Minutes of the Monetary Policy Meeting

December 14, 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 December 14, 2023

Date and Time: 2:00 p.m., December 14, 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: Tsui-Yun Chuang, Tzung-Ta Yen, Mei-Lie Chu, Chung-Dar Lei

Directors:

Jin-Lung Lin, Chao-Hsi Huang, Shiu-Sheng Chen, Fu-Sheng Hung, Yi-Ting Li, Shi-Kuan Chen, Chien-Yi Chang, Ming-Jou Yang

Mei-Hua Wang (Excused, Appointing Tzung-Ta Yen as Proxy)

Chi-Chung Chen (Excused, Appointing Mei-Lie Chu as Proxy)

Chairman, Board of Supervisors: Tzer-Ming Chu (Excused)

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

Christina Y.-H. Pan, Deputy 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

Since the Board last met in September 2023, the lagged effect of monetary tightening by major economies had dampened goods consumption demand, and the global Manufacturing PMI (Purchasing Managers' Index) remained below the 50-threshold for expansion. Meanwhile, the services sector expanded at a slower pace as post-pandemic activity of cross-border travel and entertainment services cooled down somewhat. With the monetary tightening effects continuing to manifest, international institutions forecasted that the US, Japan, and China would witness softer economic growth next year, along with a cautious outlook for both the euro area and the UK, while the global economy would expand with weaker momentum than this year.

In regard to global commodities, oil prices turned lower from October onwards owing to a softer-than-expected impact of the Israel-Hamas conflict on crude oil supply, a still tepid Chinese economy, and increased US crude oil inventories. For next year, oil prices were forecasted by international institutions to rebound slightly from this year. Grains prices had stayed low with modest volatility since October and the Reuters/Jefferies CRB (RJ/CRB) Index, a global commodities benchmark, moved downwards alongside crude oil price declines.

In regard to inflation in major economies, downtrends in energy and food prices amid the easing of supply chain bottlenecks, coupled with a higher base effect, led the inflation rates of major economies to drop swiftly. However, the core inflation rates did not drop as fast, reflecting slower services price decreases owing to downward price stickiness. While cumulative effects of aggressive tightening by major central banks and price declines in crude oil and other commodities have led to swift marked declines in inflation rates of most major economies this year, a further but slower downtrend was expected for next year.

In terms of recent central bank policy moves, the US Federal Reserve (Fed) and the European Central Bank (ECB) kept their policy rates unchanged while the Bank of

Japan (BoJ) and the People's Bank of China (PBoC) stayed dovish.

In the financial markets, softening US inflation and signs of the economy weakening boosted market expectations of an earlier rate cut by the Fed next year, thus sending the 10-year US Treasury yields sharply down and causing a broad rally across major stock markets around the world. Meanwhile, the US dollar index slid from previous peaks, leading most major currencies to strengthen against the US dollar.

Looking ahead, global economic prospects are clouded by many downside risks, including the cumulative effect of major central banks' tightening and the duration for the policy rates to stay elevated, which could have adverse implications for global economic development and financial stability; negative spillovers from China's economic slowdown, which could cast a shadow over the world economy; global economic fragmentation and supply chain restructuring, which could affect global economic and trade development. In addition, geopolitical risks and climate change also add to uncertainties facing global inflation trends.

2. Domestic Economic and Financial Conditions

(1) Economic situation

Recent data showed the coincident indicators improved but leading indicators continued to deteriorate, suggesting lingering sluggishness in Taiwan. The domestic manufacturing sector experienced relatively weak growth momentum. Taiwan's Manufacturing PMI recorded the ninth monthly reading in contraction territory in November 2023, whereas the Non-Manufacturing Index (NMI) pointed to expansion for the 13th month in a row with its business sentiment for future outlook turning towards expansion.

In respect of external demand, a slow global economic recovery caused Taiwan's exports to shrink by 11.5% during the first eleven months of the year; all major product categories recorded negative growth, except for ICT/AV (information, communication and technology, and audio-visual) products thanks to demand for AI and other emerging technology applications. For next year, it was expected Taiwan's exports would be buoyed up by stronger world trade growth than this year, booming demand for emerging technology applications, and consumers' sustained appetite for cross-border travel. Given a lower base effect, the Bank forecasted that the annual real growth rate of Taiwan's exports would turn positive in 2024.

