Minutes of the Monetary Policy Meeting

December 17, 2020

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 December 17, 2020

Date and Time: 2:00 p.m., December 17, 2020

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, Mei-hua Wang, Tzung-ta Yen, Nan-kuang Chen, Chung-dar Lei

Directors:

Chi-chung Chen, Jin-lung Lin, Chao-hsi Huang, Shiu-sheng Chen, Chao-yi Chen, Fu-sheng Hung, Yi-ting Li, Shi-kuan Chen, Chien-yi Chang

Chairman, Board of Supervisors: Tzer-ming Chu

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

Staff Present:

Tsuey-ling Hsiao, Director General, Department of Banking

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

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

Ling-chyun Ko, Director General, Department of the Treasury

Dou-ming Su, Director General, Department of Financial Inspection

Chiun-min Tsai, 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

[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

The Department of Economic Research presented the following review:

1. International Economic and Financial Conditions

With the COVID-19 pandemic battering the world, international forecasting institutions projected a global economy in significant recession for the year of 2020. For 2021, the rollout of vaccines could help the global economy to resume growth, but their effectiveness and distribution still cast uncertainties over that outlook. Major economies except China as well as Taiwan are set to witness recessions this year; while growth would likely rebound next year, recent surges in infections in Europe and the US could dampen the growth momentum.

In terms of global trade activity, the WTO Goods Trade Barometer bounced back up as export orders increased markedly in the fourth quarter of 2020. It was expected that global goods trade volume would resume growth next year, albeit still below the pre-pandemic level as the recovery could be interrupted by the resurgent pandemic.

To address the pandemic's impact, major economies kept their monetary policy stances accommodative and continued to implement large fiscal stimulus programs, while several Asia-Pacific central banks with room to lower policy rates continued with rate cuts.

From September on, major global stock markets were markedly boosted by a continued tech boom and vaccine optimism. The USD Index went further down to the lowest level in recent years as persistently low real interest rates of the US drove massive capital flows towards emerging markets; currencies of major economies broadly appreciated against the US dollar. Meanwhile, ample global liquidity continued to push down major government bond yields.

As for international price trends, crude oil prices had trended upwards mainly owing to good progress in vaccine development and the OPEC+ decision of a greater production cut next year. However, given that the pandemic could still hamper oil demand, international forecasters projected crude prices to register lower in 2020-21 than 2019. International grain prices experienced marked upswings from October, reflecting droughts in major crop producing areas. According to international forecasters, the 2020 global inflation rate would be lower than 2019, whereas it would edge up in 2021 on the back of a consumer demand rebound and an oil price rally.

Looking ahead, the global economy continues to face many risks, among which are: (1) successive waves of coronavirus threat and a slow economic recovery; (2) a possible sudden tightening in financial conditions and a continued buildup of financial fragilities; (3) pre-mature exit of policy supports in various countries; (4) elevated economic and trade uncertainties owing to US-China relations and Brexit talks. Such risks, if continue to escalate or actually materialize, could thwart a global economic recovery.

2. Domestic Economic and Financial Conditions

(1) Economic situation

As the economy entered the second half year, growth gradually regained momentum amid a relatively successful pandemic containment at home. The indices for “future outlooks” (for the following six months) under Taiwan’s Manufacturing PMI (Purchasing Managers’ Index) and NMI (Non-Manufacturing Index) both continued rising, indicating increasingly positive outlooks as viewed by businesses.

In regard to external demand in the year so far, impacts of containment measures on supply chains caused major Asian economies to register export declines, whereas Taiwan’s exports rebounded after a brief dip in the second quarter thanks to demand for emerging technologies and remote work-related applications. Among major export items, Taiwan continued to export more electronic parts and components and ICT (information and communication technology) & audio-video products, and traditional sector exports also stabilized in recent months, which combined to support an overall export expansion by 4.2% for the Jan.-Nov. period. With the COVID-19 vaccines on the way, global economy and trade would gradually return to normal next year. Citing this favorable factor, the Bank expected Taiwan to see real export growth rising in 2021.

Domestic demand had been supported by increased capital spending in advanced production by the semiconductor industry, new investment projects by multinational tech firms, and continued government efforts to foster green energy and 5G infrastructures. The Bank projected solid real growth in private investment next year. Given that the domestic recovery gathered pace as the pandemic eased, as well as a lower base effect, the Bank expected real growth of private consumption to return to positive territory next year.

