Minutes of the Monetary Policy Meeting

June 20, 2019

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

Minutes[1] of the Joint Meeting of the Board of Directors and the Board of Supervisors on June 20, 2019

Date and Time: June 20, 2019, at 2:00 p.m.

Location: Room A606, Main Building, Central Bank of the R.O.C. (Taiwan)

Members Present:

Chairman, Board of Directors: Chin-long Yang

Executive Directors: Jain-rong Su, Jong-chin Shen, Tzung-ta Yen, Nan-kuang Chen, Ming-yih Liang

Directors: Chi-chung Chen, Chen-chia Lee, Chung-dar Lei, Jin-lung Lin, Mei-lie Chu, Chao-hsi Huang, Bih-jane Liu, Shiu-sheng Chen, Hsin-hong Kang

Chairman, Board of Supervisors: Tzer-ming Chu

Supervisors: Ching-fan Chung, Sheng-yao Lin, Tien-wang Tsaur, Kuei-hui Cheng

Staff Present:

E-dawn Chen, Director General, Department of Banking

James T.H. Shih, Director General, Department of Issuing

Hui-huang Yen, Director General, Department of Foreign Exchange

Yue-min Chen, Director General, Department of the Treasury

Tsuey-ling Hsiao, Director General, Department of Financial Inspection

Tzong-yau Lin, Director General, Department of Economic Research

Chien-ching Liang, Director General, Secretariat

Kuei-chou Huang, Director General, Department of Accounting

Jhih-cheng Hong, Director, Personnel Office

Kun-shan Wu, Director, Legal Affairs Office

Chih-cheng Hu, Secretary, Board of Directors

Yu-ming Chang, Secretary, Board of Supervisors

Presiding: Chin-long Yang

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

Agenda Item: Economic and Financial Conditions and Monetary Policy Decision

I. Review of economic and financial conditions

The Department of Economic Research presented the following review.

1. International Economic and Financial Conditions

Since the Board last convened in March 2019, the forecast for this year's global economic growth had been revised down by major international institutions to a level lower than the previous year's, based on concerns about escalating US-China trade friction, increased financial fragilities in debt-ridden economies, the Brexit stalemate, and geopolitical tensions. Global trade volume was also widely forecast to grow slower this year as global trade conflicts were feared to continue and the world economy could falter along.

Major economies were forecast to grow at a slower pace this year than last year, with recent developments from May onwards pointing to heightened US-China trade friction and weaker global economic and trade growth. In terms of inflation, international institutions projected that, for the world as a whole and for most of the economies individually, this year's inflation would trend lower than last year, given the expected global slowdown and a slight year-on-year decline in international oil prices.

The Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of Japan (BoJ) had kept policy rates unchanged and adopted a more dovish stance. Since April, central banks in several Asia-Pacific economies had announced rate cuts to bolster economic growth.

In regard to developments in international financial markets since May, global stock rallies had been thwarted by renewed trade woes between the US and China. With capital flowing out of emerging market economies, their currencies, including the renminbi, had weakened alongside a stronger US dollar. Meanwhile, a confluence of factors, including a bleak global economic outlook and subdued inflation, increased dovishness by major central banks, and stronger sentiment for risk aversion, had sent more funds into bond markets, leading the yields on major 10-year government bonds to a near-term low.

The following uncertainties could tilt global economic risks further to the downside.

(1) With trade tensions intensifying between the US and China, the outcome of trade

talks ahead would impact global economic prospects.

(2) A pending “no-deal” Brexit and Italy’s declining fiscal health could add to European political and economic uncertainties and hamper financial stability of the region.

(3) Non-financial sector debt is building up in the US and China while global financial fragility is increasing, a threat to international financial and economic conditions.

(4) Heightened geopolitical risks could also cloud the global economic outlook.

2. Domestic Economic and Financial Conditions

(1) Economic situation

Growth momentum had been moderate so far this year. The domestic business climate monitor had signaled a yellow-blue light for four months in a row. While leading indicators had risen, coincident indicators had continued to fall. These combined to obscure the near-term outlook, warranting close monitoring.

For the economy as a whole, growth was projected to gather pace quarter by quarter, supported by government stimulus measures to shore up domestic demand, as well as a lower base from the previous year. The Bank forecast Taiwan’s economy to grow 2.36% in the second half of the year, higher than the 1.73% of the first half of the year. The economy was forecast to expand 2.06% for the entire year, with domestic demand the main driver of growth. However, future developments in US-China trade talks would be a crucial factor in this outlook.