In regard to domestic demand, growth in private investment would benefit from the execution of deferred investment plans this year, and from further investment promises by major chipmakers and semiconductor supply-chain firms in order to maintain a leading edge as well as by the corporate sector moving towards net-zero energy transition. Taking into account a lower comparison base this year, the Bank forecasted that next year's real growth in private investment would excess this year's.

Regarding private consumption, post-pandemic consumer sentiment for travel would likely remain high, while household disposable income would gain from a minimum wage hike, a public sector pay-raise, and a further rise in the income tax-free basic living expenses allowance. For next year, the Bank projected that a higher base effect would result in mild real growth in private consumption.

Regarding labor market conditions in recent months, the total number of employed persons continued to post month-on-month increases and the unemployment rate decreased further. In terms of annual changes in the number of employed persons, the manufacturing sector posted a further decrease in October while the services sector saw an increase. In regard to wage growth during the first ten months of the year, total nominal earnings of workers in the industrial and services sectors grew by 1.53% year on year, the smallest increase in the past three years, with manufacturing employees witnessing markedly slower growth in their total nominal earnings against a weak export performance.

Overall, the Bank forecasted Taiwan's economic growth rate to be 1.40% this year, based on the assessment of tepid export growth momentum, and a potential dampening effect therefrom on private investment growth, against a background of a weaker-than-expected recovery of global final demand. As for next year, given the anticipated rebound in exports and private investment, mild growth in private consumption, and an continued increase in government spending, as well as a lower base effect, the Bank forecasted that Taiwan's economy would expand at a faster pace of 3.12% in 2024.

Compared to the Bank's previous forecast in September 2023, the 1.40% growth projected for this year represented a slight downgrade of 0.06 percentage points to reflect a softer-than-expected performance in exports and private investment. On the other hand, the Bank slightly upgraded the GDP growth forecast for next year by 0.04 percentage points to 3.12%, reflecting the projections that private consumption would continue growing and export growth would gather steam.

In addition, the Bank estimated that Taiwan would have a negative output gap in both 2023 and 2024. Major institutions at home and abroad expected Taiwan's economy to grow by 1.02%-1.70% in 2023 and by 2.36%-3.35% in 2024.

(2) Financial conditions

Short-term market interest rates climbed higher in September 2023, reflecting end-of-quarter funding needs, the Mid-Autumn Festival long-weekend holiday, provisional payments of profit-seeking enterprise income tax, and continued net selling and outward remittances by foreign institutional investors. By November, as foreign capital movements turned from net outflows into net inflows, the interest rates remained high but with subdued fluctuations. For the months of September to October, excess reserves of banks averaged around NT$54 billion.

With regard to bank credit in the year so far, weak corporate funding needs amid a tepid global economy led to a lower annual growth rate of working capital loans, while loans to the real estate sector also declined over the same period last year (2022), resulting in a slower pace of year-on-year growth in bank lending. For the first ten months of the year, bank loans and investments posted an average annual growth rate of 5.82%, lower than 7.55% in the same period last year.

In respect of money supply, owing to the economic slowdown and weaker annual growth in bank loans and investments so far this year, the annual growth rate of the monetary aggregate M2, measured on a daily average basis, decreased to 6.44% during the Jan.-Oct. period from the 7.54% recorded in the same period last year, still within the reference range of 2.5%-6.5%. .

Based on the estimations of the money demand function, the annual growth rate of

M2 demand will remain between 2.5% and 6.5% next year. Furthermore, though a mild domestic economic recovery and gradual disinflation was projected for next year, the recovery momentum could be dampened by external factors amid elevated uncertainty surrounding international political, economic, and financial conditions. In this view, the Bank maintains the M2 growth reference range at the current 2.5%-6.5% for the year 2024. The Bank will strive to sufficiently meet funding demand of the private sector so as to foster economic growth.

In the housing market, transactions climbed back up in recent months, buoyed by the launch of the enhanced preferential housing loan program for young homebuyers, as well as an increased supply of newly-built housing units and a lower base effect. Meanwhile, housing price rises continued but at a slower pace. Construction and real estate industries, along with banks, remained cautious about the housing market outlook.

Since the Bank implemented selected credit control measures with a total of five amendments beginning December 2020, the annual growth rate of banks' real estate lending had slowed down. As of October 2023, the annual growth rates of housing loans and of construction loans were both lower than the levels before the selective credit controls. In addition, the non-performing loan ratios of these two loan brackets stayed low, indicating good credit quality.