Labor market conditions also gradually improved along with the economic recovery. The unemployment rate and the number of persons on furlough both dropped from their previous highs, and employment continued to pick up.

Overall, the Bank forecasted that with steady growth in domestic demand and export performance better than this year, the domestic economic growth rate would rise to 3.68% next year, compared to this year's 2.58%. Major forecasting institutions projected Taiwan's economy to expand at a pace between -2.71% and 1.00% this year and between 3.00% and 4.50% next year.

(2) Financial conditions

From October onwards, Mid-Autumn Festival and the Double Tenth holidays pushed up demand for funding. However, ample liquidity in the banking system and net foreign capital inflows combined to keep financial conditions steady. Short-term market rates moved only slightly, and the average level of bank excess reserves stayed around NT$60 billion.

In terms of money supply, the monetary aggregate M2 increased further, mainly because the trade surplus widened, inward remittances for merchandise payments increased, and bank loans and investments grew faster. For this year as a whole, the average M2 annual growth rate was estimated to fall within the reference range of 2.5%-6.5%.

In terms of bank credit, as banks had continued to extend more SME relief loans since the third quarter of the year, the annual growth rate of SME lending went increasingly higher and reached 12.61% at the end of October. As a result, growth in bank loans and investments also picked up to 6.75% at the end of October. For the first ten months of the year, M2 and bank loans and investments both enjoyed stable growth, which indicated that money and market conditions were sufficient to support real economic activity.

Regarding housing market conditions in the third quarter, new housing projects and existing homes both saw their prices rise further, as returning Taiwanese investments, ongoing policy to encourage urban renewal, and ample market liquidity had supported the price uptrend since the start of the year. For the first 11 months of 2020, building ownership transfers in the six Special Municipalities increased by 6.8% over the same period of the previous year.

Real estate lending also trended further up. Land purchase loans under the category of construction lending saw the greatest increase. Moreover, real estate lending made up an increasingly larger share in banks' loan portfolios. During the year, bank lending standards became slightly relaxed, and there was a rise in new mortgages granted with long tenors, high loan-to-value (LTV) ratios, and longer grace periods. However, the non-performing loan (NPL) ratio of home-purchase loans of domestic banks remained low, suggesting good credit quality control.

As the pandemic eased, and homebuyer confidence rose, the banking sector continued to feel optimistic regarding the outlook for the residential housing market in major municipalities.

(3) Price trends

Domestic fuel and other energy prices were cut to reflect international oil price drops amid the pandemic, and hospitality businesses also cut prices to promote business; against this backdrop, CPI inflation went lower for several months in a row before climbing back up thanks to the reopening of economic activity in the world. The CPI annual growth rate turned modestly positive in November. It averaged -0.26% for the first 11 months of the year mainly owing to the reductions in energy prices, whereas rises in residential rent and in personal effects such as gold ornaments and jewelry helped to partially offset the CPI decline.

The November data showed that, in the CPI basket of goods and services, the number of items with price rises continued to exceed that with price falls. Survey-based indicator for inflation expectations also revealed that in recent months, the number of respondents expecting price falls in the next six months continued to steadily decrease, and the share of respondents expecting price falls was far smaller than that of respondents expecting price rises.

For next year, as international crude oil prices and domestic consumer demand would both rebound, the Bank projected the CPI and core CPI annual growth rates to rise to 0.92% and 0.71%. Major forecasting institutions expected the CPI annual growth rate, after registering slightly negative this year, would rebound mildly next year, with their projections falling within a range between 0.20% and 1.33%.

Looking at major factors shaping future domestic price trends, upside pressures could stem from (1) a rise in crude oil and other raw material prices as a global economic rebound next year would bolster demand; (2) favorable weather this year (and the consequent lower base effect) would likely result in relative price rises in vegetables and other food items. On the other hand, persistently low communication fees could put downside pressures on prices.

3. Considerations for Monetary Policy

(1) Major economies maintained an accommodative monetary policy stance and introduced new large relief and stimulus programs

(2) A narrower US-Taiwan yield spread compared to the pre-pandemic period had induced capital inflows to Taiwan.