In terms of GDP by expenditure components, exports contracted during the first five months of the year owing to US-China trade friction and a slowing global economy. External demand would remain weak in the second half of the year, but orders arising from new business opportunities and transferred from areas subject to higher US or Chinese tariffs might shore up export growth. The Bank expected exports to register mild growth in real terms for the year of 2019.

As to domestic demand, investment in machinery equipment and construction works had continued to increase. The government had carried on with the signature Forward-looking Infrastructure Development Program and efforts in encouraging Taiwanese businessmen to invest back in Taiwan. In this view, the Bank expected this year’s real private investment to grow steadily. With respect to private consumption, slower economic growth, thinner corporate profits, weaker wage growth momentum, and falling consumer confidence led the Bank to project this year's real growth in private consumption would be slower than the previous year.

Meanwhile, labor market conditions remained stable. For the first four months of 2019, the average unemployment rate rose slightly year on year and regular earnings grew at a somewhat slower rate. By contrast, the number of employed persons continued to increase.

(2) Financial conditions

Since the month of May, net foreign capital outflows and tax revenue inflows into the national treasury had caused market funding conditions to slightly tighten and short-term interest rates to edge up. As the Bank conducted open market operations to manage liquidity as warranted, the average bank excess reserves had stayed above NT$40 billion in recent months. Compared to major economies and adjusted for inflation, Taiwan's real interest rate had been around the middle of the range. Taiwan's 10-year government bond yield ticked lower, mainly in step with a decline in the 10-year US treasury yield. The NT dollar had depreciated against the US dollar amid international dollar strength. Overall, domestic financial conditions remained on the accommodative side.

In regard to monetary and credit conditions, the monetary aggregate M2 grew at an average rate of 3.25% year on year during the Jan.-May period, within the Bank's target range for this year. For the same period, growth in bank lending slowed down on the economic downturn. However, bank loans and investments averaged an annual growth rate of 5.14%, slightly higher than the 4.93% of the same period last year. This suggested that market liquidity was sufficient to support real economic activity.

For the year to date, the housing market had witnessed a higher transaction volume and a price uptrend. The annual growth rate of mortgages for home purchases climbed steadily, and that of loans for building construction recently advanced to the highest in recent years. Meanwhile, mortgage asset quality remained stable.

Looking ahead, in spite of downside risks to the global economy, government efforts in promoting returning Taiwanese investment and infrastructure spending (of the Forward-looking Infrastructure Development Program) should be able to facilitate mild growth in bank loans and investments.

(3) Price trends

International oil prices moved downwards in late May as US crude inventory and output had both increased and global demand had been depressed by US-China trade conflicts. For the year of 2019, international oil prices would likely average slightly lower than 2018. Global grains prices rebounded recently on severe planting delays in the US caused by poor weather conditions.

In regard to domestic prices, inflation had run low in the beginning of the year before trending up month by month after March on the back of international oil price rises and weather-induced vegetable price hikes at home. The annual growth rate of CPI rose to 0.94% in May, while that of core CPI (excluding fruit, vegetables, and energy items) was 0.62%. For the first five months of the year, the annual growth rates of CPI and core CPI averaged 0.51% and 0.49%, respectively, both considered to be mild.

In the second half of the year, inflation would likely rise higher than the first half year, as vegetables and fruit supply could be affected by typhoons, prodding up food prices in general. In terms of the output gap, a key factor among inflationary pressures, the negative gap could widen marginally owing to domestic economic moderation. For the year as a whole, the Bank projected the CPI and core CPI annual growth rates to be 0.87% and 0.76% respectively, citing a slight year-on-year decline in international oil prices amid a gloomier global economic outlook, alongside with mild domestic demand. The medians of domestic and international institutions’ 2019 inflation forecasts, at 0.83% and 0.88% respectively, also pointed to a mild inflation outlook.

Looking ahead, key determinants of future domestic price trends include upside pressures from the following. (1) Recent torrential rain and the upcoming typhoon season could impact food prices, particularly fruit and vegetables. (2) The minimum wage hike, effective Jan. 1 this year, could drive earnings higher and push up prices for away-from-home food and other related services. On the other hand, downside price pressures could stem from a projected downtrend in international oil prices compared to last year, reductions in network access charges, possible further price cuts in mobile communication rates, and a still negative output gap.

