

# Foreword



Chin-Long Yang, Governor

In the past year, Taiwan experienced faster growth and continued disinflation. The economic growth picked up from an annual pace of 1.12% in 2023 to 4.59% in 2024 as the rapid advancing of artificial intelligence (AI) and other emerging tech applications bolstered exports of the related supply chain, while private investment also rebounded strongly with firms stepping up production capacity. Meanwhile, domestic inflation eased further, as core commodity inflation was dampened by a downturn in imported raw material prices while inflation in services such as entertainment also saw a softening. The annual growth rate of the consumer price index (CPI) thus declined from 2.49% in 2023 to 2.18% in 2024. Excluding fruit, vegetables, and energy, the annual growth rate of the core CPI also slowed from 2.58% to 1.88%.

Against this backdrop, the Bank operated under a gradual and moderate approach to monetary tightening in order to contain domestic inflation expectations, including a March 2024 rate hike by 0.125 percentage points, the sixth in its tightening cycle that has delivered a total of 0.875 percentage point

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rate hike since March 2022. The Bank's selective credit control measures, aimed at curbing excessive credit flows into the housing market, were taken a step further in the year through the sixth and seventh amendments to the relevant regulations in June and September to rein in housing loan standards, alongside quantitative management with two 0.25 percentage point hikes in the reserve requirement ratios. To reinforce the effectiveness of the credit controls, the Bank adopted moral suasion in August, asking banks to conduct prudent internal management of the aggregate amount of real estate lending for a one-year period from 2024Q4 to 2025Q4.

Meanwhile, the Bank conducted open market operations, issued certificates of deposit, and took banks' re-deposits to help keep banking system liquidity and market interest rates at their appropriated levels. While bank loans and investments recorded an average annual growth rate of 8.03% in 2024, the monetary aggregate M2 increased by 5.83% on average for the year, a level well within the Bank's reference range (2.5%-6.5%).

In 2024, Taiwan's foreign exchange market witnessed massive portfolio investment outflows by foreign institutional investors as well as other market forces shaped by international economic developments. Consequently, excess demand for the US dollar led to a weakening in the NT dollar exchange rate vis-à-vis the USD. In keeping with its mandate, the Bank stepped in the forex market to maintain the dynamic stability of the NTD exchange rate, with net forex sales amounting to US\$16.4 billion. At the end of 2024, forex reserves held by the Bank stood at US\$576.7 billion, a 1.1% increase of US\$6.1 billion year on year mainly owing to returns from reserves management. In addition, a policy change was made to significantly raise the ceilings on the annual

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cumulative forex settlement allowed for domestic firms and individuals. Effective November 2024, this move was initiated to reflect the progress in Taiwan's economic, trade, and financial development and to facilitate Taiwan's future role as an Asian asset management center.

In July 2024, as part of the continuous effort to increase diverse payment channels for national treasury funds and to promote cashless payment, relevant forms and documents underwent a full revamp, which would further improve electronic payment to the national treasury and increase convenience for the public in making such payments. Elsewhere, the Bank joined the world in celebrating the Paris 2024 Olympic Games with a special online exhibition on its Virtual Money Museum, showcasing sports- and Olympics-related coins and notes worldwide as we cheered the national team on!

The Bank also recognized the need to ensure the safety and efficiency of domestic payment systems. Therefore, we continued in 2024 to instruct the Financial Information Service Co., Ltd. (FISC) to improve the infrastructure of retail payment and to reduce market fragmentation by promoting the common QR code, TWQR, for payment ease. With cross-industry and cross-border collaboration, TWQR adoption increased further in 2024, with new functions of payment for public transportation and for shopping in Japan and South Korea. On the front of the central bank digital currency (CBDC), we pushed forward with CBDC-related studies, including a joint project between the Bank and the participating banks went under way for wholesale CBDC trials on technologies involving tokenized assets.

Looking ahead, as the global economy remains shrouded in a myriad

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of uncertainties, the Bank will stay attentive to domestic inflation, the US economic and trade policies, monetary policy actions by major central banks, China's economic downturn risk, geopolitical conflicts, and extreme weather. We would assess the implications of these evolving situations for Taiwan's economic and financial conditions and make timely adjustments to monetary policy as warranted to fulfill our mandate of maintaining financial and price stability, and fostering economic development.

As ever, I am thankful to my colleagues for their hard work in putting together the annual accounts for a challenging year and hope our readers find this publication helpful. Going forward, we will proceed with dedication to fulfilling the Bank's mandate and confronting the challenges ahead.

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 than the middle name.

Chin-Long Yang  
Governor  
April 2025

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