(3) The global economic outlook is still clouded by uncertainties despite a moderate recovery. The Bank forecasts the domestic economy to expand by 2.58% in 2020 and to grow faster by 3.68% in 2021.

(4) With the current price uptrend and a mild inflation outlook for 2021, the Bank forecasted that the CPI and the core CPI annual growth rates to be -0.25% and 0.35% this year, before rising to 0.92% and 0.71% next year.

(5) While the Bank implemented targeted prudential measures on real estate lending, it also recognized the need for relief and stimulus measures to remain in place and hence extended the deadline for the NT$300 billion SME special accommodation facility. Overall, money and credit conditions are accommodative and sufficiently supportive of economic activity.

II. Proposition and Decision about Monetary Policy

1. Policy Proposition: To keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 1.125%, 1.5%, and 3.375%, respectively.

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

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

Regarding domestic economic conditions, several board directors shared their views. One board director stated that while Taiwan’s economic growth would pick up next year with consumption and investment trending up, the pace was expected to be mild in the presence of multiple uncertainties. Another board director pointed out that the probability for Taiwan to enter a recession by next quarter was under 50% according to the results of the forecasting model.

In regard to domestic price trends, one board director noted that the absence of typhoon strikes this year had resulted in water shortages, leading to irrigation cuts in some farming areas in the latter half of the year. For next year, the La Niña weather pattern could mean even less rainfall for Taiwan, possibly causing farm produce prices to be more volatile than this year.

When discussing real estate lending, one board director noted that the housing price concern is a complex matter, one that cannot be tackled single-handedly by the Bank because this issue involves not only financial stability but also housing justice, resource allocation, and a broad spectrum of subjects; only coordinated efforts among various related authorities can help contain public expectations of higher housing prices. A similar view was just recently put forward by the governor of the Reserve Bank of New Zealand. In Taiwan, the Executive Yuan had called cross-agency meetings since the end of June this year, which culminated in the "Program to Foster a Sound Real Estate Market" announced on December 3. On the Bank's part, board members also exchanged views about credit controls in the September Board Meeting. Thereafter, the Bank continued to gather mortgage-related information and found that loans with low LTV ratios were decreasing while high LTV loans were rising, with construction financing and loans for unsold new homes growing particularly fast. Against this background, the Bank first used moral suasion at meetings with major mortgage lenders in November. Then on December 7, the Executive Directors Meeting resolved to use selective credit controls, a decision later recognized by all board members at today's Meeting. With a harmonized set of rules in place, it was expected to help better address the housing price concern.

One board director stated that the home price-to-income ratio and housing loan burden ratio were closely related to the default rate of real-estate lending, which is key to the soundness of the banking system. Therefore, these data could play a role when the Bank contemplates future adjustments to the prudential measures on real-estate lending.

Several board directors discussed SME lending. One board director pointed out the Bank recently amended prudential measures on mortgage lending and made known its intention to help channel funds into the real economy. Nonetheless, SME relief loans extended under the special facility could have a higher default rate than mortgage loans, a fear that had affected banks' willingness to lend. The Bank should continue urging financial institutions to lend to SME applicants in need so as to help channel credit into the real economy.

Another board director pointed to the fact that in recent months the labor market and other economic conditions were improving, with the unemployment rate trending down and the number of furloughed persons decreasing, and suggested that the Bank could perhaps start to consider the proper timing to exit the special SME re-accommodation facility.

(2) Discussion on the proposed policies

All board directors expressed support for keeping the policy rates unchanged based on the assessment of a mild inflation pickup, moderate economic growth, and ample market liquidity for the year of 2021. One board director noted that Taiwan's economy recorded fair growth this year with a positive outlook next year; the coronavirus spread was well-contained at home, and the rollout of vaccines in the world would also considerably tame the global pandemic next year. Meanwhile, given the NT dollar strength amid continued capital inflows, ample liquidity in the financial system, and a relative low interest rate, a policy rate cut would have rather limited effects. Furthermore, the Bank had just introduced mortgage-targeted prudential measures, and a rate cut on top of that policy could otherwise hinder its intended effectiveness. Based on the above, the director favored a rate hold. However, when the economy recovers along with improved pandemic situation, the effects therefrom could differ across different sectors and firms of different sizes, as well as households. Therefore, the Bank might need to heed the signs of a deepening income divide.

