Minutes of the Monetary Policy Meeting

March 23, 2023

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

Meeting Minutes[1] on Monetary Policy at the Joint Meeting of the Board of Directors and the Board of Supervisors, Held on March 23, 2023

Date and Time: 2:00 p.m., March 23, 2023

Location: Rooms A606 and A303, Central Bank of the R.O.C. (Taiwan)

Members Present:

Chairman, Board of Directors: Chin-Long Yang

Executive Directors: Tzung-Ta Yen, Mei-Lie Chu, 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

Tsui-Yun Chuang (Excused, Appointing Tzung-Ta Yen as Proxy)

Mei-Hua Wang (Excused, Appointing Mei-Lie Chu as Proxy)

Chairman, Board of Supervisors: Tzer-Ming Chu

Supervisors: Ching-Fan Chung, Sheng-Yao Lin, Tien-Wang Tsaur, Kuei-Hui Cheng

Staff Present:

Alan R.-Y. Pan, Director General, Department of Banking

Yen-Dar Den, Director General, Department of Issuing

Chiung-Min Tsai, Director General, Department of Foreign Exchange

Pei-Jen Heh, Director General, Department of the Treasury

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

Yih-Jiuan Wu, 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

1. International Economic and Financial Conditions

Developments since the Board met in December 2022 pointed to tepid growth momentum in advanced economies, while policy rates could stay high for some time owing to elevated inflationary pressures. It was therefore expected that global economic growth momentum would remain sluggish in 2023.

With global goods demand cooling off, the European energy crunch thawing on a warm winter, and China lifting pandemic lockdown measures, concerns about goods supply disruptions also eased, global supply chain pressures fell to pre-pandemic levels and container freight rates dropped significantly.

In respect of international commodities, oil prices began the year with fluctuations reflecting the effects of China’s reopening, major central banks’ rate hikes, and the US plan to release its emergency crude oil stock. In recent weeks, oil prices first declined on market worries that banking crises in the US and Europe could hurt the economy and weaken crude oil demand before stabilizing as market concerns eased. International forecasters expected oil prices this year to register lower than last year. In terms of grain prices, this year had so far witnessed a downtrend as weather conditions in Argentine and US crop areas improved and the Black Sea grain export deal was extended. Meanwhile the Reuters/Jefferies CRB (RJ/CRB) Index, the global commodities benchmark, swung downwards in line with crude oil and grain price declines.

With respect to global inflation, it was expected to soften this year as a result of the effects from monetary tightening by major economies, global consumer demand cooling off, and international energy prices trending down. Nevertheless, major economies were still confronted by inflationary pressures from rising production costs and further wage growth. Regarding monetary policy in the year so far, most economies, including the US and Europe, continued to raise policy rates whereas some central banks began to slow or pause the pace of rate hikes based on considerations of economic prospects and in order to assess the effects of previous rate increases.

Recently, failures or financial distresses of some banks in the US and Europe had roiled international financial markets. Consequently, most major stock markets dived from recent highs, US government bond yields recorded volatile swings, and the VIX "fear index" climbed steeply.

Looking ahead, the global economy faces a myriad of uncertainties, mainly including: (1) the pace of inflation cool-down in major economies; (2) the path of monetary tightening by US and European central banks and the spillover effects therefrom; (3) China's economic recovery; (4) uncertainties over commodities supply heightened by intensifying climate change, and geopolitical risks also escalating, which could all push up inflation. Among them, spillover from major central banks' massive rate hikes to other economies could pose greater downside risk to the global economy.

2. Domestic Economic and Financial Conditions

(1) Economic situation

The coincident indicators continued to trend down recently. Manufacturing and non-manufacturing sentiment for the outlook for the next six months, albeit climbing back up, still exhibited caution.

In terms of external demand, Taiwan's export growth remained in negative territory in the year to date, reflecting sluggish global final demand and ongoing inventory adjustments. For the year as a whole, the Bank expected exports to grow at a languid pace owing to continued tightening by major central banks and weak global economic and trade growth momentum. While the first half of the year would still witness export contraction, a gradual rebound was projected for the second half of the year, when exports would resume positive growth thanks to reduced inventory levels in global supply chains.

