

Annual Report 2015

Central Bank of the Republic of China (Taiwan)

Taipei, Taiwan
Republic of China

Foreword



Fai-nan Perng, Governor

The year 2015 was a challenging year for many economies, including Taiwan. As exports were dampened by weak external demand amid a sluggish global recovery and oil price slump, private investment and consumption also faltered. The economy began to slow further from the second quarter onwards and expanded at a pace of 0.75% for the entire year. Meanwhile, the transitory effects of falling international energy prices led domestic inflation to slow to -0.31%, with core inflation at 0.79%.

Against this backdrop of economic slowdown, a wider output gap, and subdued inflation expectations, the CBC judged that monetary stimulus was warranted to sustain economic growth and cut policy rates twice in the second half of 2015. The CBC also injected liquidity through open market operations, maintaining banks' excess reserves at a higher level. In 2015, bank credit and M2 both exhibited faster growth than GDP, indicating there was sufficient market liquidity to support economic activity.

The CBC also assessed developments in the housing market and found that financial institutions had improved credit risk management associated with real estate lending. In addition, with the government's policy measures for a sound housing market, speculative demand had tapered off, and the volume of property transactions had contracted. Therefore, the CBC announced several statutory amendments last August and further in March this year, relaxing most of the restrictions imposed previously on real-estate lending except high-value housing loans.

In 2015, Taiwan's foreign exchange market experienced greater volatility. Monetary policy divergence among major central banks and global financial turmoil induced erratic short-term capital flows and, in turn, caused exchange rate disruptions. In response, the CBC stepped in as needed to maintain an orderly foreign exchange market and safeguard dynamic stability of the NT dollar exchange rate.

On a separate front, the CBC made law amendments in 2015 to facilitate diversification of renminbi financial products, aiding Taiwan's development into a key renminbi offshore market. We also moved ahead with foreign exchange liberalization and further enhanced financial infrastructure. For example, the CBC expanded the permissible scope of banks' electronic forex services and provided an even wider range of services on the foreign currency clearing platform. We hope that these efforts would help foster a more robust and competitive financial service sector.

Looking ahead, we recognize that the global economic recovery hinges on a number of factors, including monetary policy stances of major economies, price trends of oil and other commodities, economic performances of emerging markets, and geopolitical risks. The CBC will continue to closely monitor the economic and financial developments in Taiwan and across the world and take appropriate monetary policy actions as warranted.

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 2016

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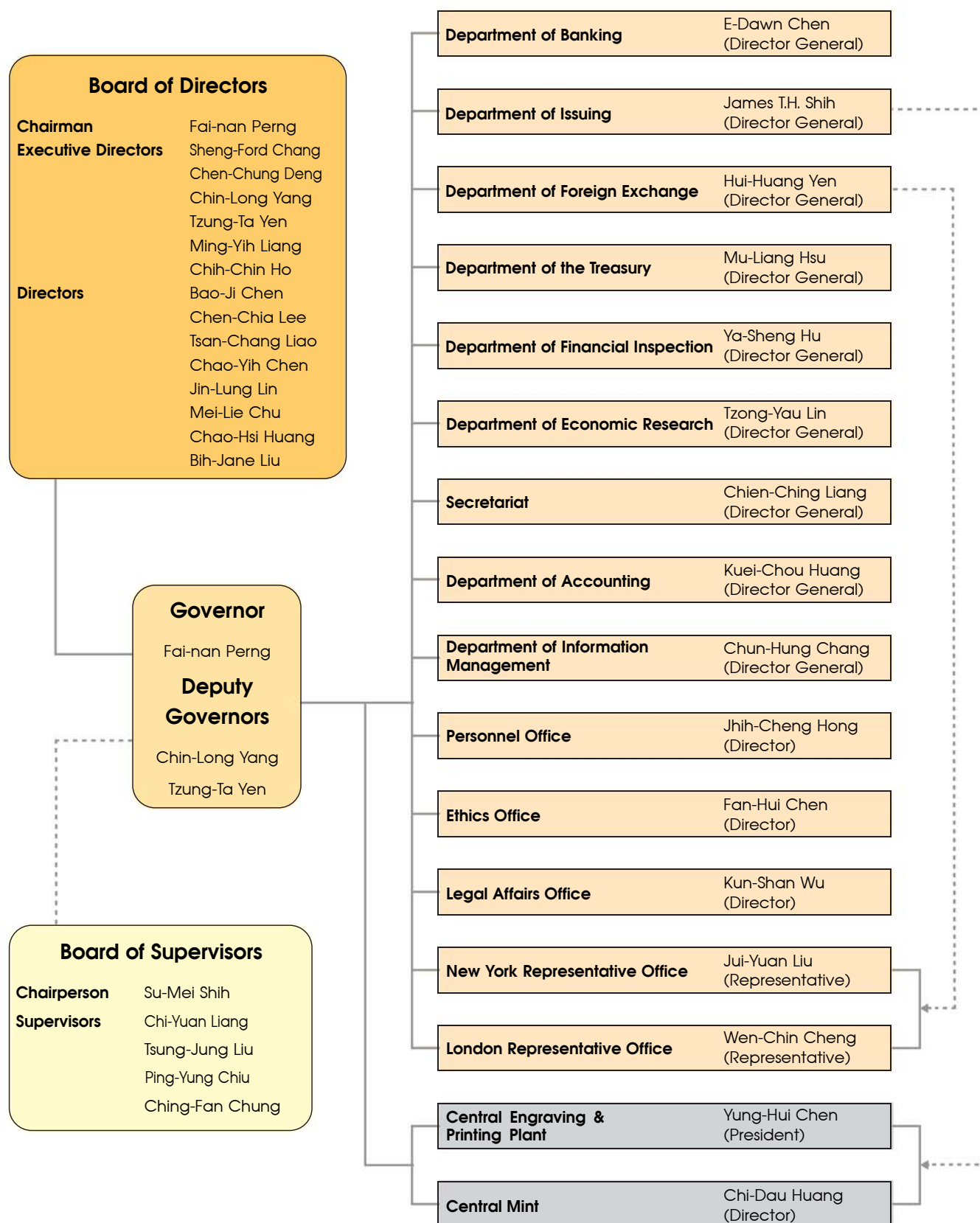
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Organization and Management of the CBC



As of March 2016



Chairman
Board of Directors
Governor
Fai-nan Perng



Executive Director
Sheng-Ford Chang



Executive Director
Chen-Chung Deng



Executive Director
Deputy Governor
Chin-Long Yang



Executive Director
Deputy Governor
Tzung-Ta Yen



Executive Director
Ming-Yih Liang



Executive Director
Chih-Chin Ho



Director
Bao-Ji Chen



Director
Chen-Chia Lee



Director
Tsan-Chang Liao



Director
Chao-Yih Chen



Director
Jin-Lung Lin



Director
Mei-Lie Chu



Director
Chao-Hsi Huang



Director
Bih-Jane Liu



Chairperson
Board of Supervisors
Su-Mei Shih



Supervisor
Chi-Yuan Liang



Supervisor
Tsung-Jung Liu



Supervisor
Ping-Yung Chiu



Supervisor
Ching-Fan Chung

Developments in the Real Economy

I. Developments in the Real Economy

1. Overview

In 2015, a slow global economic recovery and low commodity prices dampened Taiwan's export growth and caused the domestic economy to stagger along at a pace of 0.75% year on year, whereas the balance of payments stayed healthy owing to a wider current account surplus. The average annual growth rate of the consumer price index (CPI) fell 0.31% over the previous year, as fuel, gas, and electricity prices trended down following the plunge in international energy prices. The central government deficit shrank markedly to NT\$11.0 billion, helped mainly by a significant pickup in government tax revenue as well as fee income from second-round 4G mobile spectrum auctions. Amid the economic slowdown, the unemployment rate began to edge up from June onwards; nonetheless, at an average annual rate of 3.78%, the unemployment rate was the lowest in fifteen years. In addition, average non-farm (industrial and services sectors) monthly real earnings rose by 2.83% year on year, the highest in the past five years.

Modest Economic Growth

Taiwan's economy gained momentum in the first quarter of 2015, mainly because private consumption rose steadily and exports were bolstered by increased profit margins from merchanting. The annual GDP growth rate was 4.04%, outpacing all the other quarters in 2015. However, economic growth languished from the second quarter on and even slipped into negative territory in the last two quarters of the year. This downtrend was primarily due to export contraction driven by diminishing demand from Mainland China and a cyclical downturn in the technology industry, as well as Taiwan's own structural concerns. The economy expanded by 0.75% for the year as a whole.

In terms of GDP components by expenditure, domestic demand increased by a mere 1.57% year on year, owing to slowing private consumption and negative growth in government expenditure. Domestic demand contributed 1.41 percentage points to GDP growth, while the contribution from net external demand shrank to negative 0.67 percentage points.

Broken down by type of activity, only the services sector recorded modest growth and made a positive contribution to GDP growth at 0.24 percentage points. The agriculture and industry sectors both slipped into contraction, contributing -0.06 and -0.32 percentage points to GDP growth, respectively.

Healthy BOP Surplus

In 2015, the current account surplus and the net outflow in the financial account both reached historical highs. Overall, the balance of payments stayed healthy with a surplus of US\$15,011 million, increasing by US\$1,996 million from the previous year.

In the current account, the goods trade surplus widened to US\$53,341 million, reflecting a greater decline in imports over exports. The services account surplus waned to US\$9,406 million as travel expenses and expenditure on trade commissions both increased. The income account surplus expanded to US\$16,791 million, mainly owing to a decrease in outward payments for non-residents' direct investment income. The deficit on the current transfers balance rose to US\$3,373 million. Overall, the current account surplus widened by 19.4% to US\$76,165 million, representing a greater share of 14.5% in GDP from the previous year's 12.0%.

In 2015, the financial account recorded a net outflow of US\$68,041 million, mostly accounted for by a record-high portfolio investment net outflow. Of the components, the net outflow in residents' portfolio investment abroad rose to US\$56,535 million, mainly reflecting increased portfolio investment abroad by insurance companies. As foreign investors shed their domestic bond holdings, non-residents' portfolio investment posted a net outflow of US\$1,181 million in contrast to a net inflow the previous year. Direct investment abroad exhibited a wider net outflow of US\$14,773 million, with Mainland China remaining the top destination. Direct investment in Taiwan by non-residents showed a net inflow of US\$2,415 million. Other investment recorded a net inflow of US\$3,283 million, mainly because the private sector withdrew overseas deposits.

Stable Price Trends

In 2015, international commodity prices continued to fall, dragging import prices in NT dollar terms lower by 12.93%. In addition, a downward price trend in consumer electronics and reduction in electricity rates combined to result in an 8.84% decrease in wholesale price index (WPI) growth, the steepest decline ever recorded.

In terms of CPI growth, food prices went up but prices of fuel, gas, and electricity came down as a result of international energy price slumps. Meanwhile, domestic demand remained soft. Reflecting these influences, the CPI annual growth rate fell into negative territory for the first time in six years and registered -0.31%. Core inflation (excluding fruit, vegetable, and energy prices) gained by a mild 0.79%, slightly lower than the 1.26% of 2014.

Significant Reduction in Central Government Deficit

In 2015, the central government deficit narrowed significantly as the increase in revenue exceeded a smaller increase in expenditure.

Nearly 80% of total central government revenue came from tax revenue, which recorded a 9.1% increase thanks to rising corporate profits in the previous year. Revenue from fees, fines, and indemnities gained substantially by 43.7%, boosted by fee receipts from second-round 4G mobile service licensing. By contrast, surpluses of public enterprises and public utilities decreased marginally by 1.4% over a year ago.

Central government expenditure increased in 2015. The largest category remained social welfare expenditure, whose share grew to 23.2% owing to budgets drawn up to cover the shortfall in the government's required contribution to the national insurance budget and to subsidize insufficient funds for the National Pension Insurance Fund. Expenditure on education, science, and culture constituted the second largest share at 20.0%, owing to a budget increase for the use of the National Science and Technology Development Fund.

At the end of 2015, the total outstanding debt of the central government posted a lower ratio of 34.6% to the average nominal GDP for the previous three years, under the statutory limit of 40.6%

Further Decline in Unemployment Rate; Wage Growth at Five-Year High

In 2015, the monthly figure of the unemployment rate inched down to 3.62% in May, a new low since February 2001. As economic growth weakened, the unemployment rate began to trend up from June onwards and reached 3.87% in December. However, the annual average unemployment rate was 3.78%, still the lowest since 2001.

The average number of employed persons totaled 11.2 million in 2015, 1.08% more than the previous year. Employment in the services sector rose by 1.26%, the highest among all sectors, whereas the industrial sector recorded an increase of 0.76%. The monthly figures of employment growth rates (year on year) showed a downward trend from March onwards, in stark contrast to the broadly upward climb in the previous year.

Average non-farm (industrial and services sectors) monthly earnings grew by 2.52% year on year to NT\$48,490, while average monthly regular earnings of non-farm employees increased by 1.33% to NT\$38,716. Adjusted for inflation, real monthly earnings posted a five-year high growth rate at 2.83%, and real monthly regular earnings also rose by 1.64%, the largest increase in the past 16 years.

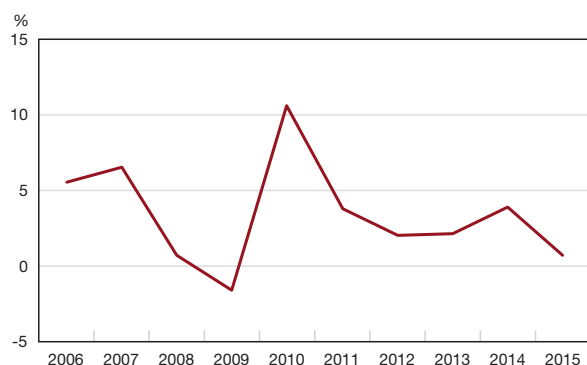
Labor productivity indices of the industrial sector and the manufacturing industry exhibited year-on-year declines of 1.29% and 0.91%, respectively. Unit labor costs increased by 6.61% in the industrial sector and by 6.22% in manufacturing, reflecting an increase in total earnings while production decreased.

2. National Output and Income

Taiwan experienced a slowdown in economic activity in 2015 amid weak global demand, continuously plunging commodity prices, and Mainland China's active development of supply chain localization. Private consumption grew moderately owing to a modest wage increase, an improving employment situation, and an increase in disposable income resulting from declining oil prices. Fixed capital formation displayed modest growth, mainly because the semiconductor and aviation industries continued to expand capital outlays. External trade suffered a marked setback reflecting a pronounced decrease in foreign demand and the impact of Mainland China's expanded supply chain. For the year as a whole, real GDP growth edged up a tiny 0.75%, the slowest annual growth in six years.