3. **Considerations for Monetary Policy**

(1) The domestic inflation outlook is stable, as prices have risen moderately and the output gap could slip slightly deeper into negative territory. The CPI and core CPI rose by 0.51% and 0.49% on average between January and May and were projected by the Bank to rise 0.87% and 0.76% for the year as a whole.

(2) Although risks to the global economy seem to be tilting to the down side, Taiwan's economy is expected to improve in the second half of the year on the back of solid domestic demand and a lower base effect, at a pace of 2.36% according to the Bank (higher than the 1.73% projection for the first half year). For the year as a whole, the Bank forecasts that mild growth momentum could support the economy to expand by 2.06%. However, the economic growth projections remain, to a great extent, contingent on the progress of US-China trade negotiations.

II. Proposition and Decision about Monetary Policy

1. **Policy Proposition: To keep the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral unchanged at 1.375%, 1.75%, and 3.625%, respectively.**

2. Board members reached a unanimous vote for policy rates to stay unchanged. The discussions are summarized as follows.

3. (1) Discussion on domestic and international economic and financial conditions

In respect of economic situations at home and abroad, several board directors deliberated about the impact of the US-China trade conflict on Taiwan's economy. One board director noted that recent forecast downgrades by major institutions had not been sharp, with most forecasts remaining around 2% and just a few others slipping below 2%. Nevertheless, those forecasts seemed yet to fully incorporate the potential impact on Taiwan's economy from the imposed and announced tariffs of the US and China. It would also be worth contemplating what benefits or harms could ensue for Taiwan if trade friction between those two economies escalates or evolves to a point that challenges China's economic regime.

One board director noted that the US-China trade spat has significantly weighed on Taiwanese businesses, which began to shift high-end production back to Taiwan and lower-end production to South Eastern Asia. To facilitate the returning of Taiwanese capital under such elevated uncertainty seen in the year, the government had been removing investment hurdles and rolling out incentive measures to drive investment and employment.

One board director shared the view that US-China trade friction has hit the corporate sector hard and fast. Nevertheless, the government's swift policy responses have turned a threat into an opportunity, bringing a huge influx of Taiwanese capital. With more and more products of Taiwanese firms to be manufactured locally instead of overseas, the domestic supply chain would also benefit from this opportunity to flourish and expand.

One board director pointed out that returning Taiwanese capital had been growing, prompted in part by concerns about the US-China trade battle and the introduction of OECD's Common Reporting Standard (CRS). However, relevant regulations require that the majority of repatriating capital should be invested in the real sector of the economy. In addition, some of the returning investment had been supplemented with domestic bank lending. It might be worth noting how this would affect loanable funds in the domestic financial market.

In respect of domestic prices, one board director stated that recent inundation and a warm winter earlier had only affected a small chunk of fruit supply, instead of sweeping crop damage. As to pest concerns caused by fall armyworms, it was expected that no significant harm would result therefrom to roil the domestic agricultural product prices.

In regard to domestic financial conditions, several board directors gave their opinions on the domestic housing market. One board director noted that last year's number of home ownership transfers was nearly 100 thousand less than that of year 2013. Moreover, with vacancy units mounting in the recent year and lukewarm transactions of pre-sale homes, the pressure to reduce housing vacancies had been building up. While the housing market saw a recovery with higher prices and more transactions, this should be a rebound back to normal instead of hyper-inflating in value and volume of property sales. Meanwhile, home mortgages had continued to increase, with owner-occupied property the majority of collaterals. Commercial real estate and industrial land had also seen an upsurge this year, mainly attributable to the influx of returning Taiwanese capital.

Another board director commented that recent data showed construction lending and home-purchasing loans had reached new highs in seven or eight years; prices of newly-constructed or existing homes had not jumped, but they had been inching up for multiple quarters in a row. Furthermore, recently financial institutions began another price war, vying for mortgage borrowers. The board director called for close monitoring of new developments in the real estate market and in banks' loan product concentration, so as to respond accordingly and appropriately before expectations for home price appreciation take hold.

