



Post-Meeting Press Conference



2026.9.17

Key Considerations for **Monetary Policy Decisions**

A. Monetary Policy: Policy Rate Hold

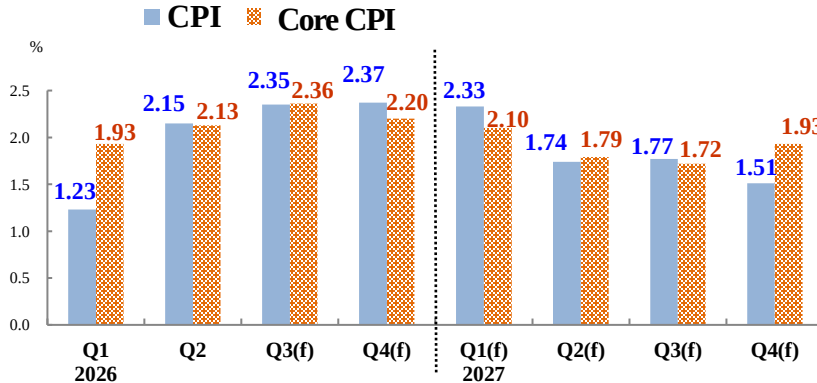
Key Considerations for the Hold

I. Inflation is expected to remain manageable in 2026 and **to ease below 2% in 2027**

1. For 2026: **With international oil prices** remaining elevated and **services inflation** staying high and proving sticky, **the Bank revised up its forecasts for headline and core CPI inflation rates to 2.03% and 2.16%, respectively.**

— **Import prices have risen** this year mainly owing to price increases in electronic parts & components (e.g., IC) and energy minerals (e.g., crude oil). However, as most of **the increase in electronic parts & component prices has been reflected in higher export prices** and the government has taken **measures* to stabilize energy prices**, the resulting inflationary pressure remains manageable.

Taiwan's CPI and Core CPI Growth



	2025	2026(f)	2027(f)
(Headline) CPI	1.66%	2.03% (1.91%)	1.83%
Core CPI	1.66%	2.16% (1.90%)	1.89%

Note: f denotes forecast; brackets indicate 2026/6/18 forecast.

Sources: DGBAS (actual); CBC (forecast).

Note: *The stabilization measures include (1) implementing the dual oil price stabilization mechanism, supplemented by a special mechanism to absorb at least 60% of increases in retail prices; and (2) freezing prices for household natural gas, bottled gas, and electricity.

2. For 2027: International institutions currently projected **international oil prices to register lower than the levels this year**.

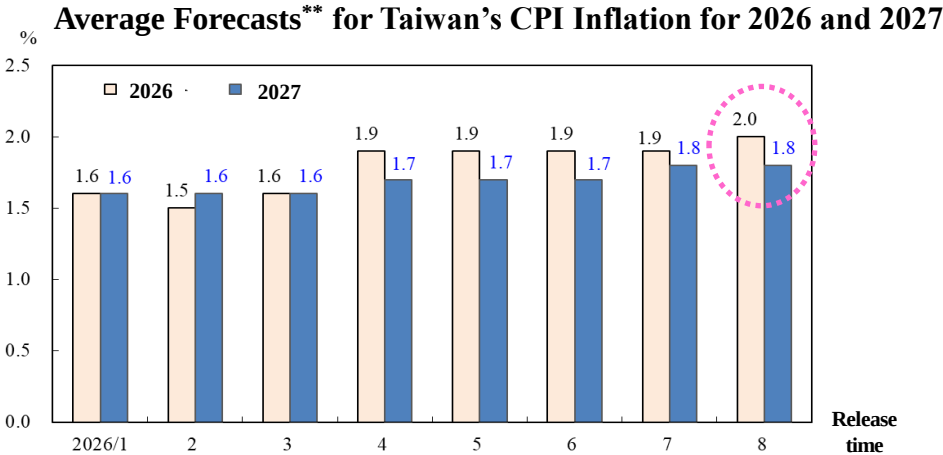
Major institutions and the Bank all forecasted **Taiwan's CPI inflation will decline from this year to around 1.8% next year**.