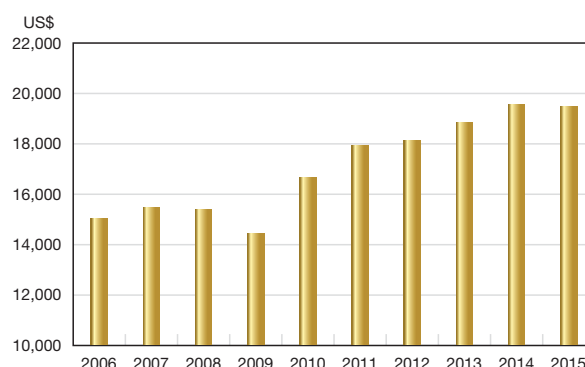
On account of an expansion in exports and a pickup in private consumption, real GDP advanced 4.04% year on year in the first quarter. In the second quarter, external trade growth significantly decelerated owing to the weaker-than-expected global economic growth momentum, together with slackening demand for electronics products. Influenced by falling construction investment and declining exports, real GDP growth declined to 0.57%. With Mainland China's efforts to expand its supply chain, continued drag on the global economy and falling commodity prices, external trade dropped sharply. Weak external trade weighed on business and consumer sentiment, which affected domestic demand. Consequently, real GDP contracted 0.8% in the third quarter. In the fourth quarter, external trade continued to fall as foreign demand remained lackluster, export orders from high-tech industry clients diminished, and prices of energy and raw materials kept hovering at low levels. As modest growth in domestic demand was unable to offset sluggish external trade, the real GDP growth rate shrank 0.52% in the last quarter. Meanwhile, owing to a slowdown in economic activity, per capita GNI in nominal terms decreased slightly from US\$19,558 to US\$19,451.

Real Growth Rate of GDP



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.

Per Capita GNI



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.

Expenditure Components of GDP

All expenditure components of GDP posted growth rates lower than the previous year. Among them, private consumption recorded a positive contribution of 1.22 percentage points for the year, replacing exports as the primary source of economic growth. Gross fixed capital formation contributed 0.33 percentage points to GDP growth owing to a pickup in capital expenditures by the private sector. On the contrary, affected by a limited fiscal budget, government consumption declined mildly, dragging GDP growth down by 0.06 percentage points. With weak global demand, net exports posted a negative contribution of 0.67 percentage points to economic growth for the year. With respect to shares of GDP, exports of goods and services remained to account for the largest share of GDP at 64.51%, followed by private consumption at 52.22% and gross fixed capital formation at 20.77% for the year.

(1) Moderate Growth in Private Consumption

During 2015, private consumption grew by 2.28% in real terms and contributed 1.22 percentage points to GDP growth. Overall consumer spending grew at a steady pace owing to a boost in disposable income resulting from falling oil prices, improvement in labor market conditions, and brisk tourism activity.

In the first quarter, driven by stronger new car sales, an improving employment situation, and an increase in the numbers of citizens traveling abroad, private consumption expanded at an annual rate of 3.73%. Then, a decline in new car sales caused private consumption growth to drop to 3.55% in the second quarter. In the third quarter, affected by a sharp decrease in new car sales, poor performance in the stock market, and negative growth in retail sales, private consumption

Expenditure on Gross Domestic Product

Unit: %

	2015			2014		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Private Consumption	52.22	2.28	1.22	53.31	3.33	1.80
Government Consumption	13.89	-0.44	-0.06	14.55	3.55	0.52
Gross Fixed Capital Formation	20.77	1.52	0.33	21.64	1.76	0.39
Change in Inventory	0.11	-	-0.07	0.17	-	0.52
Exports of Goods and Services	64.51	-0.21	-0.15	69.94	5.91	4.10
(Less : Imports of Goods and Services)	51.50	0.87	0.52	59.61	5.65	3.42
Expenditure on GDP	100.00	0.75	0.75	100.00	3.92	3.92

Note: * Percentage point.

Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.

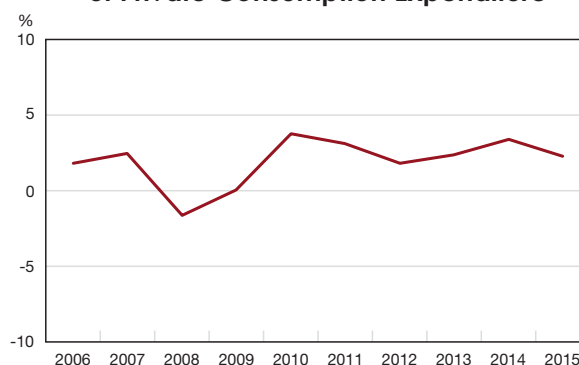
registered the lowest growth rate of 0.48% for the year. With the government's Consumption-Boosting Program and a buoyant stock market, consumer spending in the retail sector and restaurant business rose stably, leading private consumption expenditure to increase by 1.46% in the final quarter.

(2) Modest Growth in Fixed Capital Formation

Fixed capital formation exhibited modest growth with an annual rate of 1.52% in real terms for the year 2015 and contributed 0.33 percentage points to economic growth. In the first quarter, a rise in the investment in aircraft purchases was partially offset by a decrease in semiconductor investment, such that fixed capital formation registered the lowest growth rate of negative 0.44% for the year. In the second quarter, although the Japanese yen depreciation prompted manufacturers to import more capital equipment, construction investment declined, leading fixed capital formation to grow only mildly by 0.60%. Subsequently, because the semiconductor industry continued to invest in advanced technologies and the transportation industry raised capital spending, fixed capital formation expanded by 3.24% and 2.54%, respectively, in the last two quarters.

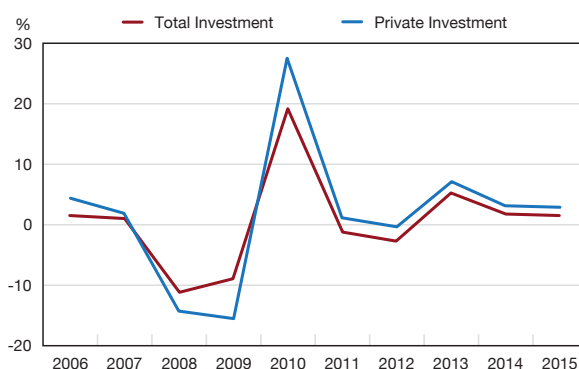
Regarding expenditure by type of purchaser, investment by the private sector registered positive growth, while investment by public enterprises and general government posted further contraction for the year. The private sector steadily expanded new investment in aircraft purchases and its gross fixed capital formation grew by 1.33% in the first quarter. In the second quarter, affected by weaker construction investment, investment by the private sector fell by 0.64%. In the second half of the year, as the semiconductor and transportation industries increased capital spending, private investment expanded by 5.24% and 6.81%, respectively, in the third and final quarters. For the year as a whole, private investment increased by 3.11%. In contrast, investment by public enterprises went down by 6.79% because the fourth nuclear power plant was mothballed and some construction projects

Real Growth Rate of Private Consumption Expenditure



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2016.

Real Growth Rate of Fixed Investment



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2016.

fell behind schedule. Government investment continued to shrink 4.28% for the year owing to a limited budget.

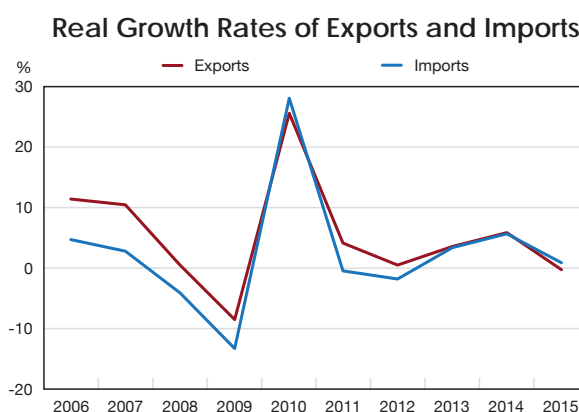
In terms of the type of capital formation, bolstered by growth in the global tourism industry, the largest growth was observed in outlays on transportation, resulting from increased procurement of airliners. Investment in transportation registered a growth of 6.23% for the year. Investment in machinery and equipment posted a moderate growth for the year at 3.24%, attributable to capacity expansion and technology upgrades conducted by semiconductor manufacturers. Investment in intellectual property was relatively stable, registering an annual growth rate of 2.84%. On the other hand, because of a decline in housing transactions, investment in the construction sector went down by 1.36%.

(3) Exports Fell More than Imports

On account of sluggish global demand for electronics products, Mainland China's efforts to localize the supply chain, and plunging oil prices, exports of goods and services fell by 0.21% for the year, subtracting 0.15 percentage points from economic growth.

For the first quarter, growth in exports of plastics, rubber, base metals, and optical and precision instruments all retreated; however, a solid expansion in exports of electronics products and machinery led total exports to rise by 6.13%. In the second quarter, with weakening global demand for electronics products and machinery, slowing growth in net proceeds from merchanting, and a decline in the number of tourists from Mainland China, growth in exports of goods and services went down to negative 0.74%. During the last two quarters, owing to global manufacturing overcapacity, challenges arising from Mainland China's supply chain localization, and a continued plunge in commodity prices, growth in exports of goods and services dropped to negative 2.88% and 2.57%, respectively.

In 2015, imports of goods and services slightly increased by 0.87%, subtracting 0.52 percentage points from economic growth. Since the import contents of exports and capital formation stood at a high level, the growth trend of imports moved upward in the first two quarters during the year. However, the import demand derived from exports and private consumption started to fall in the third quarter, leading to a contraction in imports in the last two quarters.



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.

Sectoral Components of GDP

On the output side, in 2015, overall production activity was relatively weak because of softening demand both at home and abroad. The services sector remained the key driver of economic growth, pitching in 0.24 percentage points to economic growth for the year, down from 1.88 percentage points in 2014. The contribution of the industrial sector to overall GDP reversed from positive 2.34 percentage points in 2014 to negative 0.32 percentage points in 2015 largely owing to a sharp

drop in manufacturing output. Likewise, the contribution of agricultural production to overall GDP fell into negative territory, subtracting 0.06 percentage points from economic growth.

Regarding the sectoral shares of GDP in nominal terms, Taiwan's economy was still dominated by the services sector with a 62.97% share in 2015. The ratio of agricultural output to GDP slightly declined to 1.80%. On the other hand, the industrial sector accounted for 35.41% of GDP, slightly higher than the share in the previous year.

(1) Marked Decrease in Agricultural Output

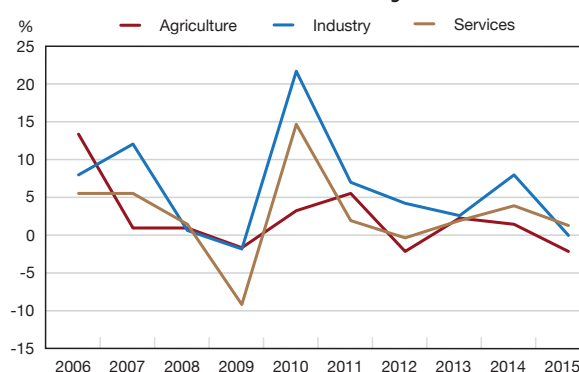
Agricultural production, covering agriculture, forestry, fishing and animal husbandry industries, contracted by 3.09% in 2015, largely attributable to a decline in rice production.

(2) Small Contraction in the Industrial Sector

Against the backdrop of faltering export demand in 2015, all industries in the industrial sector, namely mining and quarrying, manufacturing, construction, and electricity, gas and water, experienced negative growth. Industrial output posted a contraction of 0.95% for the year as a whole, a significant deceleration compared with the previous year's growth of 6.96%.

Influenced by worse-than-expected global economic performance, growth in manufacturing output slipped to negative 0.60%, reversing from positive growth of 7.93% in the previous year. Production of the information and electronics industry contracted 1.14% during the year owing to softening global demand, weakening demand for mobile devices and the semiconductor industry's inventory overstock. Dragged down by weaker demand and price competition in the global steel market, output growth in metal and machinery decreased by 4.18% for the year. Similarly, output growth in food, textile and other industries decreased by 1.26% for the year because of sharp declines in demand for apparel, clothing accessories and wood products. In contrast, production

Real Growth Rates by Sectors



Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2016.

of the chemical industry slightly rebounded by 1.16%, attributable to rising demand for inventory replenishment and a lower base effect.

In contrast to the previous year's 0.42% growth, output in the construction industry contracted by 1.03% for the year, particularly reflecting a slowdown in the real estate market. Output of mining and quarrying also dropped significantly by 6.59% for the year, owing to the decline in the production volume of marble, sand and gravel.

(3) Slight Growth in the Services Sector

For the year, services output grew by a mere 0.39%, much slower than the growth of 2.92% registered in the previous year. Some of the services subsectors remained in positive growth, but recorded lower growth rates than in the previous year on account of weak domestic demand and a slump in exports.

Gross Domestic Product by Type of Activity

Unit: %

	2015			2014		
	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*	Share	Real Growth Rate	Contribution to Real Growth Rate of GDP*
Agriculture	1.80	-3.09	-0.06	1.81	0.52	0.01
Industry	35.41	-0.95	-0.32	34.55	6.96	2.34
Mining and Quarrying	0.10	-6.59	-0.01	0.10	-3.65	0.00
Manufacturing	30.34	-0.60	-0.18	29.75	7.93	2.28
Construction	2.53	-1.03	-0.03	2.56	0.42	0.01
Electricity and Gas Supply	1.86	-6.98	-0.09	1.51	1.71	0.03
Water Supply and Remediation Services	0.58	-1.55	-0.01	0.63	3.08	0.02
Services	62.79	0.39	0.24	63.64	2.92	1.88
Wholesale and Retail Trade	15.93	-1.06	-0.17	16.48	3.90	0.66
Transport and Storage	3.31	0.84	0.02	2.84	0.59	0.02
Information and Communications	2.82	2.72	0.08	2.95	2.09	0.06
Finance and Insurance	6.56	3.00	0.20	6.58	7.56	0.49
Real Estate and Ownership of Dwellings	8.13	0.71	0.06	8.26	1.93	0.16
Public Administration and Defense; Compulsory Social Security	6.43	0.62	0.04	6.69	-0.36	-0.02
Other Services	19.61	0.10	0.01	19.85	2.61	0.51
Gross Domestic Product	100.00	0.75	0.75	100.00	3.92	3.92

Note: * Percentage point.

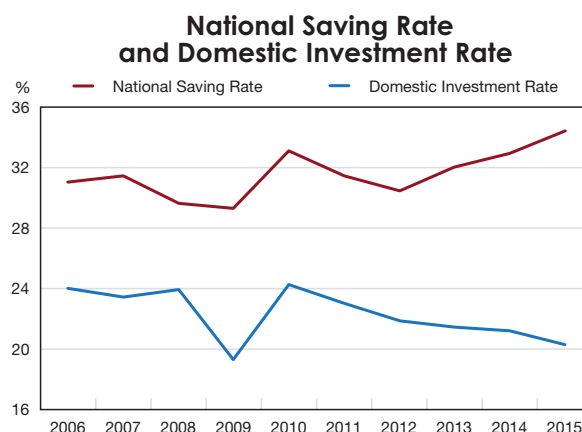
Source: Statistical Abstract of National Income, DGBAS, Executive Yuan, February 2016.

Resulting from increased fee income and insurance premium income, finance and insurance services registered the largest growth of 3.0% among the services subsectors for the year. Information and communications services also posted an increase of 2.72%, up from the previous year's 2.09% growth, attributable to the rising number of internet users over the year. Transport and storage services continued to grow along with the increase in the number of visitors and falling oil prices,

yet posted a slight growth of 0.84%. Real estate and ownership dwellings services grew by 0.71%, reflecting a cooldown in the housing market. On the other hand, wholesale and retail trade services decreased by 1.06% in 2015 because of a slowdown in trade-related export demand, weak domestic demand and a higher base effect.

Rise in National Saving Rate

The national saving rate (the ratio of national saving to GNI measured at current prices) further rose from 32.95% in the previous year to 34.41% in 2015 as nominal national consumption (including both private consumption and government consumption expenditures) grew at a moderate rate of 1.12% compared to the GNI growth rate of 3.88%. The relatively slow growth in nominal national consumption was primarily due to the contraction in government spending and modest growth in private consumption. Accordingly, the excess saving ratio, defined as the excess of national saving over gross domestic investment to GNI, climbed from 11.75% in 2014 to 14.14% in 2015, reflecting a greater increase in national saving than that in domestic investment.