Private investment, whose growth has long been highly correlated with exports, could fare poorly this year; the Bank expected private investment to show negative growth in 2023 in consequence of sluggish export growth, ongoing inventory adjustments, and cautious business outlook sentiment.

In terms of private consumption, the easing of pandemic containment measures and border controls would bolster consumer confidence and retail and food/beverage sales; the planned hike in minimum wage and higher income tax-free allowance, as well as the government's universal surplus tax rebate program, would also help sustain growth momentum. Therefore, the Bank expected private consumption to post solid growth for the year as a whole.

In the labor market, business activity gradually picked up with the domestic pandemic situation under control, leading the overall unemployment rate to trend lower and the number of employed persons to rise higher month by month in the year so far. However, the number of furloughed manufacturing workers increased as a result of the export slowdown.

Overall, in view of bleak prospects for exports and private investment, the Bank downgraded the 2023 GDP growth rate forecast to 2.21%, lower than the 2022 growth rate of 2.45%. The economy was projected to grow modestly (by 0.5%) in the first half of the year amid weak export and investment growth. In the second half of the year, despite still sluggish investment activity, economic growth was expected to rebound (by 3.84%), with exports gaining traction as a result of global supply chain destocking and domestic demand buttressed by steady private consumption growth and the government's tax surplus rebates. Major institutions at home and abroad projected Taiwan's economy to expand at a pace between 1.39% and 2.58% this year.

(2) Financial conditions

Market interest rates moved upwards on the heels of the Bank's policy rate hike in December 2022. In January 2023, a flow of currency back into the banking system after the Lunar New Year holidays caused interest rates of bank and money markets to fluctuate within a tight range. For the first two months of the year, the average bank excess reserves was slightly above NT$60 billion. The recent global financial market turbulence was judged to have little impact on domestic financial stability given a sound banking system, adequate capital levels, and ample liquidity.

In terms of bank credit, the annual growth rate of bank loans and investments turned to a downtrend after December 2022 as exports contracted, mortgage growth declined year on year, and bank investments shrank further. In January 2023, the annual growth rate of bank loans and investments continued to fall to 5.37% owing to fewer business days in the month of the Lunar New Year holidays, while the rate edged up to 5.52% in February thanks to rising bank investments. The rate averaged 5.45% for the first two months of the year.

Regarding money supply, as bank loans and investments began to trend down in November 2022, the annual growth rate of M2 dropped from 7.37% in November 2022 to 6.67% in January 2023. In February, M2 growth edged up to 6.80% owing to net foreign capital inflows and faster growth in bank loans and investments. For the first two months of the year, the annual M2 growth rate averaged 6.73%.

In the housing market, recent data showed housing trading cooled down, while real estate lending continued to post slower year-on-year growth, albeit with a still high outstanding balance. The Bank's four rounds of selective credit control measures since December 2020 have proved to help strengthen bank management of credit risk. The Bank's monetary tightening since March 2022 have also provided additional reinforcement for the credit controls. More results were expected to show in the future as the government continued to implement measures under the Healthy Real Estate Market Plan and to develop comprehensive mechanisms and programs as needed.

(3) Price trends

In January and February this year, the inflation rate fluctuated more markedly owing to the Lunar New Year holidays. The average annual growth rate of the consumer price index (CPI) was 2.74% for the first two months of 2023, while the annual growth rate of the core CPI (excluding fruit, vegetables, and energy items) averaged 2.77%, both extending the moderation since the second half of 2022.

The factors contributing to the 2.74% inflation rate for the Jan.-Feb. period mainly included rising prices of food (including food away from home) and of entertainment services and higher housing rent, with a combined contribution of 1.89 percentage points, or 69%, to the increase of the inflation rate.