- (1) Major institutions' average forecast* for 2027 international oil prices was US\$78 per barrel, 12% lower than the 2026 average forecast (US\$88.6). This would help contain upward pressures for domestic prices of fuels & lubricants as well as air fares. Meanwhile, consumer demand was also expected to be mild next year.

The Bank forecasted the headline and core inflation rates to ease next year to 1.83% and 1.89%, respectively.

Note: * From the forecasts by a total of 13 institutions in Sept. 2026, including three major oil price forecasters – EIA, S&P Global, and EIU – as well as 10 investment banks.

- (2) The average forecast of nearly 20 major institutions for Taiwan's inflation rate next year is 1.8%, below this year's 2.0%, indicating that inflation expectations remain stable.

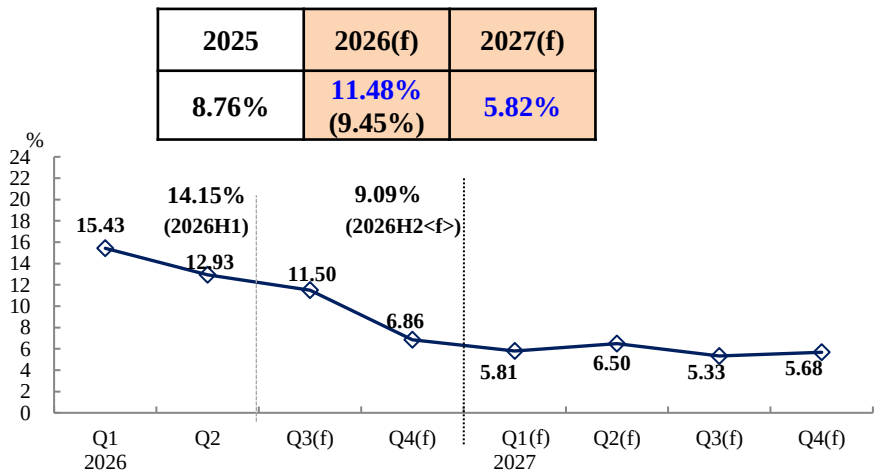


Source: Asia Pacific Consensus Forecasts, Consensus Economics Inc.
(**of nearly 20 major institutions).

II. Taiwan's GDP growth forecast revised up for 2026, with steady growth projected for 2027

- 1. For 2026: Taiwan's 2026H1 GDP growth rate was 14.15%, stronger than expected and the 2026H2 growth rate was projected to be 9.09%. **For 2026 as a whole, the Bank revised up the GDP growth rate forecast to 11.48%.**
- 2. For 2027: Demand for emerging technology applications was expected to remain robust, continuing to drive Taiwan's exports and private investment. Coupled with the public sector pay raise and the anticipated minimum wage hike, private consumption would likely expand further. However, considering a higher base effect, the Bank forecasted economic growth to register **5.82% next year.**

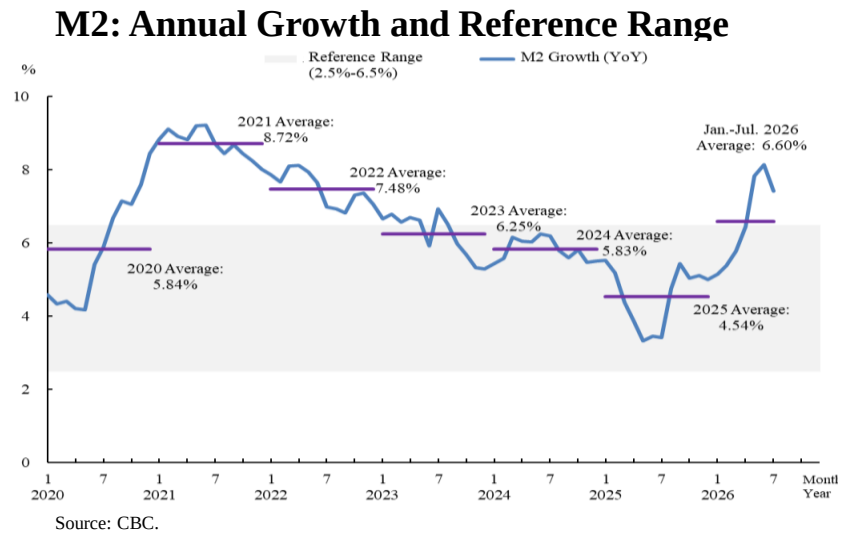
Taiwan's GDP Growth Rate



Note: f denotes forecast; brackets indicate 2026/6/18 forecast.
Sources: DGBAS (actual); CBC (forecast).