Source: *Statistical Abstract of National Income*, DGBAS, Executive Yuan, February 2016.

3. Balance of Payments

In 2015, the current account registered a record surplus of US\$76,165 million, which accounted for 14.5% of nominal GDP, up from 12.0% in the previous year, as a result of wider surpluses on the goods and income accounts. The financial account posted a net outflow, which reached a new high of US\$68,041 million as investment in overseas debt securities by residents exhibited record-high net outflows. Because the current account surplus was partly offset by the net outflow in the financial account, the overall balance of payments recorded a surplus of US\$15,011 million, which was reflected in the increase in foreign reserve assets held by the CBC.

Balance of Payments

Unit: US\$ Million

	(1) 2015	(2) 2014	(1)-(2)
A. Current Account	76,165	63,812	12,353
Goods: exports f.o.b.	284,934	317,845	-32,911
Goods: imports f.o.b.	-231,593	-277,742	46,149
Balance on Goods	53,341	40,103	13,238
Services: credit	56,779	56,793	-14
Services: debit	-47,373	-45,747	-1,626
Balance on Services	9,406	11,046	-1,640
Income: credit	29,753	30,402	-649
Income: debit	-12,962	-14,945	1,983
Balance on Income	16,791	15,457	1,334
Current transfers: credit	6,612	6,624	-12
Current transfers: debit	-9,985	-9,418	-567
Balance on Current Transfers	-3,373	-2,794	-579
B. Capital Account	-82	-76	-6
Total, Groups A plus B	76,083	63,736	12,347
C. Financial Account	-68,041	-53,304	-14,737
Direct investment abroad	-14,773	-12,711	-2,062
Direct investment in R.O.C. (Taiwan)	2,415	2,839	-424
Portfolio investment assets	-56,535	-57,064	529
Portfolio investment liabilities	-1,181	12,840	-14,021
Financial derivatives assets	10,675	5,690	4,985
Financial derivatives liabilities	-11,925	-5,406	-6,519
Other investment assets	15,375	-14,243	29,618
Other investment liabilities	-12,092	14,751	-26,843
Total, Groups A through C	8,042	10,432	-2,390
D. Net Errors and Omissions	6,969	2,583	4,386
Total, Groups A through D	15,011	13,015	1,996
E. Reserves and Related Items*	-15,011	-13,015	-1,996

Note: * Excluding valuation changes in exchange rates.
Source: *Balance of Payments*, CBC, February 2016.

Wider Current Account Surplus

The current account consists of four major items, namely goods, services, income, and current transfers.

(1) Goods

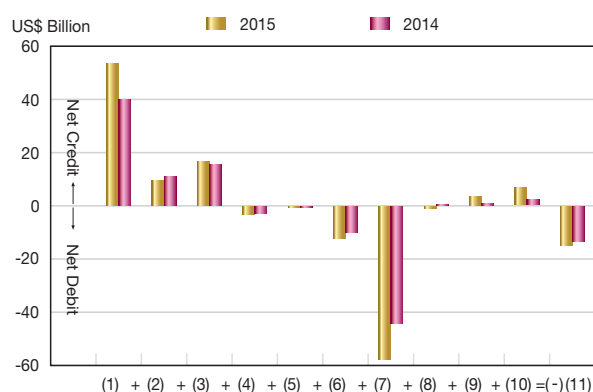
Global demand for semiconductors softened, and falling oil prices dragged down the export prices of petrochemical products. As a result, the value of exports dropped 10.4% to US\$284,934 million in 2015. The value of imports fell sharply by 16.6% to US\$231,593 million, mainly accounted for by decreasing import prices of raw materials. As a result of a larger reduction in imports over exports, the goods surplus widened to US\$53,341 million in 2015, hitting a new record high.

According to customs statistics, the top three export partners of Taiwan in 2015 were Mainland China including Hong Kong (hereafter in this chapter referred to as Mainland China), the US, and Japan, accounting for a combined share of 58.4% of total exports. The top three import partners were Mainland China, Japan, and the US, with a combined share of 48.3%.

In terms of Taiwan's trade with Mainland China, the value of exports amounted to US\$112,580 million in 2015, slipping by 12.4% from the previous year. China's economic growth slowdown, supply chain localization, and overcapacity limited Taiwan's growth in exports to Mainland China. Major export products exported to Mainland China declined, with the exception of information, communication and audio-video products and transport equipment. Taiwan's parts of electronic products and optical equipment, which made up the biggest two shares of exports to Mainland China, contracted by 8.1% and 27.6%, respectively. The share of exports to Mainland China shrank to 39.4% compared to the previous year, but Mainland China remained Taiwan's largest export market.

Imports from Mainland China dropped 8.3% to US\$46,771 million. With a share of 19.7%, Mainland

Balance of Payments

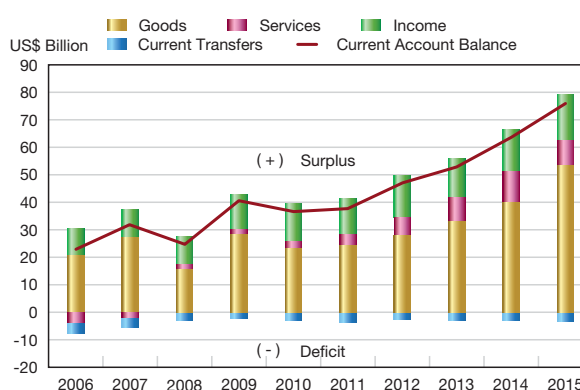


(1) Goods (2) Services (3) Income (4) Current Transfers (5) Capital Account
(6) Direct Investment (7) Portfolio Investment (8) Financial Derivatives
(9) Other Investment (10) Net Errors and Omissions (11) Reserves *

Note: * The minus sign (-) indicates an increase in foreign exchange reserves held by the CBC.

Source: Balance of Payments, CBC, February 2016.

Current Account



Source: Balance of Payments, CBC, February 2016.

China continued to be Taiwan's largest import partner. The trade surplus with Mainland China decreased by 15.1% to US\$65,809 million in 2015. Nevertheless, Mainland China remained the largest source of Taiwan's trade surplus.

Exports to the Association of Southeast Asian Nations (ASEAN), including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam decreased by 14.2% to US\$51,647 million in 2015, affected by falling export prices of petrochemical products amid a prolonged global oil slump. The combined share of exports to ASEAN in total exports fell to 18.1%. Imports from these countries decreased 16.1% to US\$29,117 million, with a share of 12.3% in total imports. In sum, the trade surplus with ASEAN reduced from US\$25,447 million in 2014 to US\$22,530 million, with Singapore, Vietnam, and the Philippines being the second, third, and fourth largest sources of Taiwan's trade surplus, respectively.

Despite the US economic recovery, Taiwan's exports to the US declined 1.6% to US\$34,550 million in 2015 yet comprised a higher share of 12.1% in total exports. The top three types of products exported to the US were information, communication and audio-video products, base metals and articles of base metal, and machinery. Among these product groups, only machinery exports increased. Taiwan exported 6.2% less base metals and articles of base metal to the US, mainly attributable to China's steel overproduction and the resulting steel prices falls. Imports from the US reduced by 2.8% to US\$29,199 million, while its share in total imports increased to 12.3%. The trade surplus with the US expanded to US\$5,352 million, the fifth largest source of Taiwan's trade surplus.

Direction of Trade in Goods by Country

Unit: %

	2015			2014		
	Amount (US\$ Million)	Share	Annual Change	Amount (US\$ Million)	Share	Annual Change
Exports						
Mainland China (including Hong Kong)	112,580	39.4	-12.4	128,534	40.2	2.6
ASEAN	51,647	18.1	-14.2	60,172	18.8	1.6
U.S.	34,550	12.1	-1.6	35,114	11.0	7.6
Europe	25,971	9.1	-10.8	29,122	9.1	4.4
Japan	19,602	6.9	-2.7	20,142	6.3	3.9
Rest of the World	41,071	14.4	-12.6	47,008	14.7	0.1
Total	285,421	100.0	-10.8	320,092	100.0	2.8
Imports						
Mainland China (including Hong Kong)	46,771	19.7	-8.3	50,989	18.1	13.5
Japan	38,875	16.4	-7.4	41,984	14.9	-3.9
U.S.	29,199	12.3	-2.8	30,036	10.7	5.7
ASEAN	29,117	12.3	-16.1	34,725	12.3	5.0
Europe	28,503	12.0	-11.1	32,045	11.4	3.3
Rest of the World	65,084	27.4	-29.3	92,069	32.7	-5.0
Total	237,549	100.0	-15.7	281,850	100.0	1.4

Note: * Including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.
Source: *Monthly Statistics of Exports and Imports*, Ministry of Finance, R.O.C. (Taiwan).

Exports to Japan decreased by 2.7% to US\$19,602 million. However, a positive growth trend remained for parts of electronic products, the primary export commodity to Japan, with an increase of 15.7% from a year before. The share of exports to Japan also went up to 6.9%. Although a weaker yen lowered the cost of imports from Japan, the relocation of Japanese manufacturing firms abroad and a weak export-derived demand led Taiwan's imports from Japan to decrease 7.4% to US\$38,875 million, but its share in total imports climbed to 16.4%. Japan remained Taiwan's second largest source of imports in 2015. The trade deficit with Japan narrowed to US\$19,273 million.

Exports to Europe decreased 10.8% to US\$25,971 million, but Europe's share in total exports remained at 9.1%. Imports from Europe dropped 11.1% to US\$28,503 million, with the share slightly up to 12.0% in total imports. The trade deficit with Europe narrowed to US\$2,532 million.

(2) Services

In 2015, services receipts slightly decreased by US\$14 million to US\$56,779 million. Services payments increased by US\$1,626 million to US\$47,373 million. In all, the services surplus contracted by US\$1,640 million to US\$9,406 million.

Of the various components of the services account, transportation receipts shrank by US\$763 million to US\$10,355 million, reflecting decreases in international freight fares and passenger fares received by domestic carriers. Transportation payments also shrank by US\$348 million to US\$10,864 million, resulting mainly from reduced import freight payments by domestic sea carriers. Overall, net transportation payments increased by US\$415 million to US\$509 million in the year.

Travel receipts decreased by US\$208 million to US\$14,406 million owing to decreases in average daily expenditures per inbound visitor and average length of stay despite a record 5.34% increase in the total number of inbound visitors. Meanwhile, travel payments increased by US\$1,494 million to US\$15,492 million. This was mainly due to an 11.3% increase in the number of outbound travelers, mostly boosted by visits to Japan to take advantage of a weaker yen. In sum, the travel account exhibited a deficit of US\$1,086 million in 2015, shifting from a surplus in the previous year.

Other services receipts increased by US\$957 million to US\$32,018 million, mainly attributable to an increase in receipts of royalties and license fees, computer and information services, and professional and technical services. Other services payments increased by US\$480 million to US\$21,017 million on account of increases in expenditures on trade-related commissions and on construction. In all, the surplus in other services expanded to US\$11,001 million in 2015.

(3) Income

In 2015, income receipts decreased by US\$649 million to US\$29,753 million, mainly owing to

decreases in interest earnings generated by residents' foreign exchange assets. Meanwhile, income payments amounted to US\$12,962 million, US\$1,983 million less than in 2014, mostly attributable to a decrease in non-residents' direct investment income. Consequently, the surplus on the income account expanded to US\$16,791 million for the year of 2015.

(4) Current Transfers

For the year of 2015, current transfer receipts and payments amounted to US\$6,612 million and US\$9,985 million, respectively. As a whole, the deficit in current transfers expanded to US\$3,373 million in 2015, mainly owing to an increase in outward cross-border workers' remittances.

Slightly Higher Net Outflow in the Capital Account

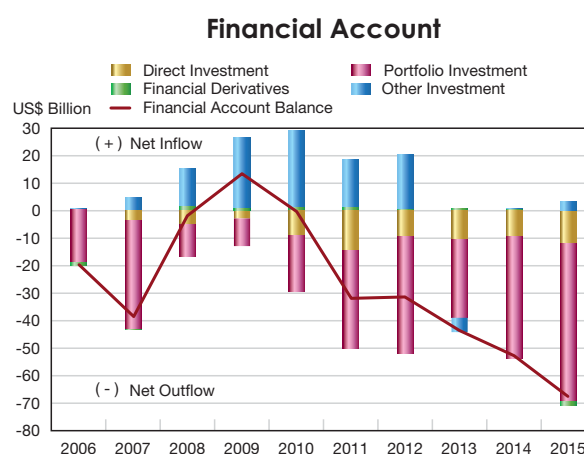
The capital account includes capital transfers (debt forgiveness, ownership transfers of fixed assets and migrants' transfers) and the acquisition and disposal of non-produced, non-financial assets. In 2015, the capital account posted a deficit slightly up by US\$6 million to US\$82 million owing to increased payments for acquisitions of non-produced, non-financial assets.

Record-High Net Outflow in the Financial Account

The financial account for the year 2015 showed a record-high net outflow of US\$68,041 million. In terms of sub-categories, direct investment, portfolio investment, and financial derivatives registered net outflows of US\$12,358 million, US\$57,716 million, and US\$1,250 million, respectively; other investment registered a net inflow of US\$3,283 million.

(1) Direct Investment

Direct investment abroad by residents registered a net outflow of US\$14,773 million, an increase of US\$2,062 million compared with 2014. On the other hand, direct investment in Taiwan by non-residents registered a net inflow of US\$2,415 million, US\$424 million less than in the previous year. Based on approved cases, residents' direct investment in China and in other areas reported US\$10,398 million and US\$10,745 million, respectively, suggesting that China remained the major recipient of Taiwan's direct investment abroad. The main investment target sectors included banking and insurance, electronic parts and components, real estate, basic metal manufacturing, computers, electronics and optical products, and wholesale and retail.



Source: Balance of Payments, CBC, February 2016.

The main target sector for inbound investments by non-residents included banking and insurance, wholesale and retail, and real estate. Overall, direct investment exhibited a net outflow of US\$12,358 million in 2015, increasing by US\$2,486 million compared to 2014.

(2) Portfolio Investment

In 2015, portfolio investment abroad by residents showed a net outflow of US\$56,535 million, mostly attributable to investment in foreign securities by life insurance companies. A substantial increase was recorded in insurance companies' holdings of foreign currency denominated international bonds (including Formosa bonds) issued by non-residents throughout the year, mainly because insurance companies' investments in international bonds were allowed to be excluded from the amount subject to the overseas investment ceiling. On the other hand, local portfolio investment by non-residents exhibited a net outflow of US\$1,181 million. This was because foreign investors reduced holdings of domestic debt securities. Meanwhile, a net inflow of US\$1,352 million was recorded in non-residents' equity securities investment. Overall, portfolio investment showed a net outflow of US\$57,716 million in 2015.

(3) Financial Derivatives

Financial derivatives recorded a net outflow of US\$1,250 million, mainly owing to losses of the private and banking sectors from transactions of financial derivatives.

(4) Other Investment

In 2015, other investment abroad by residents showed a net inflow of US\$15,375 million, mainly owing to withdrawal of overseas deposits by the private sector. On the other hand, other inward investment by non-residents showed a net outflow of US\$12,092 million, largely attributable to repayments for borrowings from overseas branches by the banking sector. As a consequence, other investment as a whole swung into a net inflow of US\$3,283 million in 2015.

