Minutes of the Monetary Policy Meeting

June 19, 2025

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 June 19, 2025

Date and Time: 2:00 p.m., June 19, 2025

Location: Room A606, 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, Ray-Beam Dawn

Directors:

Junne-Jih Chen, Shiu-Sheng Chen, Fu-Sheng Hung, Yi-Ting Li, Shi-Kuan Chen, Chien-Yi Chang, Ming-Chang Wu, Chang-Ching Lin, Ming-Fu Shaw Jyh-Huei Kuo (Excused, Appointing Tzung-Ta Yen as Proxy),

Chairman, Board of Supervisors: Shu-Tzu Chen

Supervisors: Ching-Fan Chung, Sheng-Yao Lin, Kuei-Hui Cheng, Sheng-Syan Chen

Staff Present:

Feng-Ying Hsieh, 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

Ya-Hui Pan, 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

Chia-Wen Hsieh, Director, Legal Affairs Office

Chih-Cheng Hu, Secretary, Board of Directors

Chih-Jung Lee, Secretary, Board of Supervisors

Presiding: Chin-Long Yang

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[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

In April 2025, the United States announced reciprocal tariffs that far exceeded market expectations. Though the implementation was subsequently postponed, uncertainty over U.S. trade policies remained elevated. Reflecting the shifting U.S. tariff policies, the global manufacturing Purchasing Managers' Index (PMI) slipped into contraction territory from April onwards. S&P Global Market Intelligence (hereinafter referred to as S&P Global) revised down its 2025 economic growth projections for the world and most major economies.

As for global commodity prices, the impact of U.S. reciprocal tariffs and a significant production increase by OPEC+ led international oil prices to decline sharply. Subsequently, oil prices surged following a tariff agreement between the U.S. and China and heightened geopolitical tensions in the Middle East. Despite the recent rebound, international institutions projected that oil prices for 2025 would remain below last year's levels. Recently, as prices of crude oil, grains, and gold had all risen, the R/J CRB Futures Price Index, which represents overall global commodity prices, trended up compared to the end of March.

On the inflation front, global demand had slowed, and S&P Global projected continued declines in the global inflation rate. However, should global trade protectionism intensify, many economies could face renewed upward pressures on inflation.

The monetary policy stance of major central banks had diverged since April this year. The U.S. Federal Reserve (Fed) paused its rate-cutting cycle, the Bank of Japan (BoJ) halted rate hikes, and the European Central Bank (ECB) continued with rate reductions. Meanwhile, the People's Bank of China (PBoC) ramped up its monetary easing measures.

In international financial markets, the U.S. announcement of reciprocal tariffs initially triggered a sharp downturn in global equity indices. However, markets later rebounded as implementation was deferred. Amid mounting uncertainty over U.S. trade and economic policy, investor concerns over the U.S. economic outlook intensified. As a result, the U.S. dollar index declined and decoupled from the movement of U.S. Treasury yields.

Looking ahead, the global economic outlook remains clouded by a range of uncertainties, including the evolving trajectory and impact of U.S. trade policies, diverging monetary policy paths among major central banks, rising fiscal risks in highly-indebted countries, ongoing structural imbalances in China's economy, as well as geopolitical tension and climate change, all of which could weigh on global economic, trade, and financial sectors.

2. Domestic Economic and Financial Conditions

(1) Economic situation

Taiwan's real GDP in both the manufacturing and services sectors continued to grow in recent months. While coincident indicators remained on an uptrend, leading indicators continued to decline, suggesting that the economy stayed in an expansionary phase but warranted close monitoring going forward. Since April, amid shifting U.S. reciprocal tariff policy, both the manufacturing and non-manufacturing sectors in Taiwan had posted contractionary readings in their outlook for future business operations.

Regarding the components of economic growth, Taiwan's exports expanded by 24.3% year on year in the first five months of this year. That growth was largely driven by a surge in exports of information, communication, and audio-video products as well as electronic components, supported by continued strong demand for artificial intelligence (AI) applications and front-loaded shipments by clients anticipating U.S. tariff hikes. However, exports of traditional industrial goods remained subdued. Considering the front-loading of orders in the first half of the year and the high comparison base from the previous year, the Bank projected that real export growth would lose some momentum in the second half of the year but would still register robust growth for the year as a whole.

Regarding private investment, given the elevated uncertainty surrounding U.S. tariff policy, manufacturers had adopted a more cautious outlook for the economy and exports in the second half of the year, thereby dampening investment demand. Combined with a higher base effect, the Bank forecasted a slowdown in real private investment momentum in the second half of the year. Nonetheless, growth in private investment for the year as a whole was expected to continue.