Two other board directors noted that against the backdrop of moderate economic growth and expected inflation rebound next year, as well as a historically-low interest rate level, a policy rate reduction would not be productive. At the same time, persistent low interest rates could impair long-term macroeconomic development and the aforementioned 2021 outlook still faced many uncertainties; a rate hike now would be ill-suited. On balance, it would, though, be the appropriated decision to maintain the current policy rate levels.

Two other board directors also noted the possible effects of persistent low rates on an economy's resilience and economic and financial development. Another board director remarked that in the longer term, the Bank may consider raising the policy rates, which would open new possibilities for Taiwan's economic future.

One board director noted the polarity in export industries recently, as some sectors saw export values surge while some traditional manufacturers recorded decreases. Traditional industries, while continuing with innovation and upgrading, still were challenged by lower gross margins and higher tariffs in the absence of related international trade agreements. So far, the government had implemented many policy supports to help them move up the value chain and good results had started to shown. Meanwhile, a policy rate hike would weigh more on traditional industries. Considering that there is hardly room for more rate cuts, as well as the aforementioned observation, it would be a sound decision to keep the rates unchanged.

One board director viewed that the recent strength of the NT dollar had left no room for a rate hike as higher rates would impose greater pressures for the currency to appreciate more. Moreover, a rate cut might not be appropriate given that M2 growth had exceeded the upper reference level of 6.5% in recent months, indicating considerably accommodative funding conditions. In sum, the board director approved of a rate hold decision.

While expressing support for a rate hold decision, several board directors also discussed recent NT dollar exchange rate movements. One board director pointed out that the NT dollar appreciation has a dual effect on the economy, bringing losses to some and benefits to others, and it is naturally impossible for the exchange rate policy to satisfy all. The wellbeing of the economy as a whole would continue to guide the Bank's policymaking.

One board director expressed the view that domestic SMEs were struggling in the face of competition from countries with unfair subsidies and from economies benefiting from increased regional economic integration on top of a strengthening NT dollar. In the long term, as a country successfully achieves structural transformation and its economy grows faster, the value of its currency would also increase within a reasonable range. In the more immediate term, despite the dual effect of currency appreciation the Bank would still need to keep a close watch on the NTD strength as compared to the currencies of our trading partners. SME support policies from the government would also help. Another board director noted the effect of NTD appreciation on traditional industries, suggesting that the Bank should continue with its efforts in assisting them.

One board director remarked that there was some resemblance between the recent NTD appreciation and the conditions that gave birth to the phrase "Dutch Disease." In the 1960s, the discovery of natural gas in the North Sea led Holland’s exports to increase remarkably and its currency to appreciate significantly, causing its traditional sectors to suffer a great decline in competitiveness and the country to quickly shift away from an industrial economy. In today’s Taiwan, robust semiconductor and ICT exports led to a widening trade surplus, giving much strength to the NT dollar, which could be unfavorable for other sectors. The pros and cons of such developments for Taiwan’s long-term industrial structure should be weighed up. There is a need for a comprehensive look at the exchange rate policy with regard to the size, source, and composition of our trade surplus and respective shares of various industry sectors.

3. **Monetary Policy Decision:** The board directors reached a unanimous vote to keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 1.125%, 1.5%, and 3.375%, respectively.

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.

Monetary Policy Decision of the Board Meeting

I. Global economic and financial conditions

Since the Board met in September this year, the resurgence of the coronavirus (COVID-19) pandemic in Europe and the US have prompted many countries to reinstate containment restrictions, weakening the momentum for the global economic recovery. Raw materials (such as oil) prices rose back up, whereas global inflation remained subdued. Major economies continued their expansionary fiscal policies and maintained an accommodative monetary policy stance. Recent progress in vaccine development boosted the world stock markets. Meanwhile, long-term government bond yields remained at low levels. The international US dollar index displayed a continuous downtrend, while currencies of other major economies broadly appreciated against the US dollar.

International institutions project the world economy and trade volume to resume growth next year. Nevertheless, the effectiveness and distribution of vaccines, the duration of economic stimulus measures of various countries, as well as the developments of the US-China relations constitute major risks to the global economic and financial outlook.

