector. With the looming electricity tariff hike already set to push up production costs, a policy rate hike would also increase funding costs and could cause more hardship for these companies. Therefore, it would not be appropriate to raise the policy rates in today's meeting.

One board member, in support of the rate hike proposition, stated that ICT/AV export growth in the Jan.-Feb. period increased twice as fast year on year on the back of emerging tech applications such as AI, whereas other products recorded negative growth. Furthermore, today's rate hike was primarily aimed at containing domestic inflation expectations, but there is a possibility of creating a dilemma it adversely impacts some sectors in the process.

Another board director pointed out that the direct and indirect effects of an electricity tariff hike might not be sizeable, but inflation expectations could gather steam and would not be easy to contain once they take off. Meanwhile, a rate hike increases funding costs, likely hindering corporate investment, exports, and private consumption. Considering that domestic economic growth picked up pace but was not yet heated to the extent of requiring aggressive rate hikes to rein it in, the member viewed that smaller rate hikes at the current juncture would probably pack a minor punch while still making an announcement effect to show that the Bank is committed to combating inflation if the inflation rate cannot meaningfully come down to the low level of around 1% as it has been. Therefore, the member supported a rate hike by 0.125 percentage points. Furthermore, given the US dollar strength and the resultant NTD-USD depreciation in the year to date, a small rate hike would somewhat relieve the pressure on the NTD exchange rate.

Another board director, also supporting the rate hike proposition, pointed out that the Bank's forecasts for this year's CPI and core CPI annual growth rates were both higher than the previous forecasts when the Board last met in December 2023. In respect of the electricity tariff hike, it would not only have a direct impact but also create a chain reaction by pushing up costs across business sectors; for example, electricity-intensive industries could pass the increased bill costs to consumers. Meanwhile, the domestic economy was expected to post steady growth this year as forecasted by the Bank, and the unemployment rate continued trending down in January, hitting the lowest monthly record in 24 years. Against this backdrop, raising the policy rates would help promote price stability without hampering economic growth.

Another board director supported the 0.125 percentage point hike and remarked on the inflation rate. According to the Bank's 2024 quarterly forecast values, Taiwan's annual CPI growth rate would exceed 2% during the first two quarters of the year before coming down to slightly below 2% in the third and fourth quarters, albeit all close to the Bank's mid-term monitoring range of 0%-2%. The Bank would still need to keep a close eye on the outlook and forecasts of inflation.

3. Monetary Policy Decision:

The board directors decided to raise the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations by 0.125 percentage points to 2%, 2.375%, and 4.25%, respectively.

Voting for the proposition: Chin-Long Yang, Tsui-Yun Chuang, 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: Mei-Hua Wang

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 March 21, 2024

Monetary Policy Decision of the Board Meeting (2024Q1)

I. Global economic and financial conditions

Since the Board met in December last year, the global manufacturing and services sectors have witnessed faster growth, and trade activity has gradually recovered. Nevertheless, major central banks in the US and Europe have maintained high policy rates, which have continued to restrain global economic growth momentum. Inflation rates in major economies have come down at a slower pace as services inflation remains elevated. International institutions projected the world economy to experience slightly milder growth than last year and the inflation rate to decline further this year.

While central banks in the US and Europe held policy rates steady from the second half of 2023 onwards, the BoJ moved towards monetary policy normalization this week with a rate hike and unwinding of its negative interest rate and yield curve control policies, yet still maintaining an accommodative monetary policy stance. Market investors expect that the US and European central banks would pivot to rate cuts, whereas the BoJ would likely raise policy rates again. Market attention to major central banks' monetary policy moves has induced greater volatility in international financial markets.

Looking ahead, the global economic and financial outlooks are still shrouded in many uncertainties, such as the timing for the US and European central banks to adjust their monetary tightening stance, developments in Japan's monetary policy, spillover effects of China's economic slowdown, and global economic fragmentation and supply chain restructuring. In addition, geopolitical risks and climate change could also affect the progress of global disinflation.

II. Domestic economic and financial conditions

1. In recent months, Taiwan's exports recorded continuous growth, underpinned by stabilizing global final demand and booming business for artificial intelligence and other emerging technology applications. In regard to domestic demand, private consumption gained momentum from stronger consumer confidence amid an economic recovery, whereas investment sentiment remained lackluster as reflected by a sustained contraction in capital equipment imports. In the labor market, the number of employed

persons continued increasing in recent months, the unemployment rate dropped further, and the number of furloughed workers also decreased.

For the year as a whole, the prospects of global goods trade growth firming up and emerging tech applications gaining traction would likely fuel export growth and bolster private investment. Meanwhile, private consumption is expected to continue growing. The Bank therefore slightly upgraded the forecast for Taiwan's 2024 GDP growth rate to 3.22% (see Appendix Table 1 for the forecasts by major institutions), which was higher than 1.31% in 2023.