III. The Bank’s current monetary policy stance is slightly restrictive

1. M2 growth reflects overall liquidity conditions, helping to assess economic activity and inflationary pressures; thus, the Bank continues to use it as an important reference indicator for monetary policy. The reference range framework has worked well since implementation.
- (1) From the mid-1970s to late 1980s, monetary aggregates were intermediate targets for major central banks. Later, financial innovation and deregulation led several central banks – including the U.S. Fed in the early 1990s – to move away from monetary targeting.
 - (2) However, monetary analysis remains a key source of information for ECB monetary policymaking and the Fed Governor Kevin Warsh recently also underscored the crucial role of money supply in monetary policy conduct.
 - (3) The Bank has long valued the policy signals provided by M2. We adopted an M2 growth target range framework in 1992 and shifted to a reference range (currently set at 2.5% - 6.5%) in 2020, which has been working well.



2. The Bank’s monetary policy stance has been tilted toward the restrictive side since 2022.
- (1) From 2022 to 2024, the Bank tightened monetary policy in a moderate, gradual approach, raising the policy rates six times and the NTD reserve requirement ratios four times, while strengthening its selective credit controls for the seventh time in September 2024.
 - (2) Major central banks, including the Fed, the ECB, and the Bank of Korea (BOK), **reduced** their policy rates several times since the second half of 2024, **before** recently pivoting to **rate hikes**.
- The Bank, which **has not lowered** its policy rates over this period, **has kept the rates unchanged** since its last rate hike in March 2024.

Policy Rate Changes and Inflation Rates: Fed, ECB, and BOK

	Policy Rate Changes	Inflation Rate*
Fed	Raised rates from 2022 to a peak of 5.375% in Jul. 2023; Cut rates 6 times successively from Sep. 2024; Pivoted to a rate hike (once) in Sep. this year	3.7% (2026/7)
ECB	Raised rates from 2022 to a peak of 4.5% in Sep. 2023; Cut rates 8 times successively from Jun. 2024; Raised rates twice starting Jun. this year	3.3% (2026/8)
BOK	Raised rates from H2 2021 to a peak of 3.5% in Jan. 2023; Cut rates 4 times successively from Oct. 2024; Raised rates twice starting Jul. this year	3.1% (2026/8)

Note: * Refers to the annual growth rate of PCE for the U.S., HICP for the euro area, and CPI for South Korea.
Sources: Fed, ECB, BOK.

3. The Bank has Deployed Price and Quantity Tools Post-Pandemic to Curb Inflation and Real Estate Credit Expansion

(1) From Q1 2022 to Q3 2024:

- A. Money Demand: Demand for money rebounded alongside the post-pandemic recovery in economic activity.
- B. Money Supply: The Bank shifted its policy stance toward tightening, including raising policy rates six times and NTD required reserve ratios four times, as well as strengthening selective credit control measures for the seventh time in September 2024, thereby tightening the money supply.

(2) Since Q4 2024:

- A. Money Demand: It rose on strong economic momentum led by the AI sector, coupled with buoyant stock market activity.
- B. Money Supply: Remained tight as overall monetary operations stayed restrictive, despite no further interest rate adjustments.
- C. Since 2024, Taiwan’s real GDP growth plus CPI inflation has outpaced M2 growth, reflecting a continued restrictive monetary stance.