In terms of private consumption, domestic economic activity and labor market conditions remained stable. However, consumer confidence stayed low because of repeated changes in U.S. tariff policy and increased volatility in global stock markets. The Bank therefore projected mild growth in real private consumption for the second half of the year and for the year as a whole.

In the labor market, total employment rose and the unemployment rate declined during the January-April period compared to the same period last year. However, as a result of U.S. tariff policy shifts, the number of furloughed workers increased as of mid-June compared to the end of March. Meanwhile, nominal regular earnings recorded moderate year-on-year growth during the same period.

Overall, Taiwan’s economy expanded at a faster-than-expected pace in the first half of the year, supported by robust export growth and increased private investment. Looking ahead to the second half of the year, elevated uncertainty over U.S. tariff policy, coupled with the front-loading already executed and a higher base effect, would likely weigh on export and investment momentum. The Bank projected moderate economic growth at an annual rate of 3.05% for the year as a whole, unchanged from its March 2025 forecast.

Compared with the previous forecast, the Bank revised up its projection for first-half economic growth to 5.49%, while lowering the second-half growth forecast to 0.78%. In addition, the Bank estimated that the output gap for 2025 would be close to zero. Major forecasting institutions at home and abroad projected Taiwan’s economic growth rate for the year to range between 2.60% and 3.50%.

(2) Financial conditions

In April this year, global financial markets experienced heightened volatility owing to the impact of U.S. tariff policy. Nonetheless, domestic market liquidity remained generally stable. In May, foreign investors registered net purchases of Taiwan’s equities along with inward remittances, and short-term interest rates to fluctuate slightly. Bank deposit and lending rates, as well as money market rates, had mostly adequately reflected the Bank’s policy rate adjustments, indicating the effectiveness of the Bank’s monetary policy instruments in guiding market interest rates.

Regarding domestic monetary and credit conditions, the annual growth rate of bank loans and investments had moderated in the year to date, mainly due to slower growth in housing loans and a reduction in working capital loans to firms. The average annual growth rate in the January-May period was 7.20%.

As growth in bank loans and investments softened, the monetary aggregate M2 also recorded a decline in its annual growth rate. For the first five months of the year, the average annual growth rate of M2 stood at 4.45%, remaining within the Bank’s reference range of 2.5% to 6.5%.

In the housing market, the Bank had continued to implement selective credit control measures. Public expectations for further housing price increases continued to subside. The annual growth rate of nationwide building ownership transfers dropped significantly, and the upward trend in housing prices had also slowed. Banks had set lower loan-to-value (LTV) ratios for regulated mortgage loans, while the share of housing loans extended to non-owner-occupiers had increased. Meanwhile, the annual growth rates of total housing loans and construction loans continued to decline. The ratio of real estate lending to total lending (a measure of real estate credit concentration) also fell to 37.1% as of the end of May this year.

(3) Price trends

Inflation continued on a gradual downward trend so far this year. During the January-May period, the consumer price index (CPI) posted an average annual growth rate of 2.04%. This was mainly attributable to price increases in food items such as fruit, food away from home, and meat, as well as higher rents and rising prices of personal effects, which together contributed 1.64 percentage points to CPI growth and accounted for about 80% of the increase. The annual growth rate of the core CPI averaged 1.65% in the same period.

In May, the price increases in frequently purchased items and staple goods both showed signs of easing. By category, some services prices remained sticky. The annual growth rate of the services CPI stood at 2.07% in May, higher than that of the goods CPI and the overall CPI. Regarding import prices, the appreciation of the NT dollar against the U.S. dollar led to a further decline in import prices in NT dollar terms in May.

Looking ahead to the second half of the year, services price inflation was expected to continue its mild deceleration. Moreover, crude oil prices for the year were projected to be lower than last year's levels, which should further ease inflationary pressures. Accordingly, the Bank revised down its forecasts for the annual growth rates of the CPI and the core CPI to 1.81% and 1.69%, respectively. Major domestic and foreign institutions projected Taiwan's CPI inflation to fall within a range of 1.70% to 2.10% for 2025.

3. Considerations for Monetary Policy

(1) Taiwan's inflation rate is expected to fall below 2% this year.

A. With crude oil prices expected to be lower than last year's levels, inflationary pressures are likely to continue easing.

B. The Bank has revised down its 2025 inflation forecasts to 1.81% for the CPI and 1.69% for the core CPI.

(2) Taiwan's economy is projected to register moderate growth of 3.05% this year, same as the previous forecast.

