

# Foreword



Chin-Long Yang, Governor

For Taiwan, 2023 was a year marked by robust growth in private consumption on the one hand, thanks to strong post-pandemic appetite for face-to-face consumption, and by contractions in exports and private investment on the other hand, owing to tepid global end-market demand. Overall, the economy expanded at a pace of 1.31% in 2023, slower than the 2.59% registered in 2022. Inflation numbers also saw a divergence, with service prices surging on post-pandemic demand boom for dining and entertainment but commodity inflation slowing amid price declines for imported crude oil and other raw materials. As a result, the annual growth rate of the consumer price index (CPI) came down to 2.49% from 2.95% the previous year, and the annual core CPI growth rate slightly slowed to 2.58% from 2.61% a year ago.

In view of milder inflation relative to those in major economies, the Bank proceeded with a more gradual, moderate approach to monetary tightening throughout 2023, with a March rate hike followed by three rate holds in the remainder of the year. The March hike by 0.125 percentage points was the

---

fifth one in an effort to rein in domestic inflation expectations. In the following months, though, the inflation rate gradually came down, along with a projection for inflation to slow to around 2% in 2024. However, the domestic economic recovery remained susceptible to a myriad of risks facing the global economic outlook, and the domestic output gap was estimated to be negative in both 2023 and 2024. Taking these into consideration, the Bank kept the policy rates steady in the June, September, and December quarterly Board Meetings in order to foster sound economic and financial development.

In addition to rate decisions, the Bank also carried on with the effort of urging banks to enhance real estate credit risk management. In June 2023, the Bank amended its selective credit controls for the fifth time since March 2020 by introducing a new 70% cap on the loan-to-value ratio for a natural person's second outstanding home loan collateralized by property located in the stipulated "specific areas."

The Bank also conducted open market operations, issued certificates of deposit, and took banks' re-deposits to manage liquidity and keep market interest rates at their appropriated levels. For year 2023 as a whole, bank loans and investments recorded an average annual growth rate of 5.92%. The monetary aggregate M2 rose by 6.25% on average for the year, an increase within the Bank's reference range (2.5% - 6.5%).

In the foreign exchange market, the NT dollar exchange rate was affected by massive foreign portfolio capital flows as well as international economic factors, exhibiting volatile swings against the US dollar in 2023. In keeping with its mandate, the Bank stepped into the forex market to maintain the dynamic stability of the NTD exchange rate with net forex sales amounting to

---

US\$2.8 billion. At the end of 2023, the Bank held US\$570.6 billion worth foreign exchange reserves, representing a year-on-year increase of US\$15.7 billion, or 2.8%, mainly reflecting the returns from forex reserves management.

The Bank is also devoted to continued improvement of the payment systems. In 2023, the Bank instructed the Financial Information Service Co., Ltd. (FISC) to utilize the interbank payment infrastructure to assist in cash disbursements under the government's universal surplus tax rebate project. The FISC was also urged to join with financial institutions in promoting the common QR code payment specification, known as TWQR, and to broaden the scope of services on the Bank-consigned "Common Inter-Institutional Electronic Payment Platform" inaugurated in 2021.

Another key endeavor of the Bank in 2023 was to continue with relevant research work on the central bank digital currency (CBDC), moving on to the phase of opinion surveys, platform technology advancements, and regulation-related discussions. In addition to digital currency studies, a digital exhibition on the Bank's Virtual Money Museum website was launched in 2023. In collaboration with the National Museum of History (NMH), the special exhibition "History of Ancient Coins" showcases 50 items of significance among the NMH's collection spanning several thousand years up to the late Ching Dynasty.

In line with its financial stability mandate, the Bank has strived to strengthen the capabilities and effectiveness of financial stability analysis. The actions taken include continuous improvement to the graphical user interface of credit and market risk models, as well as the development of the Taiwan Financial Vulnerability Index. In addition, the Bank has been studying major global trends and practices in climate change-related risk assessment for the financial sector,

---

with the aim of facilitating future internal model construction for climate risk assessment.

Going forward, the many uncertainties challenging the world economy remain in sight. The Bank will keep a close eye on the implications for the domestic economic and financial conditions arising from such factors as major economies' monetary policy actions, risks associated with China's economic downturn, global economic fragmentation and supply chain restructuring, and geopolitical risks, as well as extreme weather. The Bank will make appropriate monetary policy adjustment as warranted and in a timely manner so as to achieve its statutory objectives of financial stability, price stability, and fostering economic development within the scope of the above objectives.

Finally, I would like to thank my colleagues for their dedicated efforts in the year of 2023 and for bringing forth this Annual Report. As mentioned, this is a challenging time, and the Bank will stay attentive and adaptive so as to fulfill the duties on our shoulders.

A handwritten signature in black ink, reading "Chin Long Yang". The signature is fluid and cursive, with the first and last names being more prominent.

Chin-Long Yang  
Governor  
March 2024