II. Domestic economic and financial conditions

1. Taiwan's exports recorded a marked expansion, mainly driven by thriving demand for electronic parts and components and information and communication products as well as a rebound in exports of goods produced by traditional manufacturing industries such as machinery and plastic and chemical products in recent months. However, growth in services exports was still constrained as the pandemic-related border controls remained in place in many countries, leading to a substantial decline in inbound visitors. In terms of domestic demand, labor market conditions improved with the unemployment rate moving downward, and the retail and food/beverage sectors witnessed growing business. Meanwhile, semiconductor firms continued with capital expenditure and overseas Taiwanese firms gradually repatriated investment to Taiwan. The Bank projects Taiwan's economy to expand moderately in the fourth quarter of 2020 and revises up the GDP growth forecast to 2.58% for the entire year.

   Looking ahead to next year, Taiwan's exports are expected to rise further as major economies experience improved growth, along with advancements in emerging applied technologies and continued business opportunities in remote-work technologies. Private consumption, supported by the domestic economic recovery and a lower base effect, would grow moderately. Private investment would also stay on the track of a steady increase. Overall, the Bank forecasts that Taiwan's economic growth would rise at a faster pace of 3.68% in 2021 (Appendix Table 1), with domestic demand as a major driving force of economic growth.

2. The annual growth rate of the consumer price index (CPI) continued to trend up in recent months and turned modestly positive in November. For the first eleven months of the year, the CPI averaged -0.26% mainly resulting from domestic energy price slumps. The core CPI (excluding fruit, vegetables, and energy) posted an average annual growth rate of 0.32%. For 2020 as a whole, the Bank forecasts the CPI and core CPI to increase -0.25% and 0.35% year on year, respectively.

   Looking at inflation next year, with higher international oil prices anticipated by international forecasters and an expected pickup in consumption demand at home, the Bank projects that in 2021 the CPI and core CPI annual growth rates would rise to 0.92% and 0.71% respectively (Appendix Table 2).

3. In the domestic financial system, liquidity remained ample, long- and short-term market interest rates fluctuated modestly in recent months. Meanwhile, banks' excess reserves stayed around an average level of NT$60 billion. For the first ten months of the year, the average annual growth rates of the monetary aggregate M2 and of bank loans and investments were 5.40% and 6.21%, respectively, indicating accommodative money and credit conditions to sufficiently support domestic economic activity.

   In terms of pandemic-related credit support, under the Bank's special accommodation facility to buttress small and medium-sized enterprises (SMEs) – launched in April 2020 and then expanded to a scope of NT$300 billion, banks have already received 188,744 applications with the amount totaling NT$235.5 billion. As a result, the annual growth rate of SME loans extended by monetary financial institutions rose considerably to 12.61% at the end of October.

III. Monetary policy decision

The assessment of domestic and foreign economic and financial conditions indicates that, given continued monetary policy easing and preservation of current large-scale relief and stimulus packages in major economies, and the lingering uncertainties still facing the gradual global economic recovery, the domestic economy is expected to continue to expand moderately next year. Meanwhile, inflation is rising back up and inflation expectations for the coming year are also mild. Therefore, the Board judges that a policy rate hold and a continued accommodative monetary policy stance would help sustain price and financial stability and foster economic growth.

At the Meeting today, the Board decided unanimously to keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 1.125%, 1.50%, and 3.375%, respectively.

The Bank will closely monitor the developments of the coronavirus pandemic, monetary policy stances of major central banks and the continuity of the economic stimulus programs in major economies, changes in global financial fragilities and US-China relations, and geopolitical risks, as well as the implications thereof for Taiwan's economy, financial conditions, and price trends, so as to adopt appropriate monetary policies as warranted to fulfill its statutory duties.

IV. The Bank have recently taken actions to promote financial stability and sound banking operations by precluding an inordinately high flow of bank credit into the real estate sector. Through verbal and written communication such as meetings and official letters, the Bank urged banks to fulfill their social responsibilities by aptly channeling credit resources towards real investment in productive business sectors, which would in turn help boost employment and raise household income levels. Moreover, the Bank reinforced previous efforts of targeted prudential measures on real estate lending by enacting the amended (and renamed) *"Regulations Governing the Extension of Real Estate Mortgages by Financial Institutions,"* effective December 8, 2020.