(3) Price trends

In the months from July onwards, supply shock from weather events including successive strikes of typhoons and torrential rain pushed up the prices of vegetables and fruit, causing food inflation to gather steam. As a result, the annual growth rate of the consumer price index (CPI) went back up, reaching 2.90% in November. Meanwhile, the annual growth rate of the core CPI (i.e., excluding fruit, vegetables, and energy items) continued to fall gradually to 2.38% in November, the lowest since March 2022.

During the first eleven months of the year, the CPI increased by 2.48% on average over the same period last year. Of this increase, 66% was attributed to price rises in food (such as food away from home and meat) and entertainment services, as well as higher rents, with a combined contribution of 1.64 percentage points. For the same period, the core CPI posted an average annual growth rate of 2.60%.

By frequency of purchase, prices of staples more frequently purchased rose at a slightly slower pace in November. With international raw material prices coming down, domestic import prices consequently saw negative growth for consecutive months, indicating still subdued pressure from imported inflation.

By type of items, recent data showed that rises in services prices were moderate. The annual growth rate of the CPI came back down in November, mainly owing to slower increases in prices of vegetables, fuel and lubricants, and entertainment services.

For next year, domestic commodity prices would likely rise mildly as international institutions forecasted a slight rebound in oil prices, whereas domestic services prices would see slower rises owing to a higher base effect. The Bank forecasted the CPI and core CPI inflation rates to further decrease from 2.46% and 2.56% in 2023 to 1.89% and 1.83% in 2024, respectively. Forecasts by major domestic and foreign institutions for Taiwan's inflation rate ranged between 2.24% and 2.51% for this year and between 1.64% and 2.70% for the year 2024.

The future path of domestic inflation could be affected by the following key factors. Sources of upside pressures include (1) continuous services price upswings including tourism and hospitality services at home and abroad, buttressed by strong willingness to travel of domestic consumers; (2) global oil prices rising faster than this year according to the projections of international institutions; (3) domestic prices receiving a boost from the 2024 hikes in the minimum wage and public sector pay. On the other hand, downside pressures could come from reductions in prices of mobile phones and other communication devices.

3. Considerations for Monetary Policy Decision-Making

(1) The 2023 domestic inflation rate posted a gradual decline from the previous year, and the 2024 inflation rate would likely come down further to around 2%.

A. According to the Bank's projections, the annual CPI and core CPI growth rates would be 2.46% and 2.56% this year, lower than the 2.95% and 2.61% registered last year.

B. For next year, considering that domestic commodity prices may rise mildly as global oil prices are to rebound from this year's levels according to international institutions, and that domestic services prices are expected to post a slower increase owing to a higher base effect, the Bank forecasts Taiwan's annual CPI and core CPI growth rates to further come down to 1.89% and 1.83%.

C. The future path of domestic inflation trends could be affected by movements of international commodity prices, domestic services prices, and weather events.

(2) In 2024, the domestic economy is expected to witness a negative output gap, and a slowing global economy facing many risks to its outlook could further weigh on the domestic economic recovery.

A. Taiwan's economic growth rate is forecasted by the Bank to be 1.40% this year and 3.12% next year.

B. International institutions forecasts slower global economic growth next year than this year. The following uncertainties are expected to surround the global economic and financial outlook: (1) The duration of high policy rates adopted by major central banks, (2) China's economic downturn, and (3) global economic fragmentation and supply chain restructuring, all of which could dampen the momentum for the world to achieve an economic recovery.

II. Proposition and Decision about Monetary Policy

1. **Policy Propositions: To maintain the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations at 1.875%, 2.25%, and 4.125%, respectively**

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

One board director expressed support for the rate hold proposition. The average values of forecasts by major domestic and foreign institutions showed that Taiwan's GDP growth next year would outpace this year, while the inflation rate would be lower than this year. However, lingering geopolitical risks, supply chain restructuring, and climate change could affect Taiwan's future economic growth rate. In addition, because prices of food away from home, prices of entertainment services, and rent tend to experience downward price stickiness, which could affect Taiwan's GDP and inflation growth, the price trends thereof require continuous close monitoring.

Another board director pointed out that momentum for Taiwan's exports, investment, and manufacturing growth had been relatively subdued so far, business sentiment for the outlook was also comparatively pessimistic. Major institutions at home had downgraded their forecasts of Taiwan's GDP growth rate this year several times, and the Bank projected a negative output gap next year. By contrast, efforts to rein in high inflation had proved effective, and the Bank forecasted Taiwan's inflation rate this year to drop below last year's 2.95%, along with a further decline to less than 2% next year. Against this background, a rate hold would be appropriate.