YoY Growth of Taiwan’s GDP, CPI, and M2 Since 2020

Unit: %

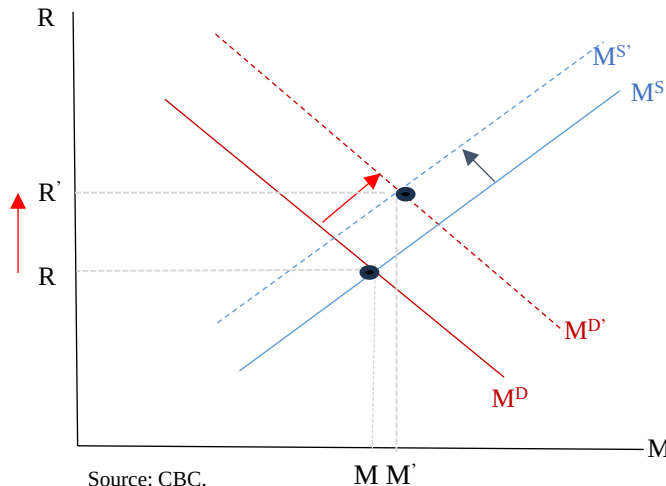
	Real GDP YoY Growth (a)	CPI YoY Growth (b)	(a)+(b)	M2 Growth (YoY)
2020	3.42	-0.23	3.19	5.84
2021	6.72	1.97	8.69	8.72
2022	2.68	2.95	5.63	7.48
2023	1.08	2.49	3.57	6.25
2024	5.27	2.18	7.45	5.83
2025	8.76	1.66	10.42	4.54
2026(f)	11.48	2.03	13.51	6.75

Note: The M2 annual growth rate, economic growth rate, and CPI annual growth rate for 2026 are the Bank’s estimates.
Sources: CBC and DGBAS.

(3) Post-pandemic, the Bank has maintained a restrictive stance on reserve money operations, effectively keeping monetary aggregates under control to:

- A. Guide market interest rates upward ($R \rightarrow R'$);
- B. Contain inflationary pressures; and
- C. Guard against asset price bubbles.

Money Market Post-Pandemic
(Since the Bank's rate hike in Q1 2022)



4. This year to date, domestic short- and long-term market interest rates have been trending up.
- Since the beginning of the year, although the Bank has kept policy rates unchanged, it has monetary policy operations on the restrictive side; market interest rates have consequently moved higher, while monetary expansion remains under control.

CBC's 1-Year NCD Rate and Short- and Long-Term Market Rates

Unit: %; percentage point (pp)

	Short-term bills market	Auction Rate on CBC's 364-Day NCDs	Corporate Bond Market	Government Bond Market
	1-Month CP Secondary Market Rate		5-Year Corporate Bond Secondary Market Yield	10-Year Gov. Bond Secondary Market Yield
2025/12 (A)	1.494	1.228	1.708	1.357
2026/9* (B)	1.723	1.643	2.230	1.907
Change = (B) - (A)	+0.229	+0.415	+0.522	+0.550

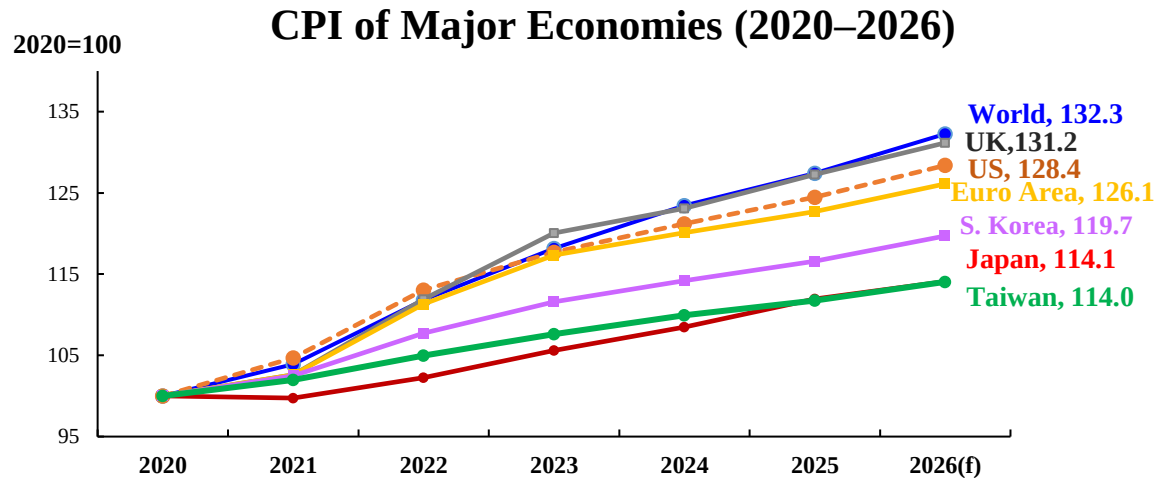
Note: * The Bank's NCD rate refers to the weighted average winning bid rate for the NCDs issued on Sep. 4, 2026; the latest data on corporate bond yields are as of Aug. 2026; other market interest rates are the average rates for the period from Sep. 1 to Sep. 16, 2026.