II. Proposition and Decision about Monetary Policy

1. **Policy Propositions: To keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 2%, 2.375%, and 4.25%, respectively.**
2. Board members reached a unanimous decision on the policy rate hold. Related discussions are summarized as follows.

(1) Discussions about the policy rates

All board directors, taking into account various factors at home and abroad, agreed to keep the policy rates unchanged. Several of them remarked that while domestic inflation has continued easing and the economic conditions remains stable, heightened uncertainty in the international economic and trade environment may weigh on Taiwan's economic growth in the second half of the year, which warrant close monitoring and support the decision of a rate hold. One of the board members noted that Taiwan's economy would be confronted by uncertainty stemming from a steep decline in exports and retaining some policy leeway at present would be conducive to timely future adjustments as warranted.

Two board directors pointed out that while domestic inflation was on a gradual downtrend, it remained important to closely monitor any impact from recent Israel-Iran military conflicts on domestic price trends. Another board director gave the opinion that despite the Israel-Iran conflict, the NT dollar appreciation against the US dollar in recent months had helped dampen import prices, which would likely further reduce inflationary pressures.

One board director recognized the fact that domestic inflation was coming down, leading the real interest rate to turn positive in May; however, the decline in inflation in May could be attributed to a higher base effect. Therefore, close monitoring of changes in inflation was necessary. In particular, housing rent and items purchased at least once a month continued to record high CPI annual growth rates, which could in turn feed into public inflation expectations.

Two board directors brought into focus the issue of inter-sectoral wage inequality. One of them noted that sector-specific analysis showed some industries registered negative real wage growth in the first three months of the year, with the share of employed persons in these wage-declining sectors higher than that in the same period last year, indicating widening labor income disparities. This issue, though outside the scope of the central bank’s policy objectives, still warrants attention. Indeed, with private consumption growth expected to moderate in the second half of this year and even next year, worsening income inequality could exert additional downside pressures.

One board director stated that current and future shifts in international political and economic conditions, including recent Israel-Iran military conflicts and U.S. tariff policy changes, could impact Taiwan’s economy and the financial sector. Regarding the rapid NTD appreciation in May, while exporters may inherently use a natural hedge against exchange rate fluctuations, they could still encounter significant pressures in situations like this. Sustained NTD strengthening could also weigh on domestic economic growth. Another board director remarked that integration into global value chains has reduced the susceptibility of exports to exchange rate movements. In other words, although relative currency weakness was traditionally seen as conducive to export growth, global value chain integration has gradually diminished this effect.

One board director pointed out that after staying above 2% for consecutive three years, Taiwan’s CPI annual growth rate was projected to drop below 2% this year, and domestic economic growth had been steady for the past two years. Taken together, it warranted a stance to not reduce the policy rates. Further taking into account highly uncertain U.S. tariff policy in the second half of the year and the recent outbreak of Israel-Iran military conflicts, the director thus supported keeping the rates unchanged.

One board director remarked that while Taiwan's economic growth remained steady, higher U.S. tariffs could have adverse implications for domestic inflation, as well as for economic activity. The impact on inflation could be transitory, but it could also be more persistent if the effect on supply chains is accounted for. Therefore, domestic economic prospects for the second half of the year still faced uncertainties.

(2) Discussions regarding the selective credit control measures

Several board directors shared the view that following the Bank's seventh amendment to the selective credit control measures in September 2024, the housing market had cooled down. Newly-extended housing loans and outstanding house-purchasing loans of all banks had continued decreasing. Real estate lending as a share of total lending (a measure for bank lending concentration) also declined, albeit still somewhat elevated. Therefore, these directors favored the decision to maintain current control measures. Nevertheless, they underscored the need to continue monitoring concentration of loans to the real estate sector and to review the effectiveness of the selective credit control measures.

A few board directors pointed to the issue of housing finance supply and demand going forward. One of them noted that while there remained a considerable flow of credit resources towards the real estate market, banks' one-year internal management of total real estate lending had begun to show results. Meanwhile, some banks seemed to have exercised greater prudence than others in adhering to their aggregate amount goals. Against this background, with a large number of pre-sold housing units expected to be completed and set for homeownership transfer in the second half of this year, some borrowers, despite being eligible, could still experience difficulty securing loans. Were this to occur, the Bank should help address relevant complaints in a timely and appropriate manner.

Another board director noted that the amount of newly-extended housing loans of all banks had continued to decrease since September last year. A boom in transactions of pre-sale homes in the past few years was followed by an increase in the number of newly-completed housing units starting last year and this year. The acceleration in completion resulted in a surge in funding need for housing loans, potentially opening a persistent supply-demand gap in housing credit. One board director pointed out that the Bank would need to proceed with caution in addressing such a credit gap while remaining attentive to elevated housing prices.