Looking at different categories of the CPI basket, prices of goods declined recently while prices of services, which tend to be "sticky" (e.g., easy to increase but slow to decrease), continued to trend upwards. Meanwhile, although staples with a higher purchase frequency had seen smaller price rises in the year so far, they still gained more markedly compared to the overall inflation rate, thereby intensifying consumer sentiment of price rises.

In February, the annual growth rate of the NT dollar-denominated import price index came down for the fifth month in a row, while the producer price index also dropped, indicating that pressures of imported inflation abated. For the year as a whole, it was expected that prices of crude oil and other raw materials would continue to trend lower than last year, and thus domestic inflation would likely cool down gradually. However, as lives began to return to normal after the pandemic waned, entertainment prices experienced sharper-than-expected price surges; in addition, worldwide avian flu pushed up prices of eggs and chicken meat and the domestic electricity tariffs were also raised significantly. In this view, the Bank revised its inflation forecasts to 2.09% for both the inflation and core inflation rates for this year, which were lower than the levels of 2022 at 2.95% and 2.61%, respectively. Projections for Taiwan's annual CPI growth rate made by major domestic and foreign forecasting institutions ranged between 1.36% and 2.50%. Price trends of international commodities and domestic services as well as weather events are among the possible factors affecting Taiwan's inflation this year.

Overall, in respect of this year's domestic price outlook, upside pressures could come from (1) reinvigorating demand for entertainment consumption in the post-pandemic period; (2) stickiness in prices of services; (3) spillover effects from the electricity tariff hike; (4) higher food prices as a result of the avian flu. On the other hand, downside pressures could arise from (1) crude oil and other raw material prices declining to levels lower than last year; (2) domestic prices of mobile phones and other communication devices witnessing a further downtrend.

3. Considerations for Monetary Policy

Major considerations:

(1) The domestic inflation slowdown was projected to continue, with the annual growth rates of CPI and core CPI both forecasted to be 2.09%. Nevertheless, uncertainties still exist for this outlook. In addition, the higher-than-usual price rises at home in the recent year could push up inflation expectations.

(2) The global economy is shrouded in many uncertainties. However, Taiwan's economy would likely pick up pace in the second half of the year and post mild growth for the year as a whole.

(3) Although recent unsettling troubles in the US and European banking system roiled global financial markets, the domestic banking system is underpinned by sound operations, adequate capital, and ample liquidity, indicating little impact on domestic financial stability.

II. Proposition and Decision about Monetary Policy

1. **Policy Proposition: To raise the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations by 0.125 percentage points to 1.875%, 2.25%, and 4.125%, respectively.**

2. Board members reached a unanimous decision to raise the policy rates by 0.125 percentage points. Related discussions are summarized as follows.

One board director stated that currently domestic inflation remained elevated and the forecast was upgraded to above 2%, indicating that inflationary pressures still linger. Additionally, the upcoming power tariff hike in April could add to inflationary pressures. The director therefore supported a rate increase to rein in inflation but contended that a smaller size of increase would be appropriate considering the downgraded 2023 economic growth forecast, which warranted a hike by 0.125 percentage points. Furthermore, a series of bank failures or distresses that arose in the US and Europe in March, albeit without imminent global financial systemic risk, resulted in high uncertainties over global financial conditions. In this view, the Bank needs to closely monitor the developments of these events and the stances of major central banks so as to adopt appropriate policy responses as needed.

One board director noted that staple prices continued to face considerable upside pressures, and energy prices, of which the rising costs had been absorbed by state-owned oil and electricity enterprises (i.e., the CPC and Taipower), could drive up prices after the electricity tariffs are hiked in April. Taking into account the relatively milder inflation in Taiwan compared to major economies, and the slower pace of the Fed's rate hike by only 0.25 percentage points yesterday (March 22), the director supported the proposition of raising the policy rates by 0.125 percentage points.