Increase in Foreign Exchange Reserves

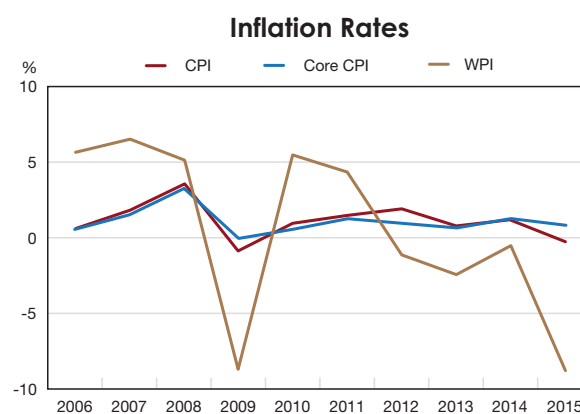
The foreign exchange reserve assets held by the CBC increased by US\$15,011 million as a result of the current account surplus.

4. Prices

Taiwan's inflation fell into negative territory in 2015, largely driven by the steep decline in international commodity prices resulting from subdued global economic growth. The wholesale price index (WPI) decreased markedly by 8.84%, posting the biggest drop on record. Headline inflation, measured by the consumer price index (CPI), fell by 0.31% compared with the 1.20% increase in the previous year. The deceleration was mainly caused by falling energy prices and slack domestic demand, though it was partly offset by a rise in food prices. However, the core CPI, which excludes fruits, vegetables, and energy, rose mildly by 0.79% compared with a 1.26% increase over 2014.

Sharp Decline in Wholesale Prices

The WPI fell by 8.84% in 2015, the largest decline in history, mainly reflecting lower prices for international primary materials stemming from sluggish global demand. In terms of monthly movements, the annual WPI inflation rate displayed a downward trend in the first seven months of the year, and fell to an all-year low of -10.23% in July. Afterwards, the decrease narrowed to 7.29% in December.



Source: *Price Statistics Monthly*, DGBAS, Executive Yuan.

Broken down by the three major components of the WPI, the annual rates of change in prices for imports, exports, and domestic sales excluding imports all declined substantially in 2015, mainly on account of marked drops in international raw material prices.

Import prices fell by 16.86% in US dollar terms in 2015, mainly attributed to the continuous plunge in prices of imported raw materials, such as crude petroleum, liquefied natural gas, iron and steel, copper, and electronic parts and components. As the NT dollar depreciated against the US dollar over 2015, the annual change in import prices alleviated to a 12.94% decline in NT dollar terms. Among the components of import prices in terms of NT dollars, prices of raw materials, capital goods and consumer goods declined by 15.90%, 3.39%, and 1.14% and accounted for 12.40 percentage points, 0.44 percentage points, and 0.10 percentage points in the import price decrease, respectively.

Export prices in US dollar terms dropped by 8.96% in 2015. Owing to the depreciation of the NT dollar against the US dollar, export prices fell by 4.67% in terms of the NT dollar. In NT dollar

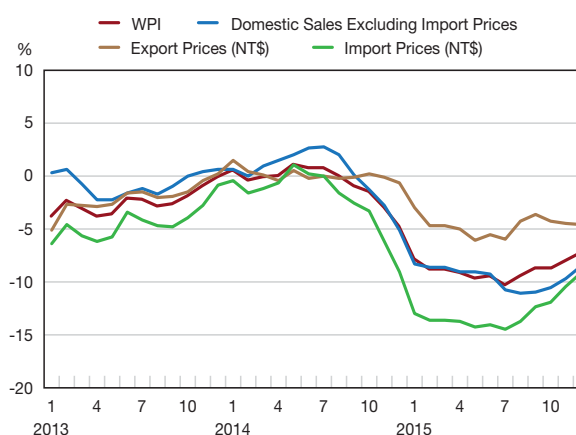
terms, among the basic groups, prices of mineral products accounted for the largest decline at 36.25%, contributing 2.11 percentage points to the decrease in export prices. This was primarily driven by plunging prices of gasoline, diesel, and fuel oil. In addition, prices of chemical materials, plastics and rubber products, and primary metal products decreased by 16.24%, 9.37%, and 6.56%, respectively, reflecting the weakness in raw material prices.

With declining import costs of primary commodities, prices of domestic sales excluding imports went down by 9.55% in 2015. In terms of the basic groups, prices of water supply, electricity and gas showed the largest decline at 12.01%, mainly attributable to the rebates of electricity charges at the beginning of the year as well as two rounds of reductions in electricity prices effective in April and October based on the new electricity pricing adjustment mechanism, together with falling gas prices. Prices of manufacturing products and quarrying and mineral products fell by 10.21% and 2.69%, respectively. In contrast, prices of agriculture, forestry and livestock products rose by 1.32% on account of rising prices of vegetables resulting from the shortage of supply caused by typhoons and torrential rain in the second half of the year.

Slight Decrease in Consumer Prices

The CPI dropped by 0.31% in 2015, the first yearly decline since 2010. In the first eight months of the year, monthly CPI inflation rates stayed in negative territory, mostly driven by a slump in

Annual WPI Rates



Source: Price Statistics Monthly, DGBAS, Executive Yuan.

Number of Price-Rising and Price-Falling Items in Each Month of 2015

(Compared with the Same Month of 2014)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Rising	233 (65.3%)	205 (66.7%)	218 (69.9%)	229 (69.2%)	209 (68.0%)	220 (66.5%)	218 (68.0%)	231 (68.7%)	233 (67.7%)	247 (71.6%)	256 (72.5%)	233 (71.4%)
Same	9 (2.5%)	8 (2.1%)	12 (3.3%)	10 (3.2%)	12 (3.2%)	11 (3.2%)	13 (3.3%)	11 (2.9%)	9 (2.6%)	11 (2.7%)	12 (2.9%)	13 (3.2%)
Falling	124 (32.2%)	153 (31.2%)	135 (26.9%)	126 (27.6%)	144 (28.8%)	134 (30.4%)	135 (28.6%)	124 (28.4%)	125 (29.7%)	108 (25.8%)	98 (24.6%)	121 (25.4%)

Notes: 1. There are 370 items of goods and services selected in the CPI basket.

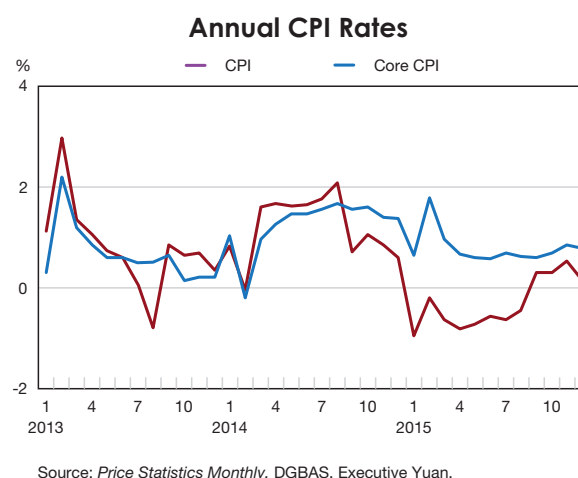
2. The total number of items per month is less than 370 as the number of fruit items not in season is excluded.

3. Numbers in brackets indicate the weight of each category as a percentage of all items.

Source: Price Statistics Monthly, DGBAS, Executive Yuan.

energy prices reflecting the weakening of global oil prices, as well as sluggish domestic demand. From September onwards, monthly CPI inflation rates turned positive and edged up to 0.14% in December, as prices of vegetables and fruits soared because of weather-related disruptions.

The CPI inflation rate was negative in 2015, mainly caused by considerable falls in energy prices. However, the number and weight of price-rising items significantly exceeded those of price-falling ones, indicating that overall prices did not broadly decline.



Compared to the slight downtrend in CPI, the core CPI inflation rate rose modestly by 0.79% in 2015. In the first two months of the year, the rate fluctuated on account of the seasonal factor of the Lunar New Year holidays. From March onwards, monthly core CPI inflation rates hovered between 0.50% to 1.00%.

In 2015, Taiwan's CPI inflation was substantially held down by falling energy prices, primarily caused by the pass-through effect arising from the slump in imported oil prices and accounting for 1.39 percentage points in the CPI decrease. The main factors contributing to the decrease of CPI inflation in 2015 were as follows:

- (1) In early 2015, international petroleum prices rebounded and peaked in May, but the uptrend was later reversed and decelerated sharply through the second half of the year because of weak demand affected by lackluster global economic growth and abundant supply of oil from OPEC and non-OPEC countries. Compared with 2014, average international petroleum prices fell significantly by 46.96%. As a result, the large decline in import costs for petroleum and natural gas lowered domestic oil and gas prices, which dropped by 24.99% and 22.25% and accounted for 0.90 and 0.25 percentage points in the CPI decrease, respectively.
- (2) Affected by the rebates of electricity charges at the beginning of the year, as well as two rounds of reductions in electricity prices taking effect in April and October, electricity prices moved down by 10.27%, subtracting 0.24 percentage points from CPI inflation.

The main upward factors contributing to CPI inflation in 2015 were as follows:

- (1) With the supply constrained by unfavorable weather conditions such as typhoons as well as heavy rainfall, prices of vegetables rose by 15.59% and accounted for 0.36 percentage points in CPI inflation.

- (2) Despite the declines in oil, electricity and gas costs, higher raw food prices such as pork, chicken and vegetables pushed up the prices of food away from home by 2.25%, contributing 0.23 percentage points to CPI inflation.
- (3) Prices of residential rent continued a mild upward trend and rose by 0.88%, contributing 0.16 percentage points to CPI inflation.
- (4) Owing to a shortage of supply caused by a bird flu outbreak at the beginning of 2015 and the deferred effect from infected piglets since 2014, along with higher demand for pork on account of the substitution effect resulting from the bird flu outbreak, prices of meat increased by 3.23%.
- (5) Prices of education and entertainment services grew by 0.47%, mainly because of an increase in tour group fees.

Percentage Changes in the Major Components of the CPI in 2015

Item	Annual Rate of Change (%)	Contribution to CPI Inflation Rate (Percentage Point)
CPI	-0.31	-0.31
Vegetables	15.59	0.36
Food away from Home	2.25	0.23
Residential Rent	0.88	0.16
Meat	3.23	0.07
Education & Entertainment Services	0.47	0.06
Total		0.88
Fuels & Lubricants	-24.99	-0.90
Gas	-22.25	-0.25
Electricity	-10.27	-0.24
Total		-1.39
Others		0.20

Source: *Price Statistics Monthly*, DGBAS, Executive Yuan.

5. Public Finance of the Central Government

For the year 2015, central government revenue increased by 9.2%, whereas central government expenditure slightly expanded by 2.3%, causing the overall central government deficit to markedly decrease to NT\$11.0 billion from NT\$127.1 billion in 2014.

Significant Increase in Central Government Revenue

In 2015, central government revenue grew by NT\$158.9 billion to NT\$1,885.3 billion. Of its various components, tax revenue remained the major source, with a share of 77.7% of the total revenue, exhibiting robust growth of NT\$121.7 billion or 9.1% from the previous year and registering a record-high level. This positive result was principally attributable to the rising profits of enterprises and higher salaries for individuals in 2014, resulting from a steady domestic economic recovery in that year.

Surpluses of public enterprises and public utilities, accounting for 12.6% of the total revenue, slightly decreased by NT\$3.4 billion or 1.4% in 2015. Fees, fines and indemnities increased by NT\$36.6 billion or 43.7%, primarily owing to the fees that the national treasury received from the 4G mobile-phone service license auction.

Total Revenue and Expenditure of the Central Government

Unit: NT\$ Billion

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Total Revenue	1,546.4	1,635.5	1,640.9	1,553.7	1,497.4	1,671.3	1,668.3	1,730.5	1,726.4	1,885.3
(Ratio to GDP : %)	12.2	12.2	12.5	12.0	10.6	11.7	11.4	11.4	10.7	11.3
Total Expenditure	1,529.8	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,882.4	1,855.9	1,853.5	1,896.3
(Ratio to GDP : %)	12.1	11.6	12.3	13.2	11.7	12.1	12.8	12.2	11.5	11.4
Surplus/Deficit	16.6	83.5	23.2	-161.1	-157.0	-63.1	-214.1	-125.4	-127.1	-11.0
(Ratio to GDP : %)	0.1	0.6	0.2	-1.2	-1.1	-0.4	-1.5	-0.8	-0.8	-0.1
Debt Repayment	65.0	6.0	65.0	65.0	66.0	66.0	94.0	77.0	64.0	66.0
Financing:	63.9	0.0	41.8	226.1	224.2	129.1	308.1	202.4	191.7	77.0
Debt Financing	63.9	0.0	0.0	164.5	224.2	129.1	288.1	202.4	191.7	77.0
Surplus of Previous Fiscal Years	0.0	0.0	41.8	61.6	0.0	0.0	20.0	0.0	0.0	0.0
Memorandum:										
Tax Dependency Ratio (%)**	71.5	77.9	76.8	61.3	65.4	69.4	64.9	65.6	72.5	77.3
Debt Dependency Ratio (%)***	4.2	0.0	0.0	9.6	13.6	7.4	15.3	10.9	10.3	4.1

Notes: * The figures for 2014 and the previous years are final audit accounts; the figures for 2015 are final accounts.

** Tax dependency ratio is defined as the ratio of annual tax revenue to total expenditure.

*** Debt dependency ratio is defined as the ratio of annual revenues from government bonds and borrowing from banks to total government expenditure.

Sources: 1. Department of Statistics, MOF.

2. DGBAS, Executive Yuan.

Modest Growth in Central Government Expenditure

Central government expenditure rose by NT\$42.8 billion to NT\$1,896.3 billion. In terms of share in total expenditure, social welfare, and education, science & culture remained the largest two categories, accounting for 23.2% and 20.0%, respectively. In addition, national defense and economic development made up shares of 16.1% and 13.6%, respectively.

Social welfare expenditure expanded by NT\$28.0 billion or 6.8%, mainly because the government set aside expenditures to address the 2013 and 2014 shortfall of its mandatory outlay for the national health insurance program and to supplement insufficient funds for the national pension fund in 2014. Meanwhile, expenditure on education, science & culture increased by NT\$15.1 billion or 4.1%, mostly related to the disbursement of more capital to the National Science and Technology Development Fund. Furthermore, national defense expenditure grew by NT\$14.0 billion or 4.8%, whereas economic development expenditure declined by NT\$10.4 billion or 3.9%.