One board director commented on Taiwan's inflation. As the index of import prices declined both in USD and in NTD terms, the pressures of imported inflation abated. In addition to downtrends in the annual growth rates of the CPI and the core CPI, the leading indicators for core inflation were also easing according to the Bank's research. Therefore, it would be appropriate to keep the policy rates unchanged. Notwithstanding the gradual slowdown in the inflation rate, persistent inflation remained a concern, and it is crucial to continue monitoring how long the CPI annual growth rate would come down below 2% since this would affect the anchoring of inflation expectations; it is also important for monetary policy actions to be taken when necessary. Moreover, although Taiwan's inflation rate was not as high as those of the US and the UK, close attention should be paid to the fact that real earnings registered negative growth. In addition, given that changes in rental costs usually lag behind housing prices, the effect of further housing price rises on rent and, in turn, on the CPI inflation requires monitoring. The inflation rate was currently above 2% and forecasted to come down to below 2% next year. However, if that forecast does not materialize next year, which might be attributable to insufficient monetary tightening, then it would probably call for more aggressive tightening actions.

One board director stated that the domestic business outlook indicators pointed low but the labor market and domestic demand were steady given the increases in the number of employed persons and sales of retail and food/beverage businesses. The inflation rate, albeit higher than expected, continued with a gradual downtrend. Exports and private investment contracted this year mainly owing to the impact of aggressive monetary tightening by major central banks, but were expected to rebound to positive growth once the tightening cycle of major economies ends next year. In view of this assessment, it would be appropriate not to raise the policy rates. Price changes in the CPI components showed upward and downward swings in vegetables and services prices, but overall the CPI annual growth rate gradually came down. Nevertheless, given the absence of declines in rent and food-away-from-home prices, persistent inflation remained a concern that requires continuous monitoring in the longer term.

Another board director expressed support for the rate hold proposition and concerns about rent hikes. Since rent increases tend to show downward price stickiness and could in turn push up overall prices, it would be important to stay alert to inflation risk next year and to continue monitoring for persistent inflation. Public views of inflation are largely shaped by how they perceive the levels of prices of goods, especially those they find more relevant to daily lives such as staples bought at least once a month; and when such prices stayed at elevated levels in spite of a downtrend in the annual growth rates, the public would still be acutely conscious of price surges. Whether this perception would affect consumer expectations of inflation is worth close attention.

One board director noted that data on the fundamentals indicated a steady domestic economy but there remained sluggish growth and slackening manufacturing momentum. The National Development Council’s Monitoring Indicators improved in September and pointed to a recovery. However, exports still saw tepid recovery momentum as final demand remained suppressed by a dim global economic outlook, while domestic consumer spending was not sufficiently strong. With domestic inflation broadly on the wane and major central banks such as the Fed and the ECB staying put, a rate hold in today’s Meeting was warranted. The director also pointed out the importance to monitor the cumulative effect of the Fed’s tightening, the lags of monetary policy, and their economic and financial implications. In addition, China’s economy was confronted by a weakening housing market, significant overcapacity, and labor surplus, which calls for attention to its financial conditions and local debt risk next year.

Another board director stated that Taiwan still registered negative real interest rate and hopefully the forecasted disinflation would materialize next year so that the real interest rate would turn positive. The Bank's monetary policy decisions next year would depend on how inflation moves and could tighten further if warranted.

One board director gave the opinion that Taiwan's economic growth experienced rather languid momentum and expanded at a relatively slow pace, while inflation seemed to have gradually stabilized. The Fed did not raise the federal funds rate in its latest meeting (December 13, 2023). In addition, this Board decided to hold rates unchanged in September even as the economic and financial conditions were more stringent than the current environment. Given the importance of consistency in interest rate policy decisions and their announcement effect, combined with the above assessments, the director supported today's rate hold proposition.

One board director agreed with the rate hold and noted that some external views of inflation and inflation expectations for 2024 were higher than the Bank's own projections. This would thus warrant attention to the increasing importance of the role inflation expectations plays in the Bank's policy decision-making.