One board director noted the current economic situation was a moderate domestic economy confronted by an external cool-down. Concerning external demand, export contraction in the year to date, which led several research institutions to downgrade their forecasts for Taiwan's 2023 GDP growth rate, was the consequence of US and Europe's monetary tightening to combat high inflation and exports could therefore remain weak at least for the first half of the year. While taking into account the continuous export contraction, the Bank's monetary policy actions would have a relatively limited impact on this issue given that waning foreign demand was the culprit. Meanwhile, domestic demand was still sound in contrast to softening external demand. Regarding inflation, several factors, including rising food-away-from-home prices and housing rent, the government's surplus tax rebates, the electricity tariff hike, the post-pandemic services recovery, and consumer perception of price increases, could all further fuel inflation expectations. In view of the current economic down-cycle and negative private investment growth at home and weaker demand abroad, the domestic situations of aggregate demand and prices were judged to be acceptable; however, a 0.125 percentage point rate hike would be warranted in order to curb inflation expectations.

One board director expressed the view that Taiwan remained under inflationary pressures, noting that the inflation rate was coming down but very slowly and the general public tended to perceive inflation as higher. Therefore, the director supported a 0.125 percentage point rate hike in the hope of containing inflation expectations. With respect to the domestic economy, private consumption was expected to post solid growth whereas exports and private investment were projected to contract; meanwhile, uncertainties surrounding international financial conditions were still high, warranting close attention. Therefore, it would be appropriate to raise the policy rates by 0.125 percentage points in today's meeting.

Another board director remarked that the Bank should take action to vigorously fight inflation and, in particular, inflation expectations; therefore, the director supported the rate hike proposition. While nominal regular earnings of all payroll employees in the industrial and services sectors posted the highest annual growth rate since 2000, real regular earnings (adjusted for inflation) actually slipped to negative growth. Considering that continued rises in nominal wage might indicate higher inflation expectations and could result in the so-called "second round effects," it was important to keep watch on whether wage increases would feed into the price uptrend. In addition, the top 17 staple items in the CPI basket had been rising faster than the overall inflation rate since entering the year, representing more upside pressures for inflation expectations. At this juncture, the Bank's strong commitment to rein in inflation would help lower inflation expectations. Furthermore, the average rent increase in the year to date exceeded that of last year; considering a lag in the effect of higher housing prices on rent and that rent rises tend to be sticky and persistent, continuous monitoring would be important. And while wealth distribution and income equality are not part of the Bank's mandate, the issue of inflation imposing greater hardship on low-income households still warrants attention.

One board director stated that the forecast model showed that the probability of Taiwan entering an economic recession in the next quarter was 20% - 40%; meanwhile, labor market conditions were steady, whereas the CPI and core CPI rates stayed above 2%. On the other hand, the bid rate for the certificates of deposit issued by the Bank and the interest rates on commercial paper in the money market both continued to decline, indicating sufficient liquidity. Therefore, the pressing issue of inflation should be given priority. In this view, the director supported a rate hike to curb inflation expectations while a size of 0.125 percentage points would be appropriate given the still high uncertainties over international economic and financial conditions. Furthermore, there seemed to be a pattern in the Bank's monetary policymaking since 2000 where the Bank showed more caution in rate increase decisions; during some of the periods with robust economic growth and low unemployment, the Bank raised the policy rates in small increments of 0.125 percentage points, an approach seldom seen in other central banks that could lead to protracted low interest rates and subject Taiwan to a low-interest-rate trap. Looking ahead, once the global and domestic economic activity resumes steady growth, it would then be appropriate to keep in line with the more common practice of other central banks by adjusting the policy rates in increments of 0.25 percentage points.

Another board director noted that current international financial conditions have faced increasingly higher uncertainties than before; a similar situation would lead to different assessments in different times, hence the difference in the size of policy rate adjustments. For instance, the recent US and European banking turmoil created ripples of financial instability to other economies. In Taiwan, the impact was relatively mild because domestic banks have a different balance sheet structure than those in the US and Europe. However, in a global context, Taiwan as a small open economy is susceptible to international economic and financial changes, and the impact of recent events on international markets, which could also affect the Bank's future monetary policy path, remains to be seen given the uncertainties. Since a comparison can hardly be drawn for the size of rate adjustments in different contexts, there would be no telling whether the past or the current rate changes are big or small, an issue that might warrant contemplation in the future.