Total Revenue and Expenditure of the Central Government by Category

Unit: NT\$ Billion

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Total Revenue	1,546.4	1,635.5	1,640.9	1,553.7	1,497.4	1,671.3	1,668.3	1,730.5	1,726.4	1,885.3
Taxes	1,094.3	1,208.7	1,243.0	1,051.6	1,082.4	1,203.4	1,222.1	1,218.0	1,343.4	1,465.1
Surpluses of Public Enterprises and Public Utilities	289.1	271.5	253.4	318.7	264.8	264.7	262.5	251.0	241.0	237.6
Fees, Fines and Indemnities	79.0	81.1	83.1	78.1	81.6	81.0	108.2	197.3	83.7	120.3
Proceeds from Sales of Properties and Recalled Capital	58.5	51.3	40.0	53.7	46.7	64.0	60.1	52.3	43.7	49.3
Others	25.5	22.9	21.4	51.6	21.9	58.2	15.4	11.9	14.6	13.0
Total Expenditure	1,529.8	1,552.0	1,617.7	1,714.8	1,654.4	1,734.4	1,882.4	1,855.9	1,853.5	1,896.3
General Administration	167.3	168.2	170.8	168.8	170.2	176.4	176.2	172.7	174.2	177.2
National Defense	237.1	256.7	282.4	291.2	276.8	284.2	303.4	289.0	291.4	305.4
Education, Science & Culture	303.1	308.7	310.3	326.4	342.7	356.2	358.9	355.7	364.6	379.7
Economic Development	197.0	193.3	203.6	244.4	194.5	217.1	263.9	258.3	269.0	258.6
Social Welfare	303.3	305.1	298.4	320.2	327.4	348.5	420.1	438.9	411.7	439.7
Community Development & Environmental Protection	20.4	19.4	13.5	21.4	9.0	6.6	15.9	15.9	16.1	15.9
Retirement & Compassionate Aid	134.7	134.6	133.8	133.4	134.5	138.5	138.3	132.8	134.6	138.4
Interest Payments	125.2	124.0	117.4	116.7	109.8	111.8	114.5	117.4	115.1	111.7
General Subsidies and Other Expenditure	41.7	42.0	87.5	92.3	89.5	95.1	91.2	75.2	76.8	69.7

Note: * The figures for 2014 and the previous years are final audit accounts; the figures for 2015 are final accounts.

Sources: 1. Department of Statistics, MOF.

2. DGBAS, Executive Yuan.

Reduction in Fiscal Deficit

The fiscal deficit, defined as expenditure minus revenue, decreased to NT\$11.0 billion in 2015. This, combined with debt repayment, represented that the central government needed to finance NT\$77.0 billion for 2015.

Rising Tax Dependency and Lessening Debt Dependency

The tax dependency ratio, defined as the ratio of annual tax revenue to total central government

expenditure, rose from 72.5% in 2014 to 77.3% in 2015, indicating that tax revenue grew faster than central government expenditure.

With respect to the debt dependency ratio, defined as the ratio of revenues from government bonds and borrowing to total central government expenditure, it reduced significantly from 10.3% in the previous year to 4.1% in 2015, primarily reflecting the decrease in demand for debt financing in line with the shrinkage of the fiscal deficit.

Lower Debt-to-GDP Ratio

The total outstanding debt of the central government grew by NT\$21.8 billion to a record-high level of NT\$5,302.4 billion at the end of 2015. However, the ratio of outstanding central government debt to GDP decreased from 32.8% in 2014 to 31.7% in 2015, reflecting higher growth in domestic production.

Public Debt of the Central Government

Unit: NT\$ Billion

End of Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Outstanding Debt	3,622.7	3,718.2	3,778.3	4,126.9	4,537.1	4,755.3	5,001.0	5,151.2	5,280.6	5,302.4
(Ratio to GDP : %)	28.7	27.7	28.7	31.8	32.1	33.2	34.1	33.8	32.8	31.7

Note: * The figures for 2014 and the previous years are final audit accounts; the figures for 2015 are final accounts.

Sources: 1. Department of Statistics, MOF.

2. DGBAS, Executive Yuan.

6. Labor Market

The unemployment rate dropped to 3.62% in May 2015, the lowest since February 2001. However, it gradually climbed up as an economic slowdown loomed large from June onwards. Eventually it came to 3.87 percent in December. For the year as a whole, the unemployment rate averaged 3.78%, still the lowest since 2001. Meanwhile, the broadly-defined unemployment rate went down by 0.16 percentage points from the previous year to 4.98%. While there were improvements in labor market conditions, structural unemployment problems still existed. For example, the unemployment rates of young people and of highly educated persons both stayed elevated, while the labor force participation rate for males between ages 45 to 64 remain depressed.

The labor force participation rate was 58.65% in 2015, climbing by 0.11 percentage points from the previous year to a record high since 1996. As the work environment improved, there was a continued increase in the number of female employees in the labor market. As a consequence, the female labor force participation rate continued rising and reached a historical high of 50.74% in 2015. On the other hand, the labor force participation rate of males gradually decreased in the past twenty years. Increasing industrial offshoring, slow industrial transformation, and skill mismatch were the main reasons behind this decline.

Annual average employment in 2015 was 11.20 million persons, an increase of 119 thousand persons or 1.08% from the previous year. In terms of employment by major sector, employment in the services sector grew by 83 thousand persons or 1.26%. Employment in the industrial and agriculture sectors also increased by 31 thousand and 7 thousand persons, respectively, or 0.76% and 1.18%, respectively.

The average monthly earnings per worker of the non-farm sector (the industrial and services sectors combined) was NT\$48,490 in 2015, a 2.52% increase from 2014. Average real monthly earnings also increased by 2.83%, the fastest pace in the past five years. Compared to the other Asian Tigers, Taiwan registered the second highest increase in average real monthly earnings, next only to Singapore.

Because the decrease in total production exceeded that in total working hours, labor productivity of the industrial sector and the manufacturing industry decreased 1.29% and 0.91%, respectively. On the other hand, given an increase in total earnings and a decrease in production, unit labor costs in the industrial and services sectors increased by 6.61% and 6.22%, respectively.

Employment Continued to Improve

Annual average employment in 2015 was 11.20 million persons, an increase of 119 thousand persons or 1.08% from the previous year. On the other hand, the annual growth rate of employment gradually slowed to 0.82% in December from 1.22% in March, in contrast to the month-by-month uptrend in 2014.

In terms of employment by major sectors, employment in the agricultural sector in 2015 increased 7 thousand persons or 1.18%.

Employment in the industrial sector increased 31 thousand persons or 0.76%. Within this sector, manufacturing and construction employment increased by 17 and 14 thousand people, respectively. Employment in the services sector grew by 83 thousand persons or 1.26%. Among which, employment in accommodation and food services increased by 21 thousand, while wholesale and retail added 17 thousand jobs. Of total employment, the services sector accounted for 59.02%, rising slightly by 0.11 percentage points from a year before, while the agricultural and industrial sectors made up of 4.95% and 36.03%, respectively.

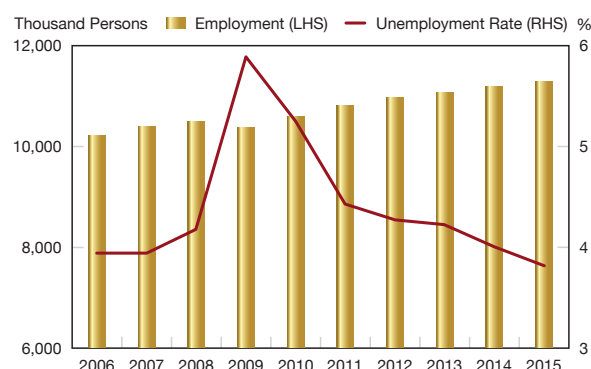
In terms of employed persons by occupation, employment of white collar workers (legislators, senior officials, managers, professionals, technicians, associate professionals, and clerical support workers) increased 63 thousand persons or 1.27%. Services and sales workers increased 15 thousand persons or 0.69%. Employment of blue collar workers (skilled agricultural, forestry, fishing, and animal husbandry industries, craft and machinery related workers etc.) increased 41 thousand persons or 1.04%. These numbers indicated that professionals and technical skills were in great demand.

Unemployment Rate Gradually Increased

As employment increased, the unemployment rate dropped to 3.62% in May 2015, the lowest since February 2001. However, it gradually climbed up from June onwards as the economy began to slow down in the second quarter. The unemployment rate reached 3.87% in December and averaged 3.78% for the year as a whole. It was still the lowest yearly average since 2001.

Unemployment duration decreased to 24.95 weeks, shorter than the year before by 0.94 weeks. The average number of the long-term unemployed (those who were unemployed for 53 weeks or more) was 69 thousand people, a drop of 5 thousand persons from the previous year. Males made up 62.52% of the long-term unemployed, while 66.77% were in the age group between 25 and 44

Employment and Unemployment Rate



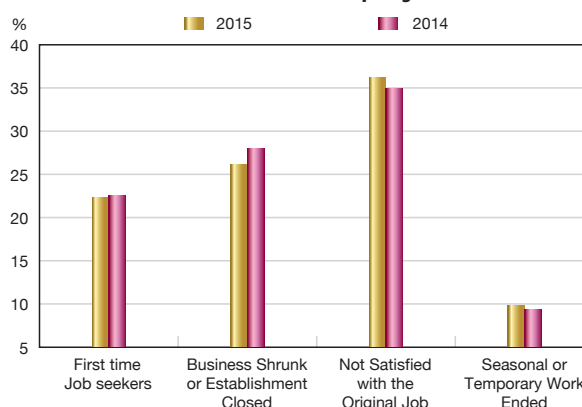
Source: DGBAS, Executive Yuan.

and 52.98% had a college degree or above. This indicates long-term unemployment remained a serious problem for males, those aged 25-44, and those with a higher education.

In terms of causes of unemployment, total unemployment decreased by 17 thousand people or 3.64% from the year before, mainly because involuntary unemployment from business curtailed or establishments closed fell by 12 thousand persons or 9.55%. The ratio of such unemployment to total unemployment dropped to 26.28%, compared to 28.00% the previous year. People who quit their jobs to seek other job opportunities made up a major portion of the unemployed. The ratio increased to 36.53%, indicating greater willingness for job change as employment opportunities increased.

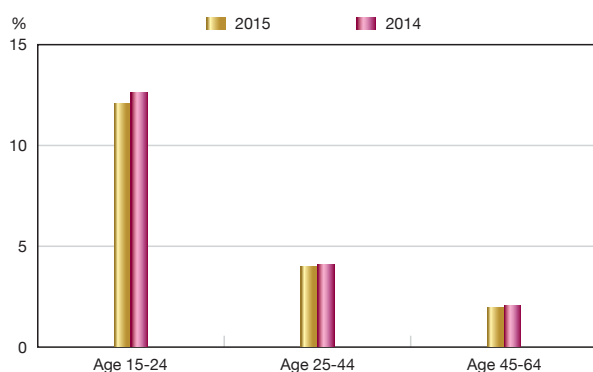
In terms of age groups, the unemployment rate of the age group of 15-24 decreased by 0.58 percentage points to 12.05%, mainly because unemployment by business curtailed or establishments closed fell by 2 thousand persons. This indicated that government policy measures to increase youth employment were effective. However, the youth unemployment rate was still 3.19 times as high as the total unemployment rate. This number was higher than those in other countries such as Japan, South Korea, and the United States and therefore has room for improvement in the future. The unemployment rates of the age groups of 25-44 and 45-64 were 3.95% and 1.99%, respectively,

Causes of Unemployment



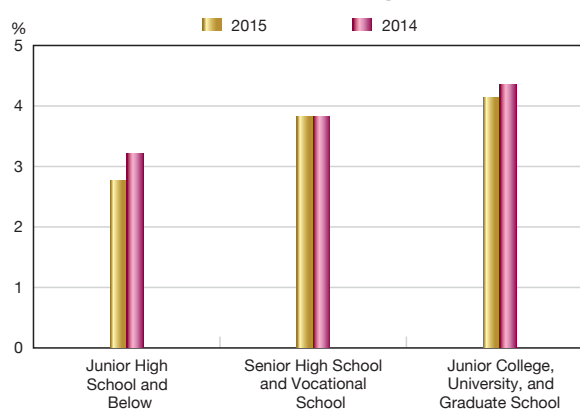
Source: DGBAS, Executive Yuan.

Unemployment Rate by Age



Source: DGBAS, Executive Yuan.

Unemployment Rate by Educational Background



Source: DGBAS, Executive Yuan.

representing year-on-year declines of 0.18 and 0.10 percentage points. As population aging has become more apparent in recent years, how to promote employment of middle aged and the elderly persons should be made an urgent policy priority.

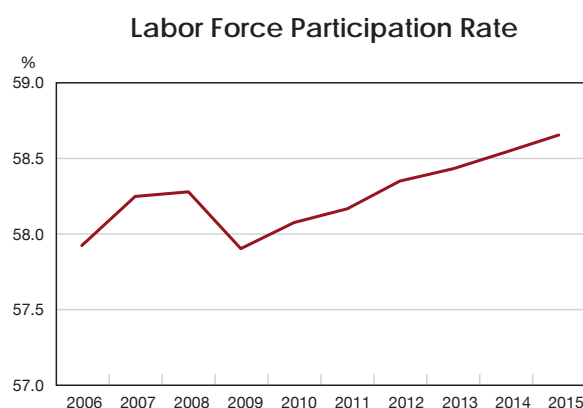
In terms of educational background, unemployment of people with a junior high school degree or below decreased by 11 thousand persons or 16.46%, and the unemployment rate dropped to 2.77%. The unemployment rate of people with a college degree or above also fell to 4.13%, representing a decrease in number by 6 thousand people, or 2.41%. However, for people with a middle high school or vocational school degree, unemployment rose by 1 thousand persons or 0.48%, and the unemployment rate stayed unchanged at 3.83%.

Labor Force Participation Rate Rose

The labor force (employed and unemployed combined) grew slightly by 103 thousand persons or 0.89% to 11.64 million in 2015.

The labor force participation rate reached 58.65%, 0.11 percentage points higher than the year before. In terms of gender, the male labor force participation rate increased by 0.13 percentage points from the preceding year to 66.91%, while the female rate also rose to 50.74%, up by 0.10 percentage points over the previous year. Such improvement reflected government efforts to promote gender equality and to improve the work environment. The fact that the female labor force played an increasingly significant role in economic development was also an important factor.

In terms of age group, the labor force participation rates of all age groups went up. The 16-24, 25-44 and 45-64 age groups saw their rate go up by 0.88, 0.55, and 0.24 percentage points to the levels of 30.24%, 87.40% and 61.89%, respectively. However, in the past 20 years or so, while the 45-64 age group maintained a similar labor force participation rate at about 61%, it was mostly because the female labor force participation rate in that group went up by 11 percentage points, as opposed to a 7 percentage points drop in the male labor force participation rate. This indicated increasing industrial offshoring, slow industrial transformation, and skill mismatch of that age group caused many male workers to drop out of the labor market.



Source: DGBAS, Executive Yuan.

Real Earnings of Non-farm Workers Increased

The average monthly earnings per worker of the non-farm sector reached NT\$48,490 in 2015, a 2.52% increase from the year before. After adjustment for inflation, the average real monthly earnings also increased by 2.83%.

In terms of major sectors, the average monthly earnings of industrial sector workers increased by 2.99% over the previous year to NT\$46,735 and their earnings in real terms also increased by 3.31%. Meanwhile, the average monthly earnings of services sector workers increased by 2.14% to NT\$49,861 and their real earnings also went up 2.46%. The electricity and gas supply sector enjoyed the highest average monthly earnings with NT\$96,444, while education services received only NT\$24,302, the lowest among all sectors.

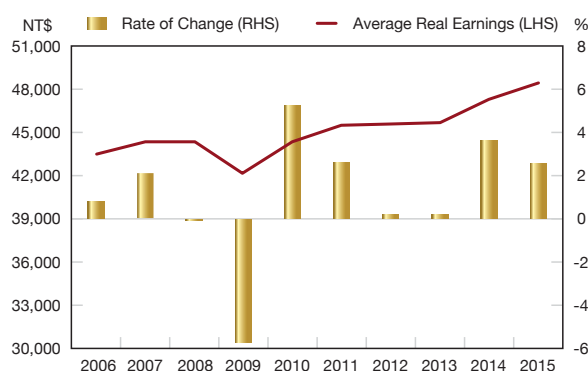
In terms of growth rate, as demand for health care services increased due to population aging and awareness of preventive health care, health care and social assistance workers' earnings enjoyed the largest increase at 4.57%. The manufacturing sector came in second with a 3.48% increase, while other services workers' earnings decreased by 1.60%.