Two board directors drew attention to the issue of “zombie construction projects” (referring to pre-sold housing developments left unfinished by builders, often due to financial distress), noting that some media reports of isolated incidents were exaggerated, risking leading the public into seeing this as the direct consequence of the selective credit controls and perhaps even distorting public expectations about the housing market. It would thus be important to provide appropriate clarification to dispel such misperceptions. Several other board directors also expressed the view that individual cases of the so-called “zombie construction projects” should be carefully monitored to avoid disrupting financial stability. Another board director pointed out that given the signs of economic moderation in the second half of the year, some smaller builders with high financial leverage could be adversely impacted. The Bank should draw up contingency plans in advance to prevent a deterioration in the overall real estate sector.

Several board directors stated that as future developments in the real estate market would require further observation, it would be appropriate to keep the selective credit controls as they were. One of them noted that growth in the housing price index remained in positive territory, an indication of a continued rise in housing prices, and noted that relaxing the selective credit control measures now would undermine the efforts of the previous seven amendments.

Another board director remarked that some areas in Taiwan continued to record large housing price increases. In this view, it would be important to monitor potential impact on housing prices from major development projects in specific areas, along with more effective tracking of the trends there and more suitable actions if warranted.

One board director noted that in the past few years, bullish sentiment about housing price appreciation and misleading sales promotion by some developers have fueled the overheating of the housing market. Nevertheless, since the implementation of the Bank's selective credit controls, public expectation for housing price rises had diminished, indicating that the overheating had been contained and housing prices had stabilized.

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 2%, 2.375%, and 4.25%, respectively.

Voting for the proposition: Chin-Long Yang, Tsui-Yun Chuang, Tzung-Ta Yen, Mei-Lie Chu, Ray-Beam Dawn, Junne-Jih Chen, Shiu-Sheng Chen, Fu-Sheng Hung, Yi-Ting Li, Shi-Kuan Chen, Chien-Yi Chang, Ming-Chang Wu, Chang-Ching Lin, Ming-Fu Shaw, and Jyh-Huei Kuo (Excused, Appointing Tzung-Ta Yen as Proxy)

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 June 19, 2025

Monetary Policy Decision of the Board Meeting (2025Q2)

I. Global economic and financial conditions

Since the Board met in March this year, changes in U.S. tariff policies have led global manufacturing activity to move into contraction and the global economy to expand at a slower pace. International institutions broadly revised downward the global economic and trade growth forecasts of this year. Global inflation is expected to ease further over the course of the year.

Following the U.S. announcement of substantial reciprocal tariffs, uncertainty over global economic and trade policies heightened. This, along with mounting concerns over the U.S. fiscal outlook, triggered greater volatility in international financial markets, which later subsided after the temporary postponement of reciprocal tariff measures.

From April onwards, paces in monetary policy moves of major central banks varied. The U.S. Federal Reserve halted rate reduction, whereas the Bank of Japan held off from raising rates. Meanwhile, the European Central Bank maintained its rate-cutting cycle, and the People's Bank of China stepped up monetary easing measures.

Looking ahead, a string of factors such as the outcomes of U.S. tariff negotiations with major economies, monetary policy actions of major central banks, China's economic slowdown, as well as geopolitical conflicts and climate change, would increase uncertainties surrounding the global economic and financial outlook.

II. Domestic economic and financial conditions

1. Supported by strong demand for artificial intelligence (AI) and other emerging technology applications, as well as front-loading by overseas firms in response to U.S. tariff policies, Taiwan's exports have expanded significantly in the year to date and private investment has picked up markedly. Meanwhile, private consumption has continued to grow. Consequently, economic growth has fared much stronger than expected. Regarding labor market conditions, for the first four months of the year compared to the same period last year, the unemployment rate has declined and the number of employed persons has increased, along with mild wage growth.

Looking ahead to the second half of the year, it is expected that, with a cautious global economic outlook amid high uncertainty surrounding U.S. tariff policies, coupled with the front-loading already executed by overseas firms and a higher base effect, Taiwan's exports and private investment would experience weaker growth momentum, while private consumption would grow at a moderate pace. The Bank therefore projected the economy to expand by 3.05% this year (see Appendix Table for the 2025 forecasts by major institutions), same as the previous forecast.

2. For the first five months of the year, the annual growth rate of the consumer price index (CPI) averaged 2.04%, and that of the core CPI (excluding vegetables, fruit, and energy items) averaged 1.65%, both continuing to come down gradually.