One board director pointed out that both economic and financial conditions faced high uncertainties, mainly surrounding the recent bank debacles in the US and Europe, which were generally judged to be largely devoid of systemic risk. Given the high uncertainties, the director supported a 0.125 percentage point rate increase. In terms of inflation, external estimation put the inflationary effect of the April electricity tariff hike at 0.2 percentage points of the CPI annual growth rate. It should also be noted that the real interest rate, instead of the nominal interest rate, is what monetary policy decisions take into consideration, as it plays a crucial role in such activity as consumption, investment, and bank lending. While a 0.125 percentage point hike today would help bring the currently negative real interest rate closer to positive territory, the fact that Taiwan has registered a negative real interest rate for three consecutive years calls for attention to its effect on the domestic economic and financial conditions.

One board director was in favor of raising the policy rates by 0.125 percentage points, citing the importance of continued rate increases to affirm the Bank's inflation-fighting commitment given the assessment of trends in domestic inflation expectations. In addition, the 30-day commercial paper rate had previously risen faster than the Bank's rate hikes, partly reflecting the two increases in reserve requirement ratios by the Bank last year, which had caused funding conditions to tighten. Despite a recent downtrend in the 30-day commercial paper rate, future developments in the money markets still require monitoring. As for the issue of a negative real interest rate, if inflation is successfully subdued, the real interest rate would turn positive; in contrast, if inflation stays elevated, further rate hikes could be warranted.

Another board director noted that, beginning from 2021, unexpected events such as pandemic resurgences and the Russian-Ukraine war pushed up international energy and food prices, driving the domestic inflation rate upwards. With the Bank adopting a gradual tightening stance since March 2022, the average one-year time deposit floating rate of the top five domestic banks climbed correspondingly. Combined with the effect of today's rate hike and the projected inflation slowdown, the currently negative real deposit rate (the time deposit rate minus the inflation rate) would likely move closer to positive territory. In addition, the level of Taiwan's real deposit rate was moderate compared to major economies, with most of these economies also posting negative real deposit rates. Given that the domestic economy was expected to grow at a slow pace owing to tepid exports and investment and that international economic conditions still faced high uncertainties, a negative real interest rate would be conducive to fostering economic growth.

One board director pointed out that, based on the Bank's forecast for Taiwan's annual GDP growth rate this year, a negative growth rate in the first quarter would be followed by growth above 2% for three consecutive quarters in the rest of the year. Meanwhile, the inflation rate, though forecasted to run above 2% in the first three quarters of the year, would likely come down to below 2% in the fourth quarter. In this economic context, it would be necessary for the Bank to maintain its policy stance with further rate hikes. In terms of the upcoming electricity tariff hike in April, despite external estimations of the hike contributing 0.2 percentage points to the inflation rate, the effect on the overall price trends could be greater than estimated; with inflation expectations being entrenched, higher electricity tariffs could drive up services prices including those of transportation, food away from home, and housing rent. Considering that the hike could have a far wider ripple effect, close monitoring of its influence on future price gains is warranted.

3. Monetary Policy Decision:

The board directors decided unanimously to raise the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations by 0.125 percentage points to 1.875%, 2.25%, and 4.125%, respectively.

Voting for the proposition: Chin-Long Yang, Tzung-Ta Yen, Mei-Lie Chu, Chung-Dar Lei, 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, Tsui-Yun Chuang (Excused, Appointing Tzung-Ta Yen as Proxy), and Mei-Hua Wang (Excused, Appointing Mei-Lie Chu as Proxy)

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.