Labor Productivity Decreased and Unit Labor Cost Increased

As the decrease in total production outpaced that in total working hours, labor productivity of the industrial sector and the manufacturing industry went down by 1.29% and 0.91%, respectively. In manufacturing, the leather, fur and related products sector registered the largest decrease in labor productivity of 25.63%, followed by a 6.62% decrease in basic metals manufacturing.

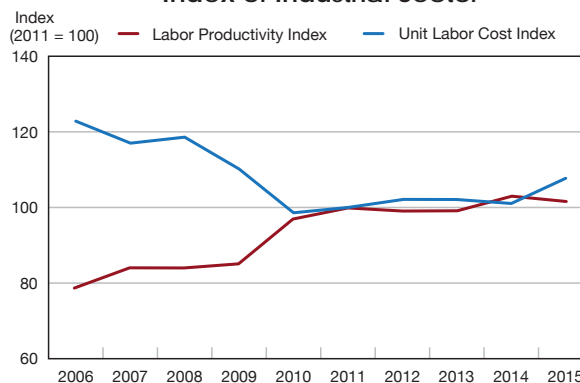
Since total earnings enjoyed positive growth while production decreased, unit labor costs of the industrial and manufacturing sectors increased by 6.61% and 6.22%, respectively. Of all the manufacturing sectors, manufacturing of wood and of products of wood and bamboo experienced the largest increase in unit labor costs of 13.84%, and computers, electronic and optical products manufacturing came in second with an increase of 11.82%.

Average Real Earnings of Non-farm Workers and Their Rate of Change



Source: DGBAS, Executive Yuan.

Labor Productivity and Unit Labor Cost Index of Industrial Sector



Source: DGBAS, Executive Yuan.

Financial Developments

II. Financial Developments

1. Overview

In 2015, market interest rates on deposits and loans both moved lower, mainly as a result of two policy rate cuts by the CBC to stimulate the domestic economy. Most money market rates exhibited a downward trend owing to ample liquidity. The average 10-year government bond yield also exhibited a downtrend, as hedging demand for NTD bonds increased in response to sluggish economic growth and a falling stock market. The economic downturn also dampened growth in loans and investments of monetary financial institutions; however, a net foreign capital inflow and an increase in foreign currency deposits boosted growth in M2.

With respect to the exchange rate, the NT dollar against the US dollar fluctuated in the first half of the year as the market reacted to the uncertainty surrounding the Fed's rate hike. In the second half of the year, renminbi devaluation by China's central bank in mid-August triggered downward pressure on Asian currencies including the NT dollar. On the whole, the NT dollar depreciated against the US dollar in 2015. In the stock market, despite favorable factors including rate cuts by several central banks and further monetary stimulus by the European Central Bank (ECB), domestic stock market indices were still dragged lower by the slowdown of global economic growth, net sales by foreign investors in the second half of the year, and the plunges of the world's major stock indices.

Growth in Monetary Aggregates Accelerated

The monetary aggregate M2, measured on a daily average basis, recorded a yearly growth rate of 6.34% in 2015. This was higher than the 5.66% in 2014 and yet remained within the CBC's 2.5% to 6.5% target range for the year. The pickup was mainly a reflection of a net foreign capital inflow and an increase in foreign currency deposits. The annual growth rate of M1B, measured on a daily average basis, decelerated to 6.10% in 2015 from 7.96% in 2014, mainly because sluggish economic growth and stock market trading lowered the demand for transaction money. Meanwhile, the annual growth rate of reserve money decreased in 2015, mainly owing to weak demand for funds, and slower growth in bank loans and investments and in demand deposits.

Growth in Bank Loans and Investments Slowed

The annual growth rate of loans and investments, compared with that at the end of 2014, decreased from 5.20% to 4.61% at the end of 2015. The decrease was due to contracted growth

in bank loans, mainly affected by weaker demand for funds by the private sector amid weakening export growth and an economic slowdown. For the year as a whole, the average annual growth rate of loans and investments of monetary financial institutions dropped from 4.96% in 2014 to 4.66% in 2015. If the loans and investments of life insurance companies, non-accrual loans reclassified, and bad loans written off by monetary financial institutions, as well as funds raised directly from capital markets, were all taken into account, the total funds raised by the non-financial sector would register an annual growth rate of 2.54% at the end of 2015, lower than the 4.14% recorded a year earlier.

Bank Asset Quality Improved

The asset quality of Taiwan's banks remained sound, thanks to their limited exposure to highly uncertain global financial markets. The overall non-performing loan ratio of monetary financial institutions decreased from 0.27% at the end of 2014 to 0.25% at the end of 2015. In contrast to steady increases in net interest revenue and net fee income during the year, the pre-tax profits of monetary financial institutions slightly decreased mainly owing to a decrease in investment revenues resulting from declined valuations of portfolio investments. In addition, their average return on assets and return on equity were both lower than those of the previous year, dropping from 0.68% and 11.80% to 0.65% and 10.84%, respectively.

Average Rates on Deposits and Loans Decreased Slightly

The CBC cut the policy rate twice in 2015 and, as a result, the posted interest rates on deposits and loans of banks went lower during the year. At the end of 2015, the average fixed rate on one-year time deposits and base lending rates of the five major domestic banks were all lower than those of 2014. Meanwhile, the weighted average rate on their new loans decreased slightly because of a downswing in rates on loans for current operations resulting from increases in low-interest loans of local governments and government enterprises.

The weighted average interest rates on deposits moved downward, mainly because the CBC lowered the policy rate twice and because the share of time deposits in total deposits shrank from the previous year. Meanwhile, the weighted average interest rates on loans also declined slightly, mainly because of increases in low-interest loans of local governments and government enterprises.

Bills Market Rates and 10-Year Government Bond Yields Declined

Reflecting the CBC's rate cuts, the interbank overnight call loan rate began to decline from the third quarter onwards. With regard to the bills market, weak demand for funds and easy funding conditions led money market rates to exhibit downtrends.

During the beginning months of 2015, the yield on the benchmark 10-year government bond

trended downward, mainly influenced by increased hedging demand for NTD bonds against the economic slowdown and stock market declines. The yield continued to move downwards as the CBC lowered policy rates twice in the later months of 2015. In terms of issuance, as tax revenue increased and issuance was approaching the statutory limit, the total amount of government bonds issued decreased from the previous year.

Exchange Rate Depreciated

At the beginning of 2015, the US dollar became stronger, supported by a steady US economic recovery. Yet, the discontinuation of the Swiss franc/euro exchange rate floor in mid-January gave rise to capital flight into emerging Asia including Taiwan, leading the NTD/USD exchange rate to fluctuate. Afterwards, the NT dollar appreciated as the US dollar weakened on the news of unsatisfactory first quarter GDP and the resulting market anticipation of the Fed postponing interest rate normalization; the NT dollar against the US dollar reached a yearly high on May 22. In mid-August, Asian currencies softened as the People's Bank of China lowered the central parity of the renminbi against the US dollar. Meanwhile, Taiwan's exports continued to contract and the CBC announced policy rate cuts. These combined to send the NT dollar lower towards a yearly low on September 25. At the end of 2015, the NT dollar depreciated against the US dollar by 4.08% compared to that at the end of the previous year. On an annual average basis, the NT dollar depreciated by 4.80% in 2015.

Stock Index Swung to Decline

During early 2015, the domestic stock market's mainboard index, the TAIEX, trended up to hit an all-year high at 9,973 on April 27, mainly driven by rises across major international stock markets following rate cuts by several central banks and the start of the ECB's new QE program. Afterwards, the TAIEX reached a yearly low of 7,410 points on August 24, mainly affected by the global economic slowdown, net sales by foreign investors, and international stock market crashes. In the following months, the TAIEX swung upwards owing to share buying by the National Financial Stabilization Fund to bolster the domestic stock market and the stabilization in major international stock markets. The TAIEX was 8,338 points at the end of the year, decreasing by 10.41% compared with the previous year end.

2. Monetary Aggregates

The CBC has selected the monetary aggregate M2 as the intermediate target since 1992. For the year 2015, M2 recorded an annual growth rate of 6.34%, higher than the previous year's 5.66% but still within the CBC's target range of 2.5% to 6.5%. Overall, there was sufficient liquidity to support economic activity.

The annual growth rate of the narrow monetary aggregate M1B decelerated to 6.10% in 2015 from the previous year's 7.96%. The decline in M1B mainly resulted from a shift of funds from transaction deposits to non-transaction deposits, the shrinking trading value in the stock market during the second half of the year, and a higher base effect.

Growth in Reserve Money Decelerated

Reserve money grew at a slower pace for the year 2015, recording a growth rate of 5.79%, and was 1.15 percentage points lower than the previous year's figure. In terms of the monthly movements of reserve money, the annual growth rates of reserve money for January and February are more volatile as the exact timing of the Lunar New Year holidays shifts on the Gregorian calendar each year. In 2015, they posted a combined growth rate of 4.67% during this period. The annual growth rate reached a yearly high of 7.53% in March and trended down to 5.22% in July. In subsequent months, growth rates remained relatively stable.

On the demand side, currency held by the non-bank public grew moderately because the low interest rates paid on bank deposits enhanced the willingness to hold currency in hand. For banks, slower expansion of loans and the shift of money from transaction deposits to non-transaction deposits both reduced banks' demand for reserves.

From the supply side perspective, the balance sheet of the CBC revealed the sources of changes in reserve money. The increase was mostly attributable to the increase in foreign assets held by the CBC and claims on financial institutions, while the decrease resulted largely from the increase in the issuance of certificates of deposit (CDs).

Annual Growth Rate of Reserve Money

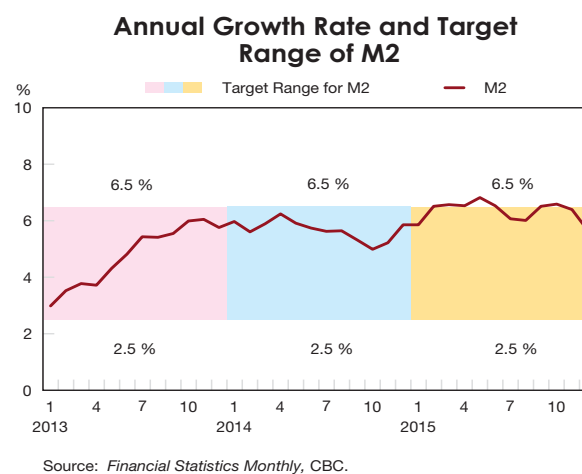


Source: *Financial Statistics Monthly*, CBC.

Accelerated Growth in M2

The monetary aggregate M2 is comprised of currency in circulation, deposits in banks' checking and passbook accounts, and quasi-money. The annual growth rate of M2 in 2015 was 6.34%, up by 0.68 percentage points from the previous year and slightly lower than the upper limit of the CBC's target range.

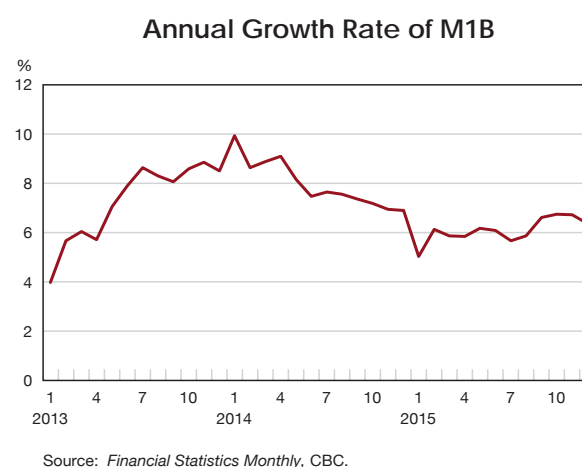
In terms of M2's monthly movements in 2015, the M2 growth rate trended up from January onwards owing to net foreign capital inflows, and reached its yearly high of 6.81% in May. The M2 growth rate moved downward between June and August on account of net foreign capital outflows and slowing growth of bank loans and investments. The annual growth rates rose in September and October, respectively, because of an increase in bank loans and investments and net foreign capital inflows. In the following months, the M2 growth rate trended down and recorded a yearly low of 5.68% in December as a result of net foreign capital outflows.



Decline in M1B growth

In 2015, the average annual growth rate of M1B recorded 6.10%, 1.86 percentage points lower than the previous year's figure. The decline mirrored, in large part, the shift of funds from transaction deposits to non-transaction deposits, the stock trading volume declined during the second half of the year, and the higher base in the previous year.

As for the monthly movements of M1B, the annual growth rate reached its yearly low of 5.03% in January because of a higher base effect, and then rose to 6.12% in February. In March and April, the M1B growth rates exhibited a downtrend, mainly owing to the shift of funds from transaction deposits to non-transaction deposits and the decrease in bank loans and investments. The M1B growth rate rose to 6.18% in May on account of net capital inflows. Subsequently, affected by slower growth in bank loans and investments and net foreign



capital outflows, the M1B growth rate dropped to 5.66% in July. The M1B growth rate gradually trended up in the following months and hit a yearly high of 6.75% in October. However, the bearish stock market and net foreign capital outflows both contributed to falling M1B growth from November onwards.

3. Banking Sector

Number of Monetary Financial Institutions

At the end of 2015, the number of monetary financial institutions (defined hereafter in this chapter as excluding the central bank) amounted to 403. The number of credit departments of farmers' and fishermen's associations increased by three owing to new openings, while the other types of institutions all remained unchanged.

Number of Monetary Financial Institutions by Category

Types of institutions	End of 2015	End of 2014	Annual Change
Total Number of Main Offices	403	400	3
Domestic Banks	40	40	0
Foreign and Mainland Chinese Banks	30	30	0
Credit Cooperatives	23	23	0
Credit Departments of Farmers' and Fishermen's Associations	309	306	3
Chunghwa Post	1	1	0
Total Number of Branches	6,119	6,113	6
Local Branches	5,925	5,932	-7
Overseas Branches	132	119	13
Offshore Banking Units	62	62	0

Sources: 1. *Financial Statistics Monthly*, CBC.
2. Department of Financial Inspection, CBC.

The number of money market mutual funds and the number of financial holding companies remained at one and 16, respectively, with the former being a fund raised and managed by Yuanta Commercial Bank.

Market Shares of Deposits and Loans

In terms of market shares of deposits, domestic banks accounted for 77.76% at the end of 2015, while the market share of foreign and Mainland Chinese banks grew to 2.21%. Both ratios were higher than the previous year, mainly owing to a significant increase in transaction and non-transaction deposits caused by net foreign capital inflows at the end of 2015 and repatriation of firms' receivables amid international financial turmoil during the second half of the year. Chunghwa Post's market share shrank to 14.69%, affected by lower interest rates on deposits than other financial

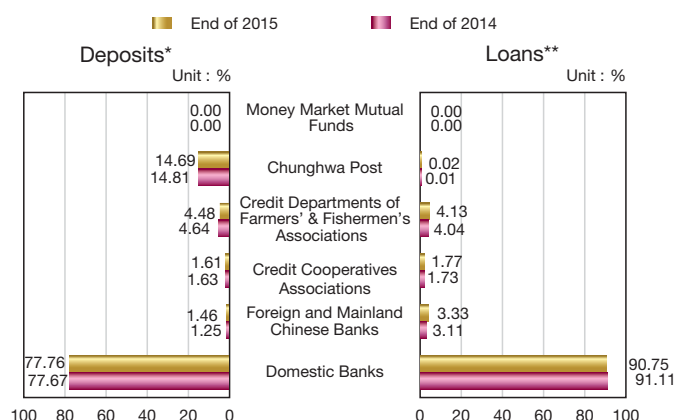
institutions. The market share of credit departments of farmers' and fishermen's associations also became smaller owing to deposits outflows, while credit cooperatives' market share slightly contracted.