One board director expressed support for a rate hold, noting that recent data and information suggested an easing in the inflation rate and strengthening in economic activity next year. However, future inflation trends could face greater risk from supply-side factors, as issues of the retreat of globalization, an aging society, and labor shortage hold an increasingly stronger sway over the inflation rate. The effect of such structural factors on prices warrants attention and the implications for the policy rates also need to be taken under review.

3. Monetary Policy Decision:

The board directors decided unanimously to keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 1.875%, 2.25%, and 4.125%, respectively.

Voting for the proposition: Chin-Long Yang, Tsui-Yun Chuang, Tzung-Ta Yen, Mei-Lie Chu, Chung-Dar Lei, Jin-Lung Lin, Chao-Hsi Huang, Shiu-Sheng Chen, Fu-Sheng Hung, Yi-Ting Li, Shi-Kuan Chen, Chien-Yi Chang, Ming-Jou Yang, and

Mei-Hua Wang (Excused, Appointing Tzung-Ta Yen as Proxy)

Chi-Chung Chen (Excused, Appointing Mei-Lie Chu as Proxy)

Voting against the proposition: None

III. The Press Release

The board directors 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 December 14, 2023

Monetary Policy Decision of the Board Meeting (2023Q4)

I. Global economic and financial conditions

Since the Board met in September this year, the effects of the previous substantial tightening in monetary policy by major central banks have gradually materialized. The global manufacturing sector has remained subdued, while the services sector has softened. In addition, prices of crude oil and other commodities have dropped in recent months. Against such a background, inflation rates of most major economies have displayed a drastic downtrend from their peak levels, whereas core inflation rates have eased at a mild pace. As the effects of monetary policy tightening would continue to work through the economy, international institutions projected broadly softer growth momentum for major economies in 2024, coupled with slower global economic growth than this year and a continuous decline in global inflation.

Recently, major central banks in the US and Europe maintained policy rates unchanged. Market investors expected that the US and European countries' rate hike cycle has nearly come to an end and they would possibly start to reduce policy rates next year. Meanwhile, the long-term government bond yields in major economies declined, the US dollar index fell from its peak levels, and major currencies broadly appreciated against the US dollar.

Looking ahead, a string of factors such as how long major central banks' interest rates stay high, China's economic slowdown, global economic fragmentation, and the reshuffling of global supply chains could weigh on the momentum for global economic recovery. Moreover, geopolitical risks and climate change could also add to uncertainties over global inflation trends.

II. Domestic economic and financial conditions

1. Although global final demand remained weak, Taiwan's exports gained momentum from accelerating progress in emerging technology applications such as artificial intelligence. In respect of domestic demand, private consumption recorded solid growth thanks to resurging post-pandemic demand for domestic travel and dining, but private investment remained sluggish as capital equipment imports still exhibited negative growth. The Bank forecasted the annual GDP growth rate to be 1.40% this year (see Appendix Table 1 for the forecasts by major institutions). Meanwhile, the

labor market recorded a further gain in the number of employed persons and a decline in the unemployment rate in recent months.

For the outlook of next year, a rebound in global goods trade growth as projected by international institutions and the continuous boom in emerging tech applications would likely bolster growth in Taiwan's exports and private investment. In addition, it was expected that private consumption would grow moderately and government consumption would increase further. Based on these considerations, along with a lower base of GDP growth this year, the Bank forecasted that the economy would expand faster at a pace of 3.12% in 2024.

2. In recent months, weather-induced surges in prices of vegetables and fruit caused the annual growth rate of the consumer price index (CPI) to trend back up and reached 2.90% in November, whereas the annual growth rate of the core CPI (i.e., excluding vegetables, fruit, and energy items) continued to edge down to 2.38% in the same month. For the first eleven months of the year, the annual growth rate of the CPI averaged 2.48% and that of the core CPI averaged 2.60%. The Bank forecasted that the annual growth rates of the CPI and the core CPI would register 2.46% and 2.56% in 2023, lower than 2.95% and 2.61% in 2022 (see Appendix Table 2 for the forecasts by major institutions).

   In regard to the price trends next year, domestic commodity prices would rise mildly as global oil prices would likely edge higher than this year according to international institutions. In contrast, domestic service prices would see slower price rises owing to a higher base effect. The Bank forecasted the annual growth rates of the CPI and the core CPI to ease to 1.89% and 1.83% in 2024, respectively. Nonetheless, close attention should be paid to the price trends of international commodities and domestic services and to weather-related disruptions as they carry important implications for the future path of domestic inflation.