Source: CBC.

5. Taiwan's inflation has remained relatively mild compared to major economies.

- Since 2020, Taiwan's cumulative inflation rate (14.0%) was noticeably lower than those of major economies such as the U.K. (31.2%), the U.S. (28.4%), the euro area (26.1%), and South Korea (19.7%), and was comparable to Japan's (14.1%). Main reasons include:

- (1) Government Supply-Side Measures: The government has implemented price-stabilization controls to cushion domestic prices against supply shocks from the 2022 Russia-Ukraine war and the 2026 Middle East conflict.
- (2) Central Bank Cautious Tightening: The Bank has adopted a moderate, gradual monetary tightening stance amid the post-pandemic demand recovery (2022–2023) and AI-driven export/economic growth (since 2024), which has helped stabilized prices and anchor inflation expectations.



Source: S&P Global.

In policy rate decision-making, the Bank will closely monitor

1. Domestic inflation trends;
2. The extent of monetary tightening by major central banks;
3. Domestic financial conditions; and

The implications of other uncertainty factors – such as the prospect of AI application development, impact from U.S. economic and trade policies, and extreme weather – for Taiwan's economic activity.

The Bank will 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.

B. Selective Credit Control Measures: Moderately Adjusted

Key Considerations

I. Since the Bank's moderate adjustment in March 2026 to the LTV cap on second housing loans, financial institutions have continued to strengthen real estate credit risk management and the Bank's **credit controls have increasingly shown results**:

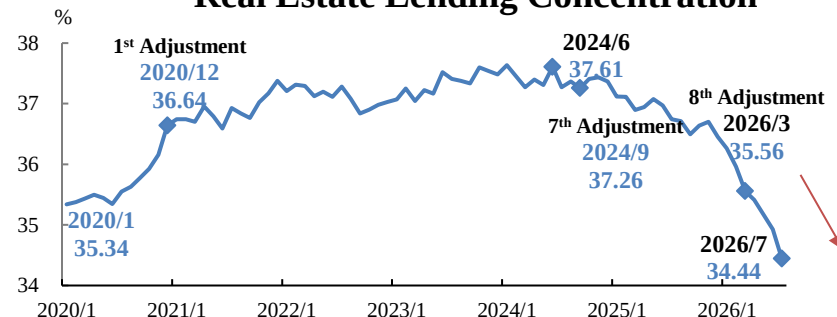
1. The concentration of real estate lending across all banks **fell further** from 35.56% at end-March to **34.44% at end-July** this year, down 3.17 pp from the peak of 37.61% at end-June 2024.

2. Bank credit resources have shifted **notably toward productive economic activities**; the annual growth rate of **real estate-related loans has declined** from its recent peak.

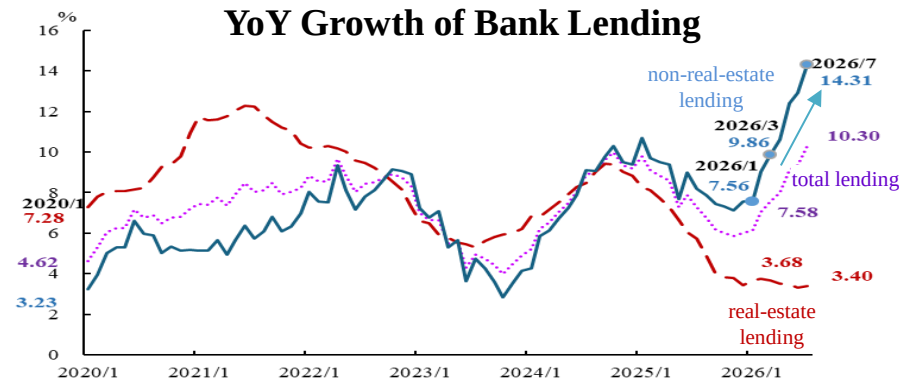
(1) As robust AI demand drove corporate demand for working capital, the annual growth rate of all banks' non-real-estate lending rose further from 9.86% at end-March to 14.31% at end-July this year.