In terms of loans, the market share of domestic banks shrank to 90.75% for the year, owing to sizable decreases in borrowings by the government, thanks to increased tax revenue, and by more profitable public enterprises, caused by cost reductions reflecting the continued slump in international oil prices.

The share of foreign and Mainland Chinese banks slightly went up to 3.33%.

Chunghwa Post's market share of loans ascended marginally. The market share of credit departments of farmers' and fishermen's associations increased to 4.13% with three new openings. Additionally, the share of credit cooperatives rose to 1.77%.

Market Shares of Deposits and Loans by Category of Monetary Financial Institutions



Notes: * The carrying values of the host contracts of structured products issued by banks are excluded.

** Including data for securities acquired under reverse repurchase agreements.

Source: *Financial Statistics Monthly*, CBC.

Sources and Uses of Funds in Monetary Financial Institutions

At the end of 2015, the total amount of funds in monetary financial institutions was NT\$44,703 billion, increasing by NT\$2,618 billion compared to the end of 2014. Despite the CBC's rate cuts in September and December, the combined share of transaction deposits and non-transaction deposits reduced slightly to 85% as a result of a sharp decline in net foreign capital inflows. As some savers switched to transaction deposits and insurance products in response to a narrowing spread between long- and short-term rates, growth in non-transaction deposits became slower.

As for foreign currency deposits, the expectation of the Fed lifting interest rates and the significant depreciation of the renminbi (RMB) not only led to a shift between RMB deposits and USD deposits but also caused the share of foreign currency deposits to increase compared to the previous year. Meanwhile, the increase in other items largely came from banks' profits, capital increases by cash, and more issuance of bank debentures.

In the case of fund uses, except for foreign currency loans by the corporate sector, which decreased owing to the expectation of USD appreciation, all items increased at the end of 2015 compared to the end of 2014. Among them, the share of bank loans slid mainly owing to weaker demand from private enterprises amid a sluggish economy. Furthermore, both the balance and the share of net foreign assets increased because of a stronger USD over the end of the previous year.

Sources and Uses of Funds in Monetary Financial Institutions¹

Unit: NT\$ Billion

	End of 2015		End of 2014		Annual Change	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Sources:						
Transaction Deposits ²	13,727	30.71	12,849	30.53	878	0.18
Non-transaction Deposits ³	24,400	54.59	23,387	55.57	1,013	-0.98
NT Dollar Deposits	19,895	44.51	19,226	45.68	669	-1.17
Foreign Currency Deposits	4,505	10.08	4,161	9.89	344	0.19
Government Deposits	846	1.89	772	1.83	74	0.06
Other Items	5,730	12.81	5,077	12.07	653	0.74
Total	44,703	100.00	42,085	100.00	2,618	0.00
Uses:						
Net Foreign Assets ⁴	4,080	9.13	3,198	7.60	883	1.53
Loans	24,242	54.23	23,473	55.78	769	-1.55
NT Dollar Loans	23,409	52.37	22,502	53.47	907	-1.10
Foreign Currency Loans ⁴	833	1.86	970	2.31	-1.38	-0.45
Portfolio Investments ⁵	5,129	11.47	4,638	11.02	491	0.45
Purchases of CDs Issued by CBC	7,412	16.58	7,020	16.68	392	-0.10
Deposits with CBC	3,840	8.59	3,757	8.92	83	-0.33

Notes: 1. Monetary Financial Institutions include Domestic Banks, Local Branches of Foreign and Mainland Chinese Banks, Credit Cooperatives, Credit Departments of Farmers' and Fishermen's Associations, Chunghwa Post and Money Market Mutual Funds.

2. Including checking accounts, passbook deposits and passbook savings deposits.

3. Including time deposits, time savings deposits, foreign currency deposits, postal savings deposits, non-residents' NT dollar deposits, repurchase agreements, and money market mutual funds.

4. Excluding valuation changes in the exchange rate of the NT dollar against foreign currencies.

5. Measured at original costs.

Source: *Financial Statistics Monthly*, CBC.

Because of ample liquidity in the banking system, both portfolio investments and banks' purchases of CDs issued by the CBC rose at the end of 2015 compared to the end of 2014. The share of portfolio investments by monetary financial institutions grew higher mainly because banks increased bond investments in response to the rate cuts by the CBC and global financial turmoil. In addition, diversified uses of funds resulted in the continuously declining share of banks' purchases of CDs issued by the CBC during recent years.

Downtrend in Deposit Growth

At the end of 2015, total deposits of monetary financial institutions stood at NT\$39,164.6 billion, registering an annual growth rate of 5.83%, lower than last year's 5.99%. This was mainly attributable to unstable international financial conditions, weak global economic growth, and sluggish domestic export growth in the second half of the year.

With the Chinese New Year holidays boosting demand for currency in February, the annual growth rate of deposits lowered to 6.36%. Currency demand of the general public remained strong through to March owing to a long weekend 228 Peace Memorial Day holiday, so the deposit growth rate declined further to 6.24%.

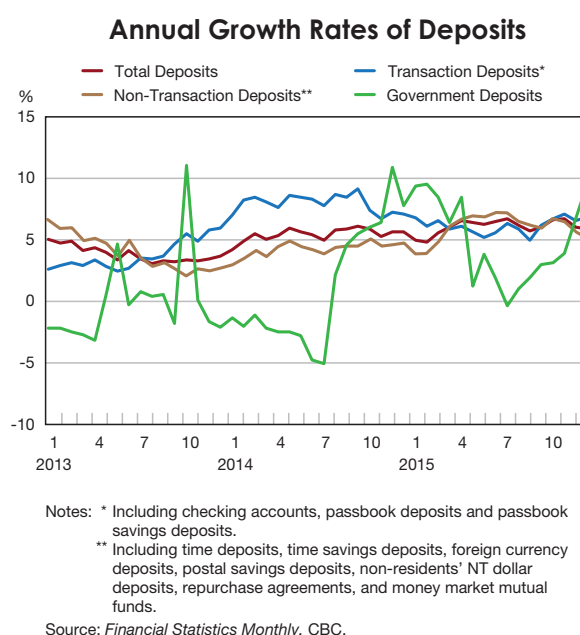
The deposit growth rate trended up in April and May, reflecting increases in transaction deposits and foreign currency deposits caused by larger net capital inflows and a buoyant stock market. However, the growth rate of total deposits slid to 6.15% and 5.68% in June and July, respectively, owing to decreases in transaction deposits and non-transaction deposits caused by weakened domestic economic growth and larger net foreign capital outflows. Afterwards, with significant growth in loans and investments and an increase in foreign currency deposits pushed up by the expectation of the Fed's rate hike, the deposit growth rate went up to 6.64% in September.

The uptrend continued in October, because of larger net foreign capital inflows and a stabilized stock market. However, it turned into a downtrend in November and December, with the deposit growth rate falling to 5.96% and 5.83%, respectively. The decline was because foreign capital registered a net outflow and because some people moved their deposits to insurance products after another policy rate cut.

Transaction deposits posted a higher annual growth rate of 6.83% for the whole year, up from 5.83% the year before, with its share in total deposits climbing to 35.05% from 34.72%. The faster growth was mostly caused by a booming stock market in the first half of the year and a shift in some non-transaction deposits into transaction deposits following policy rate cuts in the second half of the year.

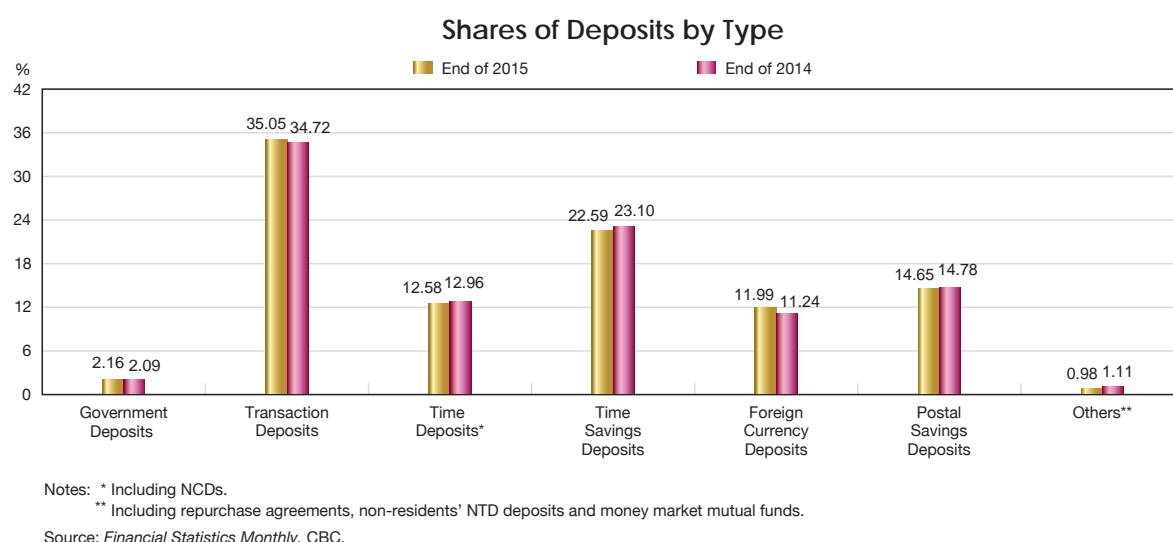
Moreover, there was a notable rise in foreign currency deposits on account of increases in firms' sales revenue from overseas markets from the beginning of the year; therefore, the annual growth rate of non-transaction deposits showed an uptrend in the first half of the year. Afterwards, with a significant net outflow of foreign capital and a partial switch from non-transaction to transaction deposits, the annual growth rate of non-transaction deposits dropped to 5.15% from 6.07% the previous year. Its share in total deposits fell to 62.79% at the year end, from 63.19% at the end of the previous year.

By type of non-transaction deposit, the share of foreign currency deposits went up to 11.99% owing to market expectation of a Fed rate hike at the end of the year; however, a higher base



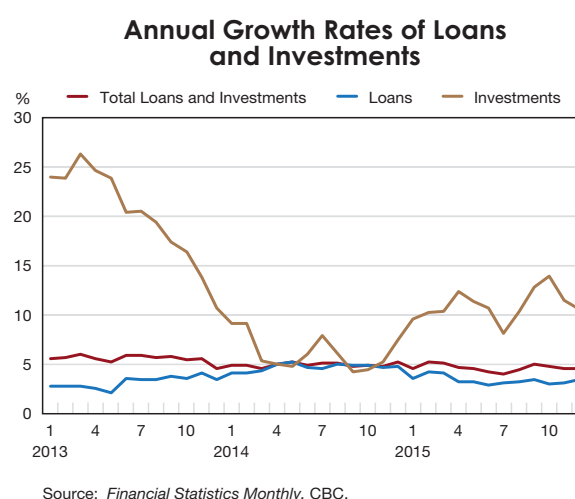
effect and the significant depreciation of the RMB led the growth rate of foreign currency deposits to slide substantially to 12.87%. The shares of time deposits and time savings deposits both continually declined, whereas the share of postal savings deposits grew slightly to 14.65%.

Owing to a higher comparison base in the corresponding period of the previous year, the annual growth rate of government deposits trended down in the first half of the year. However, with greater tax revenues and less expenditure in the second half of the year, it exhibited an uptrend, climbing to 9.62%. Its share in total deposits edged up to 2.16% at year end.



Lower Growth in Bank Loans and Investments

The annual growth rate of loans and investments of monetary financial institutions was 4.61% at the end of 2015, decreasing from 5.20% at the end of 2014. Growth in loans decelerated to 3.43% at the end of 2015 from 4.77% at the end of the previous year, mainly owing to weaker demand from private enterprises amid a sluggish economy. In contrast, growth in portfolio investment accelerated to 10.59% at the end of 2015 from 7.46% a year earlier, mainly owing to higher growth in investments in securities issued by non-financial institutions.



Loans by Sector

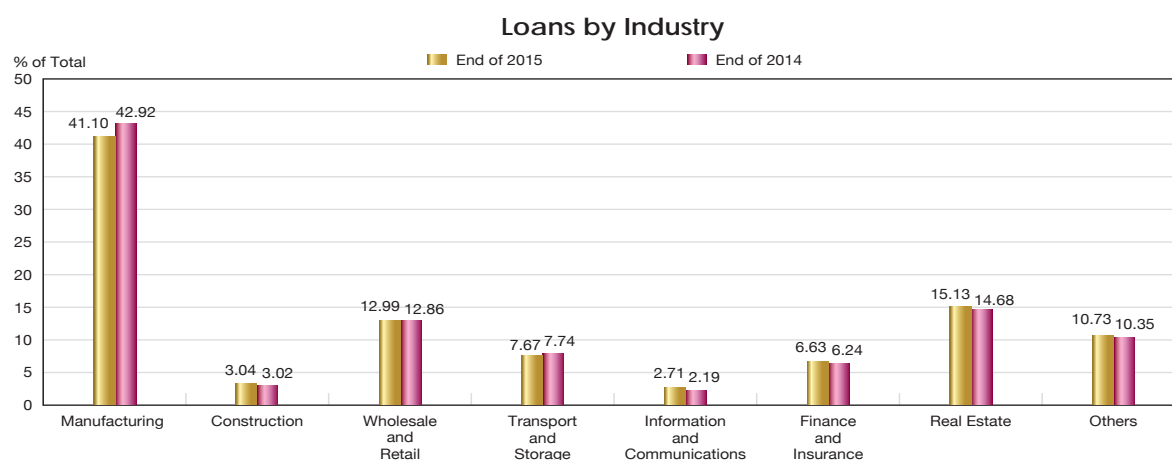
The annual growth rate of private sector loans by banks (defined hereafter in the following paragraphs as including domestic banks and local branches of foreign and Mainland Chinese

banks) fell to 3.80% at the end of 2015 from 5.52% at the end of 2014. The downturn was mainly due to decreasing demand from private enterprises. In terms of loans to public enterprises, the amount of total outstanding loans to this group shrank in 2015, as the Taiwan Power Company reduced its borrowing from banks, largely reflecting the considerable gains in annual profits resulting from lower oil prices. However, due to a low base effect, the annual decline in loans to public enterprises slowed from -10.25% at the end of 2014 to -3.40% at the end of 2015. Meanwhile, the annual growth rate of loans to government agencies declined to -4.56% at the end of 2015 from -0.74% at the end of 2014, mainly on account of the decrease in borrowing resulting from increased income tax revenues thanks to solid economic growth in 2014.

In terms of loan composition, loans extended to the private sector accounted for 91.22% of total loans at the end of 2015, higher than the 90.56% recorded at the end of 2014. Loans extended to government agencies and public enterprises accounted for 6.08% and 2.70% at the end of 2015, respectively, lower than 6.56% and 2.88% recorded at the end of the previous year.

Loans by Industry

Broken down by industry sector, bank loans to the manufacturing sector continued to account for the largest portion, at 41.10% at the end of 2015, decreasing from 42.92% at the end of 2014. This decrease was mainly due to slower growth and the decreasing shares in loans extended to petroleum and coal products manufacturing, chemical material manufacturing, electronic parts and components manufacturing, fabricated metal products manufacturing, and basic metal manufacturing at the end of 2015. Meanwhile, compared with the share of loans extended to the construction industry at the end of 2014, the change in the share at the end of 2015 was quite negligible, slightly increasing from 3.02% to 3.04%. However, compared with that at the end of 2013, the share shrank from 3.11% to 3.04%, reflecting a conservative outlook for the housing market.