(2) Discussion on interest rate decision

All board directors approved of keeping policy rates at the current levels, based mainly on the assessment of (1) high uncertainty in the international economic and trade outlook, (2) moderate growth momentum for the domestic economy, and (3) a stable domestic inflation outlook. One board director gave the reason for approval that the US-China trade conflict had created remarkable uncertainty for the domestic economy; given stable inflation conditions and prospects, a rate hold and an accommodative stance would be appropriate, along with continued funding assistance for small- and medium enterprises that would ensure steady sources of funds. Another board director noted that currently many uncertainties shrouded the international economic landscape, domestic economic activity was somewhat sluggish, and major economies had kept policy rates unchanged; against this backdrop, a "wait and see" approach seemed in order, warranting a rate hold decision by the Bank.

One board director expressed support for a rate hold because, in addition to a wider output gap and subdued inflation at home, major economies' monetary policy also offered little ground for the Bank to adjust the stance before major central banks, including the Fed, made any rate changes. Furthermore, in Taiwan, a small open economy allowing free capital movements, monetary policy moves would carry implications for the NT dollar exchange rate vis-à-vis those of our main trading partners. Therefore, monetary policymakers shall keep close watch on the action at the central banks and currency trends of the US and Taiwan's major trading partners.

One board director noted that since the last Board Meeting in March, Taiwan had enjoyed relative stable economic growth and inflation, alongside with increasing uncertainties at home and abroad; combined, the circumstances warranted keeping the policy rates on hold. Moreover, low market rates would restrict the stimulus effect of a policy rate cut. Therefore, it would be the best decision to leave the rates unchanged.

Another board director also supported a rate hold for the time being, citing a combination of factors: domestic and overseas economic and financial uncertainties, weak impetus for domestic economic growth, a still widening negative output gap, mild inflation, and a stable inflation outlook, which justified no rate hike. As for a rate cut, considering that the Fed and other major monetary authorities had still been mulling over the future rate path, it would be suitable for the Bank to "wait and see" until further informed by future developments.

One board director pointed out that the domestic economic growth rate was expected to improve quarter by quarter in the second half of the year. However, the 2% forecast by major institutions would not be sufficient to merit a rate increase. On the other hand, a rate cut was neither imperative. Although trade tensions could intensify between the US and China and some central banks had begun to reduce rates, there remained high and volatile uncertainties over the international economic and trade situations. In this light, a rate hold now which would provide room for any warranted rate adjustments in the future.

Several board directors expressed support for keeping policy rates steady and commented on future deliberations about monetary policy. One board director noted that the effect of monetary policy on economic activity in the short term would depend on actual expenditures such as corporate investment and fiscal spending. For instance, the Bank of Japan's monetary easing, a stance in place since 1992 to address the persistent economic downturn, has not brought about genuine improvements in the economy throughout the past three decades. Japan's experience showed that monetary policy had a limited short-term stimulus effect while protracted low interest rates could have adverse implications. Therefore, the Bank's policymaking should not only consider short-term factors but also monitor long-term ones.

One board director also remarked that low interest rates since the global financial crisis, when major economies fought back with "quantitative easing" (QE) measures, had rendered monetary policy less effective in the face of short-term economic fluctuations. Nevertheless, low interest rates would not stay forever, and monetary policymakers need to take a long view. Another board director then noted that changes in long-term economic growth forecasts served as a key factor in monetary policy deliberations.

One board director pointed to the low levels of domestic interest rates at present and stated that the Bank might need to take stock of the efficacy of rate cuts should the Fed begin reducing the fed funds rate. While low rates partly restrict monetary policy effectiveness, the fact that Taiwan's banking system has enjoyed ample liquidity and ease in funding reflects in part that monetary policy tools have worked. The board director suggested that in due course it would be worth exploring the possibility of deploying other monetary policy tools.

Another board director gave the opinion that, though Japan had adopted QE and fiscal expansion on multiple occasions since 1992, the measures only produced lean results as the economic upturns had often been countered by unfortunate difficulties as well as structural weaknesses. Monetary policy is never a cure-all remedy for economic distresses, and its limited effects have been further thwarted by an increasingly globalized world. Therefore, it seems a more effective solution to adopt a mix of monetary and fiscal policies and structural reforms.