Press Release March 23, 2023

Monetary Policy Decision of the Board Meeting (2023Q1)

I. Global economic and financial conditions

Since the Board met in December last year, global economic and trade momentum has moderated, prices of commodities such as international crude oil have exhibited a downtrend, and global inflation has fallen back down gradually. Recently, major central banks have continued with monetary policy tightening, whereas some central banks have slowed or paused the pace of policy rate hikes based on the assessment of economic prospects and cumulative effects from previous rate rises. Nevertheless, in view of inflationary pressures remaining elevated in major economies, high interest rates could persist for an extended period. Global economic growth is expected to slow further in 2023.

Looking ahead, the monetary tightening effect from drastic rate hikes by major central banks in the US and Europe may spill over to other economies, intensifying downside risks to the world economy. Meanwhile, tight labor markets in the US and Europe and fragmentation of the global economy could make it difficult to ease inflationary pressures. In addition, the pace of China's economic recovery, climate change, and geopolitical risks could weigh on commodity prices, increasing uncertainties over global inflation trends.

Recent concerns over the turbulence in the banking sectors of the US and Europe and the ensuing effects on market expectations about the size of rate hikes by major central banks have heightened volatility in international financial markets. The outlook for global financial stability warrants close attention.

II. Domestic economic and financial conditions

1. From the beginning of 2023, with the easing of pandemic-related restrictions and border controls, domestic consumer economic activity gradually returned to normal, consumer confidence stabilized, and the retail and food/beverage sectors registered growing sales. However, as waning global final demand prompted businesses to continue with inventory destocking, Taiwan's exports have witnessed negative growth for consecutive months and private investment has also turned conservative. In terms of labor market conditions, the overall unemployment rate dropped, yet the number of furloughed employees in the manufacturing sector increased.

The economy is expected to grow modestly in the first half of this year, restrained by weak export and investment growth. For the second half of the year, despite sluggish investment growth, exports would likely regain momentum from reduced inventory levels in global supply chains, while domestic demand continues to firm up thanks to solid private consumption growth and the government's newly-launched initiative to promote post-pandemic economic resilience and to share growth results nationwide with a universal surplus tax rebate program; it is therefore expected that economic growth would rebound in the latter half of 2023. The Bank revises its GDP growth forecast downward to 2.21% in 2023 (Appendix Table 1), a pace slower than the 2.45% in 2022.

2. The annual growth rate of the consumer price index (CPI) averaged 2.74% for the first two months of the year owing mainly to price rises in food (such as food away from home) and services for entertainment as well as higher rent. The annual growth rate of the core CPI (excluding fruit, vegetables, and energy items) averaged 2.77% for the same period, edging down continuously since entering the second half of last year.

   For year 2023 as a whole, as global supply chain bottlenecks are likely to be resolved and raw material prices (including crude oil) are projected to trend lower than 2022, it is expected that domestic inflation would also gradually cool down. Nonetheless, with resumption of normal life post the pandemic likely to bolster prices of services for entertainment, the global outbreak of avian flu pushing up domestic food prices, and electricity rates hiked markedly, the Bank therefore upgrades its forecasts for this year's CPI and core CPI annual growth rates to 2.09% for both (Appendix Table 2), lower than the previous year's 2.95% and 2.61%. However, this outlook could still change depending on prices trends of international commodities and domestic services, as well as weather events.

3. Banks' excess reserves stayed slightly above NT$60 billion on average for the first two months of the year. The annual growth rate of M2 (measured on a daily average basis) averaged 6.73% in the first two months of 2023, slowing from the 7.25% of the fourth quarter of 2022. Bank loans and investments also decreased from 6.66% to 5.45%. Reflecting the Bank's monetary tightening, interest rates on bank deposits and loans rose higher and money market rates all trended up. Furthermore, Taiwan's banking system remains sound, well-capitalized, and flush

with liquidity, which would help ward off destabilizing effects from the recent global financial market turmoil.

III. Monetary policy decision: The Board reached a unanimous decision to raise the policy rates by 0.125 percentage points.