2. For the first two months of the year, the annual growth rate of the consumer price index (CPI) averaged 2.43%, mainly reflecting increases in prices of food (particularly fruit and food away from home) and entertainment services and rising housing rent. The core CPI (excluding vegetables, fruit, and energy items) continued slowing down gradually, with an average annual growth rate of 2.27% during the same period.

   For the outlook of this year, the CPI inflation rate would likely slow down from last year given a mild rise in commodity prices, as international oil prices were projected by international institutions to edge up from the previous year, and a smaller increase in services prices owing to a high base effect. Taking into account a proposed hike in electricity rates in April this year, the Bank revised up the forecasts for the CPI and core CPI inflation rates this year to 2.16% and 2.03%, respectively, lower than 2.49% and 2.58% last year (see Appendix Table 2 for the forecasts by major institutions).

3. Domestic market liquidity was ample and short and long-term market rates fluctuated within a narrow range in recent months. For the first two months of the year, banks' excess reserves averaged around NT$54.9 billion; the annual growth rate of M2 (measured on a daily average basis) and that of bank loans and investments averaged 5.51% and 7.19% respectively.

III. The Board decided to raise the policy rates by 0.125 percentage points

At the meeting today, the Board considered the balance of incoming data on economic and financial conditions at home and abroad. The domestic inflation rate was expected to slowly come down quarter by quarter this year. However, given that inflation has stayed at a relatively higher level since 2021 and that a proposed electricity rate hike might be implemented in April this year, inflation expectations might shift upwards. Meanwhile, the economic growth would likely pick up this year. Against this background, in order to contain domestic inflation expectations, the Board judged that a rate hike would help sustain price stability and foster sound economic and financial development on the whole.

The Board decided to raise the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations by 0.125 percentage points to 2%, 2.375%, and 4.25%, respectively, effective March 22, 2024.

Going forward, the Bank will remain watchful of the evolving effects of electricity rate adjustments and energy transition for net-zero emissions on domestic inflation. The Bank will also stay attentive to incoming information regarding monetary policy paths of major central banks, risks from China's economic downturn, international raw material prices, geopolitical risks, extreme weather, etc. 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 aforementioned objectives.

IV. The Bank has made five amendments to its selective credit control measures since December 2020, which have helped enhance banks' risk management associated with real estate lending and curb an excessive flow of credit resources into the real estate market. In addition, the Bank's gradual approach to monetary tightening since March 2022 has also helped reinforce the effectiveness of the selective credit control measures. As a result, data since the introduction of the selective credit controls have shown that growth in construction loans of all banks has continued slowing and credit quality of real estate lending remains sound as the non-performing loan ratio stays low.

Nevertheless, growth in housing loans as well as loans to the real estate sector has picked up as housing market transactions resurged, and the ratio of real estate lending to total lending of all banks remains elevated. Therefore, the Bank will continue reviewing the status of banks' real estate lending and the effectiveness of the selective credit controls, closely monitor potential impacts of real estate sector-related policies on the housing market, and adjust relevant measures 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/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 duties, will step in to maintain an orderly market...

Appendix Table 1

Taiwan's Economic Growth Forecasts by Major Institutions

Unit: %

Forecast institutions		2024 (f)
Domestic institutions	**CBC (2024/3/21)**	**3.22**
	NTU/Cathay (2024/3/13)	3.00
	DGBAS (2024/2/29)	3.43
	TIER (2024/1/26)	3.15
	CIER (2024/1/24)	3.10
Foreign institutions	Citi (2024/3/18)	3.70
	Goldman Sachs (2024/3/18)	2.69
	Barclays Capital (2024/3/15)	3.30
	BofA Merrill Lynch (2024/3/15)	3.20
	Morgan Stanley (2024/3/15)	3.20
	Nomura (2024/3/15)	3.30
	Standard Chartered (2024/3/15)	3.10
	S&P Global Market Intelligence (2024/3/15)	3.41
Forecast Average		**3.22**

Appendix Table 2

Taiwan's Inflation Forecasts by Major Institutions

Unit: %

Forecast institutions		2024 (f)
Domestic institutions	**CBC (2024/3/21)**	**2.16 (CPI)** **2.03 (Core CPI*)**
	NTU/Cathay (2024/3/13)	1.90
	DGBAS (2024/2/29)	1.85
	TIER (2024/1/26)	1.95
	CIER (2024/1/24)	1.88
Foreign institutions	Citi (2024/3/18)	2.50
	Goldman Sachs (2024/3/18)	1.64
	Barclays Capital (2024/3/15)	2.10
	BofA Merrill Lynch (2024/3/15)	2.00
	Morgan Stanley (2024/3/15)	2.30
	Nomura (2024/3/15)	2.00
	Standard Chartered (2024/3/15)	1.50
	S&P Global Market Intelligence (2024/3/15)	1.94
Forecast Average		**1.98**

* Excluding vegetables, fruit, and energy.