   Regarding the inflation outlook for the second half of the year, services inflation would likely maintain a gradual downtrend, and international crude oil prices this year are expected to come below the levels of last year, both of which would help inflationary pressures to soften further. The Bank therefore revised down its forecasts for the CPI and the core CPI annual growth rates to 1.81% and 1.69% in 2025, respectively (see Appendix Table for the 2025 forecasts by major institutions), lower than the 2024 figures of 2.18% and 1.88%. Key drivers for future domestic inflation trends include international commodity prices, domestic services prices, and weather factors.

3. Domestic market liquidity remains ample, and both long- and short-term market interest rates have fluctuated within a narrow range in recent months. Excess reserves in the banking system averaged somewhat above NT$45 billion in the period of March to May this year. For the first five months of the year, the average annual growth rate of the monetary aggregate M2 (measured on a daily average basis) was 4.45% and that of bank loans and investments was 7.20%, both sufficient to support economic activity.

III. The Board decided unanimously to keep the policy rates unchanged

At the meeting today, the Board considered the totality of information on the economic and financial conditions at home and abroad. The domestic inflation rate is on track to drop to below 2% and the domestic economy is expected to expand at a moderate pace. Nonetheless, uncertainty facing the global economic outlook remains elevated. Against this background, the Board, taking a prudent approach to the influence of evolving developments including U.S. economic and trade policies, judged that a rate hold would help sustain sound economic and financial development on the whole.

The Board decided to keep the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations unchanged at 2%, 2.375%, and 4.25%, respectively.

Going forward, the Bank will closely monitor incoming information on uncertainty factors, including U.S. tariff policy developments, the pace of monetary policy adjustments by major central banks, China's economic downturn risk, geopolitical conflicts, and extreme weather, and their implications for Taiwan's economic activity, financial conditions, and price trends. The Bank will adjust its monetary policy accordingly in a timely manner as warranted 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 adopted moral suasion in mid-August 2024 by asking banks to enhance internal quantitative controls of real estate lending in aggregate over the coming year (2024Q4 - 2025Q4). The Bank then made the seventh amendment to its selective credit control measures in September 2024.

Since the imposition of these policies, the loan brackets under the credit controls have witnessed lower loan-to-value (LTV) ratios; consumer expectations for housing price rises have eased, housing market transactions have continued to cool down, and the housing price uptrend has slowed. Meanwhile, domestic banks have recorded an increase in housing loans to non-homeowner borrowers as a share of total housing loans. In recent months, there have also been a further slowdown in the annual growth rates of banks' housing loans and construction loans. The ratio of real estate lending to total lending of all banks (a measure of concentration of real estate lending) has generally declined to 37.1% as of the end of May this year.

Going forward, the Bank will keep close watch on bank credit concentration on real estate lending, conduct quarterly reviews on the progress of banks' internal improvement plans for real estate lending, and perform targeted financial examinations, so as to ensure vigorous compliance with the Bank's rules and regulations. Meanwhile, the Bank will review the effectiveness of the selective credit control measures, closely monitor potential impacts of real estate sector-related policies on the housing market, and adjust relevant measures 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

Taiwan's Economic and Inflation Growth Forecasts by Major Institutions

Unit: %

Forecast Institutions		**GDP Growth Rate**	**CPI Growth Rate**
Domestic Institutions	**CBC (2025/6/19)**	**3.05**	**1.81 (CPI)** **1.69 (Core CPI*)**
	NTU/Cathay (2025/6/16)	2.80	1.90
	TRI (2025/6/13)	2.90	1.98
	DGBAS (2025/5/28)	3.10	1.88
	TIER (2025/4/25)	2.91	1.95
	CIER (2025/4/18)	2.85**	2.08**
Foreign Institutions	S&P Global Market Intelligence (2025/6/17)	2.92	1.70
	Citi (2025/6/16)	2.80	2.00
	Barclays Capital (2025/6/13)	2.60	1.80
	BofA Merrill Lynch (2025/6/13)	2.80	1.80
	HSBC (2025/6/13)	2.80	2.00
	J.P. Morgan (2025/6/13)	3.50	1.70
	Nomura (2025/6/13)	3.40	1.80
	Standard Chartered (2025/6/13)	3.00	2.10
Forecast Average		**2.96**	**1.89**

* Excluding vegetables, fruit, and energy.

** Referring to the projections of the GDP and CPI annual growth rates under the optimistic scenario set by the CIER; under the neutral scenario, the GDP and CPI annual growth rate forecasts are 1.66% and 1.99%, respectively.