(2) The annual growth rates of all banks' outstanding real estate loans, housing loans, and construction loans have declined from their recent peaks of 9.41% and 11.26% at end-September 2024 and 4.72% at end-October 2024, respectively, to 3.40%, 4.52%, and -0.19% at end-July this year.

Real Estate Lending Concentration



YoY Growth of Bank Lending



3. Banks have continued to prioritize credit resources for home purchases by non-homeowners and policy loans such as urban renewal and old/dilapidated building reconstruction.

- (1) Domestic banks' ratio of non-homeowner housing loans to total housing loans rose from 64.4% at end-March 2026 to 65.1% at end-July.
- (2) Domestic banks' ratio of loans for urban renewal and old/dilapidated building reconstruction to total construction loans rose from 24.7% at end-March 2026 to 25.2% at end-July.

4. Banks' credit quality remains sound, with related credit risks under control.

At the end of July this year, non-performing loan (NPL) ratios for domestic banks' housing loans and construction loans were both 0.08%, remaining at low levels and below the overall NPL ratio of 0.14%, indicating that banks have maintained effective control over real estate credit risks.

5. Housing market transactions have continued to cool, speculative activity has decreased, and public expectations of rising housing prices remain moderate.

II. The Bank's selective credit controls have continued to produce results. However, as the Preferential Youth Housing Loans 3.0 policy has just gone into force, and recent developments including strong domestic growth and brisk local stock trading could fuel expectations of housing price upturns, their housing market impact still warrants observation. The Bank therefore considered it not yet appropriate to significantly relax the measures and introduced moderate adjustments as follows:

1. Housing loans: To better support owner-occupied home purchases for borrowers' own use or for their family members, the Bank raised the LTV ratio cap on a natural person's second housing loan from 60% to 70%.
2. Land loans: Since the Bank introduced the rule in December 2021 requiring land loans to be accompanied by a written affidavit specifying a construction start timeframe, banks have prudently underwritten such loans and verified construction schedules on a case-by-case basis. As this requirement may now be better left to banks' own credit extension practices, the Bank decided to remove it.

Going forward, the Bank will continue to conduct rolling reviews of the credit control measures and make timely adjustments as warranted in order to foster financial stability and sound banking operations.

Amendments: Regulations Governing the Extension of Mortgage Loans by Financial Institutions

Effective Date: September 18, 2026

Loans		Loan Underwriting Criteria	
		Current provisions	Amendments
Housing loans taken out by corporate entities		LTV ratio cap: 30%; No grace period	(Unchanged)
Natural persons	High-value housing loans	LTV ratio cap: 30%; No grace period	(Unchanged)
	First housing loans for current homeowners	No grace period	(Unchanged)
	Second housing loans	LTV ratio cap: 60%; No grace period	LTV ratio cap: <u>70%</u> ; No grace period
	Third (or more) housing loans	LTV ratio cap: 30%; No grace period	(Unchanged)
Unsold housing unit loans		LTV ratio cap: 30%	(Unchanged)
Land loans		● LTV ratio cap: 50% (10% to be withheld until construction commences) ● Additional requirements: ◆ A substantive project development plan ◆ A written affidavit specifying the timeframe to commence construction	● LTV ratio cap: 50% (10% to be withheld until construction commences) ● Additional requirements: ◆ A substantive project development plan
Mortgage loans for idle land in industrial districts		LTV ratio cap: 40%; Exemptions applicable when: ● Construction on the collateralized land has commenced; or ● Borrower has submitted a substantive project development plan and a written affidavit stating construction to begin within 1 year	(Unchanged)