One board director noted that low interest rates have become an almost worldwide phenomenon since 2008. With the possibility of the Fed reducing rates, the Bank needs to take into account the effect of its policy decisions on private consumption and excess saving. Another board director remarked that a wide range of information, including output, prices, and other economic and financial developments at home and abroad, would be taken into account for monetary policymaking at the Bank, inhibiting the use of rate adjustments to serve specific sectors. In terms of measures to promote private consumption by appealing to savers, a twofold solution of higher wage income and higher saving returns seem the faster route to reach that objective. In Taiwan, where the locals prefer low-risk assets such as deposits and insurance policies, savers could garner better returns through more efficient asset allocation; to that end, the authorities could adopt a three-pronged approach, namely improving financial awareness, enhancing pension fund returns, and raising productivity of the ALM (asset/liability management) industry.

One board director explained further that monetary policy affects a wide universe of variables, including consumption, investment, cross-border capital flows, inflation, and so on. And the government has implemented stimulus programs that comprise a mixture of industrial policy and economic policy. In the future, perhaps monetary policy could also gain some more room for maneuver through close cooperation between the Bank and various government agencies.

3. Monetary Policy Decision: The board directors reached a unanimous vote to keep the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral unchanged at 1.375%, 1.75%, and 3.625%, respectively.

Voting for the proposition:

Chin-long Yang, Jain-rong Su, Jong-chin Shen, Tzung-ta Yen, Nan-kuang Chen, Ming-yih Liang, Chi-chung Chen, Chen-chia Lee, Chung-dar Lei, Jin-lung Lin, Mei-lie Chu, Chao-hsi Huang, Bih-jane Liu, Shiu-sheng Chen, Hsin-hong Kang

Voting against the proposition: None.

III. The Press Release

The board directors and supervisors 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.

Central Bank of the Republic of China (Taiwan)

PRESS RELEASE Release Date: June 20, 2019

<Website：http://www.cbc.gov.tw>

Monetary Policy Decision of the Board Meeting

I. Global economic and financial conditions

Since the Board met in late March this year, the global economy has moderated further and trade growth has weakened. Meanwhile, escalating US-China trade conflicts and stalled Brexit progress have roiled international financial markets and increased downside risks to the world economy. International institutions have thus widely trimmed down growth projections for the world economy and trade volume this year, and major economies have broadly adopted a more accommodative monetary policy stance.

Looking ahead, global economic expansion may be further dampened by a multitude of uncertainties such as the developments of the US-China trade friction and the trade disputes among the US and other economies, heightened financial fragility of debt-ridden economies, the Brexit impasse, geopolitical tensions, and the volatile international oil prices.

II. Domestic economic and financial conditions

1. Since the beginning of this year, rising global economic and trade uncertainties have caused the global economy to decelerate, weighing on Taiwan's exports. In addition, the domestic stock market has moved with international stock markets and experienced greater fluctuations, denting consumer confidence and leading to a slowdown in the domestic economy. For the first four months of this year, the average unemployment rate was slightly higher than the same period of the previous year, and wage growth also expanded at a slower pace. However, the number of employed persons steadily increased, indicating that labor market conditions remained stable.

   As for the second half of the year, global demand is expected to stay sluggish, yet the benefits from diverted orders owing to the US-China trade conflicts, as well as a lower base effect, are likely to slightly push up export growth. Moreover, the government's policies aimed at stimulating domestic demand should help spur private consumption and investment. As a result, the Bank forecasts Taiwan's economy to advance by 2.36% for the second half of the year (with 1.73% for the first half of the year), and 2.06% for the entire year. Nevertheless, future development of US-China trade negotiations will be a crucial factor for domestic economic growth.

2. For the first five months of this year, both the consumer price index (CPI) and the core CPI (excluding fruit, vegetables, and energy items) rose at a moderate pace, posting average annual growth rates of 0.51% and 0.49%, respectively.

   With the active typhoon season approaching, food prices could be disrupted by unfavorable weather conditions. In this view, CPI inflation is expected to increase faster in the second half of the year than in the first half. On the other hand, international oil prices are likely to trend lower than last year amid a softening global economic outlook, while domestic demand remains mild. A balance of these factors points to a stable inflation outlook for the year as a whole. The Bank forecasts the CPI and core CPI annual growth rates to be 0.87% and 0.76% for the year of 2019, respectively (Appendix Table 1).

3. For the first five months of the year, the average annual growth rates of reserve money and the monetary aggregate M2 were 6.40% and 3.25%, respectively, while bank loans and investments grew by 5.14% year on year during the same period.