Furthermore, to continuously help SMEs sustain the momentum to operate smoothly amid the recent pandemic resurgence in the world, the Bank announced on December 10, 2020 that the approaching year-end deadline for SMEs to apply for credit support under the Bank's special accommodation facility will be extended to June 30, 2021, and such loans that lenders approved on or after January 5, 2021 would continue to enjoy the facility's preferential interest rates until December 31, 2021.

The Bank's targeted prudential measures on real estate lending were implemented as part of the government's latest "Program to Foster a Sound Real Estate Market," particularly in line with the directive of "efficient allocation and proper use of credit resources" envisaged in the government's policy. Going forward, the Bank will continue monitoring the developments in the housing market and review the effectiveness of the targeted prudential measures. Meanwhile, we will pay close attention to domestic corporate funding needs as well as the course of the coronavirus pandemic and stand ready to make appropriate adjustments to the relevant measures as needed.

V. The NT dollar exchange rate is in principle determined by market forces. Nonetheless, recent spates of international capital flows coupled with an uncertain global economic outlook have added to volatility in Taiwan's foreign exchange market. The Bank will keep close watch of cross-border capital movements and act in accordance with its mandate to maintain an orderly foreign exchange market and safeguard financial market stability.

Appendix

Table 1 Taiwan's Economic Growth Forecasts by Major Institutions

Unit: %

Forecast institutions		2020 (f)	2021 (f)
Domestic institutions	**CBC (2020/12/17)**	**2.58**	**3.68**
	Academia Sinica (2020/12/16)	2.71	4.24
	TRI (202012/16)	2.52	3.53
	DGBAS (2020/11/27)	2.54	3.83
	TIER (2020/11/3)	1.91	4.01
	Forecast Average	**2.45**	**3.86**
Foreign institutions	IHS Markit (2020/12/15)	2.36	3.55
	EIU (2020/12/14)	2.40	3.20
	Goldman Sachs (2020/12/14)	2.50	3.70
	HSBC (2020/12/14)	1.00	3.00
	Standard Chartered (2020/12/14)	1.80	3.30
	Barclays Capital (2020/12/11)	2.60	4.00
	BofA Merrill Lynch (2020/12/11)	2.00	3.40
	J.P. Morgan (2020/12/11)	2.60	4.50
	Morgan Stanley (2020/12/11)	2.00	3.80
	UBS (2020/12/11)	1.65	3.99
	Credit Suisse (2020/12/10)	2.50	4.00
	ADB (2020/12/10)	1.70	3.30
	Deutsche Bank (2020/12/8)	1.90	4.00
	Citi (2020/12/7)	2.50	3.60
	Forecast Average	**2.11**	**3.67**

Table 2　Taiwan's Inflation Forecasts by Major Institutions

Unit: %

Forecast institutions		2020 (f)	2021 (f)
Domestic institutions	**CBC (2020/12/17)**	**-0.25 (CPI) 0.35 (Core CPI*)**	**0.92 (CPI) 0.71 (Core CPI*)**
	Academia Sinica (2020/12/16)	-0.24	1.33
	TRI (202012/16)	-0.20	1.23
	DGBAS (2020/11/27)	-0.26	1.16
	TIER (2020/11/3)	-0.20	1.00
	Forecast Average	**-0.23**	**1.13**
Foreign institutions	IHS Markit (2020/12/15)	-0.20	1.04
	EIU (2020/12/14)	-0.30	0.20
	Goldman Sachs (2020/12/14)	-0.20	1.00
	HSBC (2020/12/14)	-0.20	1.00
	Standard Chartered (2020/12/14)	-0.20	1.00
	Barclays Capital (2020/12/11)	-0.20	1.10
	BofA Merrill Lynch (2020/12/11)	-0.20	1.00
	J.P. Morgan (2020/12/11)	-0.30	0.80
	Morgan Stanley (2020/12/11)	-0.20	0.90
	UBS (2020/12/11)	-0.11	0.99
	Credit Suisse (2020/12/10)	-0.20	1.10
	ADB (2020/12/10)	-0.20	1.10
	Deutsche Bank (2020/12/8)	-0.30	0.50
	Citi (2020/12/7)	-0.10	1.20
	Forecast Average	**-0.21**	**0.92**

* Excluding vegetables, fruit, and energy.