In today's meeting, the Board considered the following assessment of economic and financial conditions at home and abroad. The international economic outlook still faces many uncertainties and Taiwan's exports and investments would slow this year. Nonetheless, steady private consumption growth and a rebound in export momentum are expected to drive economic expansion in the second half of the year; for the year as a whole, the economy is projected to post mild growth. In terms of inflation, the domestic inflation rate is on track to come down this year, with the CPI and core CPI annual growth rates both forecasted to be 2.09%; however, uncertainties remain for this outlook, and higher-than-usual domestic price gains in recent years could buoy up inflation expectations. To rein in inflation expectations, the Board judged that a continued policy rate hike will help achieve the policy objectives of promoting price stability and fostering sound economic and financial development on the whole.

At the meeting today, the Board decided to raise the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations by 0.125 percentage points each to 1.875%, 2.25%, and 4.125%, respectively, effective March 24, 2023.

Looking ahead, the Bank will continue to monitor the cumulative effects from its monetary tightening since 2022 as well as the spillover of monetary policy moves by major economies and keep close watch on the fallout from the recent debacles in some US and European banks. The Bank will take these into account in assessing the implications for domestic economic and financial conditions and 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 above objectives.

IV. The Bank's recent round of selective credit control measures, implemented with four successive amendments from December 2020, has so far successfully bolstered credit risk management of the banking sector. In the year to date, growth in banks' construction and housing loans continued to slow, real estate lending as a share of total lending has broadly held steady, and the level of non-performing loan ratio for real estate lending has stayed low. The effectiveness of the existing credit controls have also been amplified by the Bank's continuous monetary policy tightening since March 2022. More results are also to emerge gradually as government agencies are making headway with their policy efforts under the Healthy Real Estate Market Plan and improving relevant mechanisms and measures. In recent months, housing market transactions have decreased considerably and housing price uptrends have moderated. Going forward, the Bank will continuously monitor the developments in housing credit and market, review the implementation of the selective credit control measures, and make adjustments as needed in order to promote financial stability and sound banking operations.

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

Appendix Table 1

Taiwan's Economic Growth Forecasts by Major Institutions

Unit: %

Forecast institutions		2023 (f)
Domestic institutions	**CBC (2023/3/23)**	**2.21**
	Yuanta-Polaris (2023/3/22)	1.91
	DGBAS (2023/2/22)	2.12
	TIER (2023/1/31)	2.58
Foreign institutions	Citi (2023/3/20)	2.40
	EIU (2023/3/20)	1.90
	Goldman Sachs (2023/3/20)	1.39
	Barclays Capital (2023/3/17)	2.10
	BofA Merrill Lynch (2023/3/17)	2.00
	J.P. Morgan (2023/3/17)	1.50
	Morgan Stanley (2023/3/17)	2.00
	Nomura (2023/3/17)	2.30
	Standard Chartered (2023/3/17)	2.20
	UBS (2023/3/17)	1.86
	S&P Global Market Intelligence (2023/3/15)	2.23
	HSBC (2023/2/28)	1.60
Forecast Average		**2.02**

Appendix Table 2

Unit: %

Forecast institutions		2023 (f)
Domestic institutions	**CBC (2023/3/23)**	**2.09 (CPI)** **2.09 (Core CPI*)**
	Yuanta-Polaris (2023/3/22)	2.39
	DGBAS (2023/2/22)	2.16
	TIER (2023/1/31)	1.95
Foreign institutions	Citi (2023/3/20)	2.50
	EIU (2023/3/20)	1.60
	Goldman Sachs (2023/3/20)	1.36
	Barclays Capital (2023/3/17)	2.50
	BofA Merrill Lynch (2023/3/17)	2.00
	J.P. Morgan (2023/3/17)	2.00
	Morgan Stanley (2023/3/17)	1.80
	Nomura (2023/3/17)	2.00
	Standard Chartered (2023/3/17)	1.40
	UBS (2023/3/17)	1.73
	S&P Global Market Intelligence (2023/3/15)	2.03
	HSBC (2023/2/28)	1.60
Forecast Average		**1.94**

* Excluding vegetables, fruit, and energy.