

Foreword



Fai-nan Perng, Governor

Against the backdrop of a gradual global recovery, stabilizing export growth and improved domestic demand, Taiwan delivered a better economic performance with an annual growth rate of 2.11 percent in 2013, faster than the 1.48 percent registered in the previous year. Inflation moderated from an annual growth rate of 1.93 percent in the previous year to 0.79 percent owing to lower international raw material prices and mild domestic prices rises.

The recent improvements notwithstanding, international economic conditions remain highly uncertain. With this in mind, as well as moderate economic growth and subdued inflationary pressures, the CBC held the policy rates unchanged throughout 2013 and kept M2 growth in check by managing market liquidity via open market operations. For the year as a whole, M2 growth averaged at a pace of 4.78 percent, close to the median of the 2013 target range. This is judged to be sufficient to help maintain price and financial stability and foster economic growth.

During 2013, the CBC continued to urge financial institutions to enhance risk management for real estate lending in “specific areas,” namely metropolitan Taipei, high-value housing loans, and land collateralized loans. The CBC also called for self-discipline and greater prudence on the part of the banks when making loans for residential properties in “non-specific areas” with considerable price surges and when making loans collateralized against lands for industrial use. We also alerted borrowers to potential risks associated with possible rate hikes at some point in the future.

In terms of exchange rate movements, the NT dollar, under a managed float regime, continues to exhibit dynamic stability. At the end of 2013, foreign exchange reserves amounted to US\$416.8 billion, increasing by US\$13.6 billion during the year.

More financial products were approved for launch and restrictions were further eased to facilitate foreign currency fund flows in 2013. Authorized banks began to offer renminbi business from February 2013, leading up to rapid growth in renminbi deposits and an increasing variety of renminbi-denominated financial products. In addition, the foreign currency clearing platform, newly established to reinforce financial infrastructure, became available for transactions involving renminbi as well as US dollar remittances. Providing more efficient and less costly cross-strait fund transfers, such progress will facilitate the development of the financial service industry.

The CBC also inaugurated the Chinese version of the Virtual Money Museum in June 2013, followed by the English and the mobile versions. We expect the well-received virtual museum will increase the public's knowledge of banknotes and coins in this country.

Looking ahead, the global recovery is not quite yet secure given that the Chinese economy may slow down amid structural reforms and that the tapering of the US Federal Reserve's asset purchases could impact financial and economic stability of emerging market economies. The CBC will continue to closely monitor the economic and financial developments in Taiwan and across the world and take appropriate actions in a timely manner.

Finally, I would like to thank my colleagues for their dedication in putting together this publication and for their hard work over the past year. We remain committed to fulfilling our missions and strive to meet future challenges.

A handwritten signature in black ink, appearing to read 'Fai-nan Perng', with a stylized, flowing script.

Fai-nan Perng
Governor
April 2014