   In recent months, net foreign capital outflow and the inflow of tax revenue towards the national coffers have led to slightly tighter funding conditions, and short-term market rates have risen modestly. The Bank has managed market liquidity with flexibility, and excess reserves of financial institutions have been maintained at a level of over NT$40 billion. In the meantime, domestic 10-year government bond yields have dropped in line with declining US bond yields, while the NT dollar has weakened against the US dollar (USD) amid international USD strength. Overall, domestic financial conditions remain accommodative.

III. Monetary policy decisions

Based on the latest information about economic and financial conditions at home and abroad, the Board considers that domestic inflation is moderate, the negative output gap has widened marginally, and the inflation outlook stays stable. Although risks to the global economic prospects tilt increasingly towards the downside, steady domestic demand and a lower base effect would likely shore up the economic growth in the second half of 2019 to a pace faster than the first half year. Overall, the domestic economic expansion is expected to advance with mild growth momentum. Furthermore, Taiwan's real interest rates continue to register around the middle range among a host of economies (Appendix Table 2). Therefore, the Board judges that a policy rate hold and a continued accommodative monetary policy stance will help ensure price stability and foster sound development of the economy and the financial sector.

The Board reached the following decision unanimously at the Meeting today:

The discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral are kept unchanged at 1.375%, 1.75%, and 3.625%, respectively.

In light of multiple uncertainties overseas, the Bank will closely monitor the developments regarding monetary policy of major economies, US-China trade talks, geopolitical risks, and global financial markets, as well as their implications for Taiwan's economy and financial conditions. We will act timely as appropriate to fulfill the central bank's statutory mandate.

IV. The recent surge in cross-border capital movements has amplified financial market volatility for many economies including Taiwan. However, compared with other major currencies, the NT dollar has experienced lower volatility in its exchange rate vis-à-vis the US dollar.

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

Appendix

Table 1　Taiwan's Inflation and Inflation Outlook

Unit: %

Forecast institutions		Inflation Jan.-May 2019	Inflation outlook 2019 (f)
Domestic institutions	DGBAS (2019/5/24)	**0.51 (CPI)** **0.49 (Core CPI*)**	0.71
	TIER (2019/4/25)		0.80
	TRI (2019/6/14)		0.83
	CIER (2019/4/17)		0.83
	CBC (2019/6/20)		**0.87 (CPI)** **0.76 (Core CPI*)**
Foreign institutions	HSBC (2019/6/13)		0.30
	BofA Merrill Lynch (2019/6/15)		0.70
	Barclays Capital (2019/6/14)		0.70
	Citi (2019/6/5)		0.80
	UBS (2019/6/14)		0.81
	IHS Markit (2019/6/18)		0.94
	JP Morgan (2019/6/14)		1.00
	Morgan Stanley (2019/6/10)		1.00
	Deutsche Bank (2019/6/6)		1.00
	Goldman Sachs (2019/6/15)		1.10

Median: **0.83% (domestic institutions)**

Median: **0.88% (foreign institutions)**

**Excluding vegetables, fruit, and energy.

Sources: DGBAS, Executive Yuan; forecasts by respective institutions.

Table 2

Real Interest Rates of Selected Economies

Unit: %

Economies	(1) 1-year **time deposit rate*** (As of 2019/6/20)	(2) CPI annual growth rate** (2019 forecast)	(3)=(1)-(2) **Real interest rate**
Malaysia	2.750	0.68	2.070
Indonesia	4.750	2.86	1.890
South Korea	1.500	0.50	1.000
Thailand	1.500	1.00	0.500
Taiwan	1.065	0.87	**0.195**
Singapore	0.700	1.05	-0.350
Japan	0.010	0.65	**-0.640**
Switzerland	0.000	0.72	-0.720
US	1.240	2.07	**-0.830**
China	1.500	2.40	-0.900
UK	0.700	1.88	-1.180
Euro area	0.050	1.44	**-1.390**
Hong Kong	0.300	2.26	-1.960
Philippines	0.500	3.06	-2.560

* 1-year interest rates on small-amount deposits of selected major banks in respective economies, except for Taiwan, of which the figure is the 1-year time deposit floating rate of the five major domestic banks.

** IHS Markit projections, as of June 18, 2019. Forecast for Taiwan's CPI annual growth rate is the CBC's projection.