3. Domestic market liquidity was ample and short and long-term market rates fluctuated within a small range in recent months. Banks' excess reserves averaged around NT$54 billion for the September-October period. For the first ten months of the year, the annual growth rate of M2 (measured on a daily average basis) and that of bank loans and investments averaged 6.44%

and 5.82% respectively, lower than the 7.54% and 7.55% recorded in the same period last year..

III. The Board decided unanimously to keep the policy rates on hold

At the meeting today, the Board considered the totality of economic and financial conditions at home and abroad. The domestic inflation rate would gradually come down this year from the levels of last year and is expected to decline to around 2% next year. Moreover, the domestic output gap is estimated to remain negative next year, while a weaker global economy facing a myriad of risks could in turn dampen Taiwan's economic recovery. In this view, the Board judged that a rate hold will help foster sound economic and financial development on the whole.

Today, the Board decided to maintain the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations at current levels of 1.875%, 2.25%, and 4.125%, respectively.

Going forward, as the recent progress in global disinflation remains clouded by many uncertainties, the Bank will stay attentive to developments in monetary policy moves by major economies, risks to steeper economic slowdown in China, price movements in global raw materials, geopolitical risks, and extreme weather events. The Bank will assess their implications for domestic economic activity 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 aforementioned objectives.

IV. The Bank has made five amendments to its selective credit control measures since December 2020, which have helped enhance banks' risk management associated with real estate lending and curb an excessive flow of credit resources into the real estate market. In addition, the Bank's five policy rate hikes and two increases of reserve requirement ratios since March 2022 have further strengthened the effectiveness of the aforementioned selective credit control measures. Recent data also suggest that growth in construction loans of all banks have continued to slow. While housing loans recently increased faster amid a rebound in housing market transaction growth, real estate lending growth has actually seen a significant downtrend since the selective credit controls took effect, and banks' real estate lending maintained good credit quality as indicated by continuously low non-performing loan ratio of this loan bracket. The Bank will closely monitor the likely effects of real estate-related policies on the housing market, keep watch on banks' real estate lending, review the outcomes of the selective credit controls, and will 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 irregular factors (such as massive inflows/outflows of short-term capital) and seasonal factors lead to excess volatility or disorderly movements in the NT dollar exchange rate with adverse implications for economic and financial stability, the Bank, in accordance with its statutory duties, will step in to maintain an orderly market.

Appendix Table 1

Taiwan's Economic Growth Forecasts by Major Institutions

Unit: %

Forecast institutions		**2023 (f)**	**2024 (f)**
Domestic institutions	**CBC (2023/12/14)**	**1.40**	**3.12**
	NTU/Cathay (2023/12/13)	1.20	2.80
	TRI (2023/12/13)	1.41	3.18
	DGBAS (2023/11/28)	1.42	3.35
	TIER (2023/11/8)	1.43	3.15
	CIER (2023/10/20)	1.38	3.03
Foreign institutions	Goldman Sachs (2023/12/11)	1.02	2.36
	Citi (2023/12/11)	1.30	3.20
	Morgan Stanley (2023/12/8)	1.70	3.20
	BofA Merrill Lynch (2023/12/8)	1.10	3.20
	Nomura (2023/12/8)	1.60	3.30
	S&P Global Market Intelligence (2023/11/15)	1.14	3.19
Forecast Average		**1.34**	**3.09**

Appendix Table 2

Taiwan's Inflation Forecasts by Major Institutions

Unit: %

Forecast institutions		2023 (f)	2024 (f)
Domestic institutions	**CBC (2023/12/14)**	**2.46 (CPI) 2.56 (Core CPI*)**	**1.89 (CPI) 1.83 (Core CPI*)**
	NTU/Cathay (2023/12/13)	2.40	1.70
	TRI (2023/12/13)	2.51	1.75
	DGBAS (2023/11/28)	2.46	1.64
	TIER (2023/11/8)	2.25	1.80
	CIER (2023/10/20)	2.24	1.86
Foreign institutions	Goldman Sachs (2023/12/11)	2.43	1.74
	Citi (2023/12/11)	2.50	2.70
	Morgan Stanley (2023/12/8)	2.30	2.30
	BofA Merrill Lynch (2023/12/8)	2.50	2.00
	Nomura (2023/12/8)	2.50	2.20
	S&P Global Market Intelligence (2023/11/15)	2.49	1.93
Forecast Average		**2.42**	**1.96**

* Excluding vegetables, fruit, and energy.