Note: Figures include the data of domestic banks and local branches of foreign and Mainland Chinese banks but exclude their data on securities acquired under reverse repurchase agreements.

Source: *Financial Statistics Monthly*, CBC.

Both the share and the annual growth rate of loans extended to the transport and storage industry decreased at the end of 2015, mainly reflecting the slowdown in international trade. The shares of loans extended to the remaining industries exhibited uptrends. To take the information and communication industry as an example. The second-stage release of 4G licenses and the policy initiated by the Financial Supervisory Commission to assist creative industries to get business loans both contributed to the increase in loans extended to the information and communication industry.

Consumer Loans

The annual growth rate of consumer loans extended by banks increased from 2.81% at the end of 2014 to 3.42% at the end of 2015. Among them, house-purchasing loans increased NT\$265.3 billion in 2015 with an annual increase of 4.52%, representing higher growth for the year, mainly because home sales increased before the commencement of the integrated housing and land tax in January 2016. As for the shares of various consumer loans, house-purchasing loans remained the largest component, with its share rising from 81.46% at the end of 2014 to 82.32% at the end of 2015. Car loans accounted for 1.60%, decreasing from 1.62%, mainly because car sales were dampened by weaker economic conditions as well as a higher base in the previous year. Meanwhile, house-repairing loans and revolving credit for credit cards accounted for 2.47% and 1.44%, respectively, both decreasing from the end of the previous year.

Investments

Portfolio investments by monetary financial institutions, measured on a cost basis, showed higher growth with an annual increase of 10.59% in 2015, mainly because banks increased bond investments in response to the rate cuts by the CBC and global financial turmoil.

Among the investment instruments, government bonds accounted for the largest share with 61.46%, higher than the 60.97% a year ago, mainly bolstered by massive purchases of government bonds by banks and the Department of Savings and Remittances of Chunghwa Post to hedge against market risks. Meanwhile, as the CBC cut the policy rates to keep monetary conditions accommodative, banks turned to corporate bonds instead of commercial paper in order to raise the rate of return. At the end of 2015, corporate bonds accounted for a share of 15.58%, larger than a year ago. Commercial paper accounted for a share of 13.67%, decreasing from the end of 2014.

In terms of annual growth trends, portfolio investments by monetary financial institutions, measured at fair value, recorded a year-on-year increase of NT\$476.5 billion, while the increase was larger, at NT\$491.3 billion, when measured on a cost basis.

Direct Finance and Indirect Finance

Financing channels of the non-financial sector comprise direct finance and indirect finance,

Direct Finance vs. Indirect Finance*

Unit: NT\$ Billion

Year	Direct Finance (1)	Indirect Finance (2)			Total Funds Raised (3)=(1)+(2)
		Loans	Investments	Subtotal	
2006	-151.3	820.6	537.1	1357.7	1,206.4
2007	82.7	737.0	228.6	965.6	1,048.3
2008	-316.1	649.2	563.0	1,212.2	896.1
2009	142.8	133.0	259.3	392.3	535.1
2010	165.5	1,242.6	433.8	1,676.4	1,841.9
2011	19.0	1,141.4	642.5	1,783.9	1,802.9
2012	17.0	809.4	880.7	1,690.1	1,707.1
2013	62.6	1,007.2	803.3	1,810.5	1,873.1
2014	234.3	1,248.6	217.8	1,466.4	1,700.7
2015	64.5	865.1	144.3	1,009.4	1,073.9

Notes: * Measured in terms of flow data.

(1) refers to the total amount of new issues of various marketable securities, including government bonds, corporate bonds, listed stocks, offshore bonds, depositary receipts, short-term bills, and asset-backed securities held by the non-financial sector.

(2) refers to loans and investments (measured on a cost basis) made by monetary financial institutions, trust and investment companies, and life insurance companies, after taking account of their non-accrual loans reclassified and bad loans written off.

Source: *Financial Statistics Monthly*, CBC

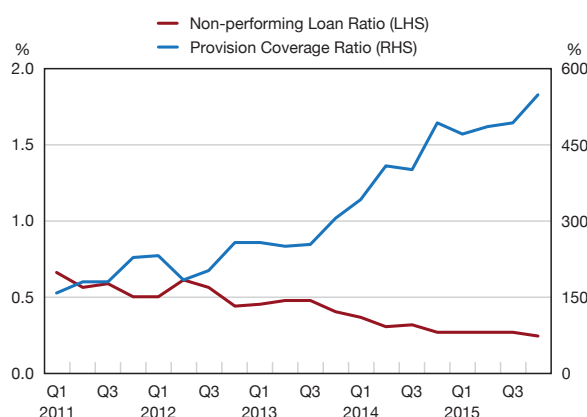
referring respectively to issuing securities in the markets and borrowing from financial institutions. The annual increase in direct finance and indirect finance combined shrank in 2015 from the previous year's NT\$1,700.7 billion to NT\$1,073.9 billion. Direct finance increased NT\$64.5 billion during 2015, lower than the previous year's increase of NT\$234.3 billion. Indirect finance decreased from the previous year's NT\$1,466.4 to NT\$1,009.4 billion, which was mainly due to slower growth in loans by financial institutions.

Based on the outstanding balance, the share of direct finance in total funds raised decreased from 20.63% at the end of 2014 to 20.53%, while the share of indirect finance increased from 79.34% to 79.47%.

Decline in Non-performing Loan (NPL) Ratio

With improved asset quality, the average NPL ratio of monetary financial institutions as a whole declined further to 0.25% at the end of 2015 from the previous year's 0.27%. Among the different types of financial institutions, community financial institutions continued to show the biggest improvement in the average NPL ratio in 2015.

Non-performing Loan Ratio and Provision Coverage Ratio of Monetary Financial Institutions*



Note: * Including domestic banks, foreign and Mainland Chinese banks, credit cooperatives, credit departments of farmers' and fishermen's associations.

Non-performing Loan Ratio = Non-performing Loans / Total Loans

Provision Coverage Ratio = Loan Loss Provisions / Non-performing Loans

Source: Department of Financial Inspection, CBC.

Owing to an increase in loan loss provisions and the decline in the average NPL ratio, the average provision coverage ratio of monetary financial institutions climbed to 547.47% at the end of 2015 from 491.81% the previous year.

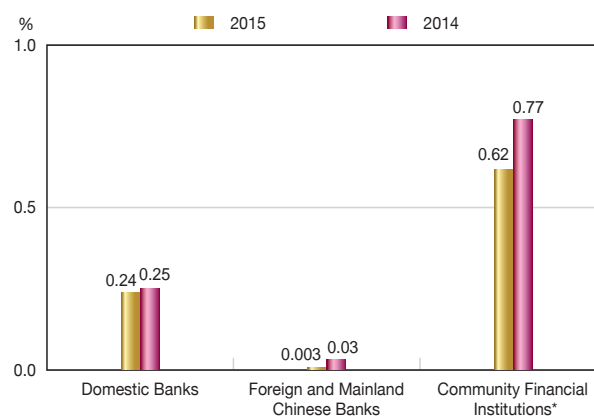
Decline in Bank Interest Rates

In view of downward revisions of the domestic growth forecast since the second quarter of 2015 amid a slowing global recovery, as well as subdued inflation expectations, the CBC lowered the policy rates twice on September 25 and December 18 to stimulate the economy. As a result, bank interest rates on deposits and loans went down from September onwards. In the case of the interest rates of the five major domestic banks, their average fixed rates on one-month and one-year time deposits, respectively, remained at 0.88% and 1.36% prior to the end of August 2015, and then decreased to 0.74% and 1.21% at the end of 2015. Moreover, the average base lending rate decreased to 2.83% at the end of 2015 from 2.88% at the previous year-end.

During the first half of the year, the weighted average interest rate on total deposits of domestic banks remained broadly steady. In the third quarter, the weighted average deposit rate slightly declined to 0.77% owing to the decrease in the share of time deposits in total deposits. In the fourth quarter, the CBC's rate cut led the weighted average deposit rate to decrease to 0.74%. On the whole, the weighted average interest rate on total deposits of domestic banks was 0.77% in 2015, which was 0.01 percentage points lower than that recorded in the previous year.

With respect to the weighted average interest rate on new loans of the five major domestic banks, it fluctuated within a narrow range between 1.58% and 1.81% during the January to October period. Then it decreased to 1.64% in November owing to decreases in base lending rates and the index rates on adjustable-rate mortgages. In December, it declined further to 1.60%. On the whole,

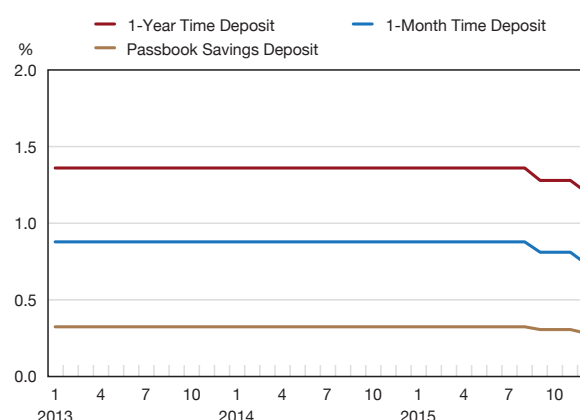
Non-performing Loan Ratios by Type of Monetary Financial Institutions



Note: * Including credit cooperatives and credit departments of farmers' and fishermen's associations.

Source: Department of Financial Inspection, CBC.

Average Deposit Rates of the Five Major Domestic Banks*



Note: * The five major domestic banks are Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank and Land Bank of Taiwan.

Source: Financial Statistics Monthly, CBC.

the weighted average interest rate on new loans slightly decreased from 1.68% in 2014 to 1.67% in 2015, down by 0.01 percentage points. Excluding central government loans, the weighted average interest rate on new loans decreased from 1.74% in 2014 to 1.73% in 2015, down by 0.01 percentage points.

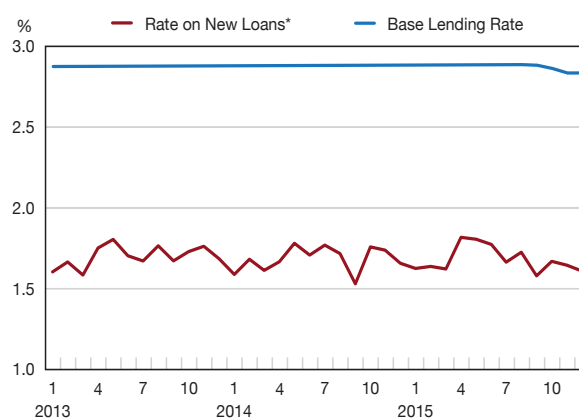
In the first quarter of the year, owing to higher growth in bank claims on local governments, the weighted average interest rate on total loans of domestic banks moved downward from 2.22% in the fourth quarter of 2014 to 2.20%. In the second quarter, the weighted average lending rate moved slightly upward to 2.21% owing to the increase in the weighted average interest rate on new loans. In the third quarter, because some enterprises repaid their low-interest rate loans and some banks' interest rates on consumer loans and long-term loans rose, the weighted average lending rate moved upward to 2.23%. In the fourth quarter, as a result of the CBC's rate cut and an increase in bank claims on local governments and government enterprises, the weighted average interest rate on loans declined to 2.18%. For the year as a whole, the weighted average interest rate on loans of domestic banks was 2.20%, which was 0.01 percentage points lower than that recorded in the previous year.

Because the decreases in deposit rates were as much as those in lending rates, the interest rate spread between deposits and loans remained at 1.43 percentage points.

Slight Reduction in Profitability

Affected by weaker economic growth, the pre-tax profits of monetary financial institution slightly decreased by NT\$0.1 billion in 2015. Those of domestic banks slightly decreased by NT\$0.1 billion to NT\$320.6 billion, mainly owing to a decrease in investment revenues resulting from the decline in the valuation of portfolio investments. The pre-tax profits of Chunghwa Post decreased by NT\$0.3 billion, while the pre-tax profits of foreign and Mainland Chinese banks slightly increased by NT\$0.1 billion.

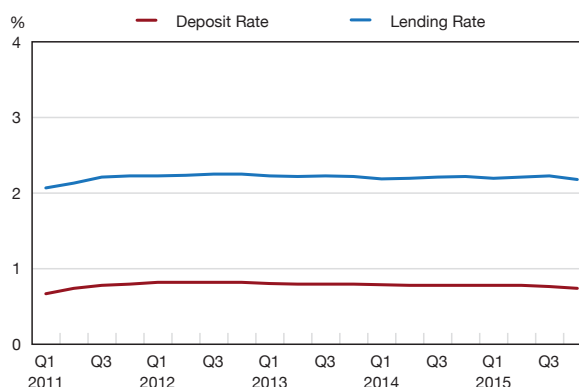
Average Lending Rates of the Five Major Domestic Banks



Note: * Including housing loans, capital expenditure loans, current operations loans and consumer loans.

Source: Financial Statistics Monthly, CBC.

Weighted Average Interest Rates of Domestic Banks



Source: Financial Statistics Monthly, CBC.

Profits of Monetary Financial Institutions

Unit: NT\$ Billion

	Pre-tax Profits			Return on Assets (%)*			Return on Equity (%)**		
	2015	2014	Annual Change	2015	2014	Annual Change	2015	2014	Annual Change
Domestic Banks	320.6	320.7	-0.1	0.73	0.77	-0.04	10.65	11.62	-0.97
Foreign and Mainland Chinese Banks	25.8	25.7	0.1	0.57	0.60	-0.03	22.45	25.55	-3.10
Credit Cooperatives	2.5	2.5	0.0	0.37	0.39	-0.02	5.54	5.72	-0.18
Credit Departments of Farmers' and Fishermen's Associations	5.8	5.6	0.2	0.31	0.30	0.01	4.90	4.93	-0.03
Chunghwa Post	13.5	13.8	-0.3	0.23	0.25	-0.02	12.46	13.92	-0.83
Total	368.2	368.3	-0.1	0.65	0.68	-0.03	10.84	11.80	-0.96

Notes: * Return on Assets = Pre-tax Profits / Average Assets

** Return on Equity = Pre-tax Profits / Average Equity

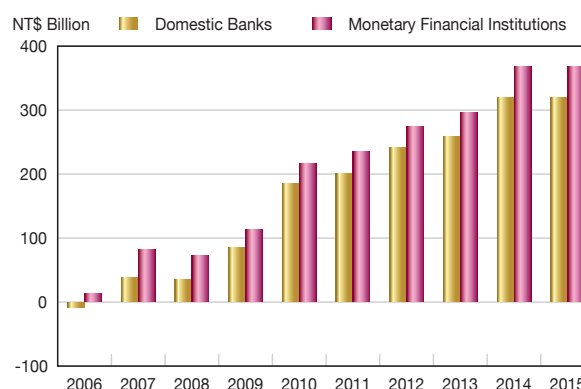
Source: Department of Financial Inspection, CBC.

Decreases in ROA and ROE

The average return on assets (ROA) of monetary financial institutions in 2015 decreased to 0.65% from 0.68% the previous year, and their return on equity (ROE) also went down to 10.84% from 11.80% a year earlier. Among monetary financial institutions, domestic banks were the best performers in terms of ROA, and foreign and Mainland Chinese banks posted the highest ROE.

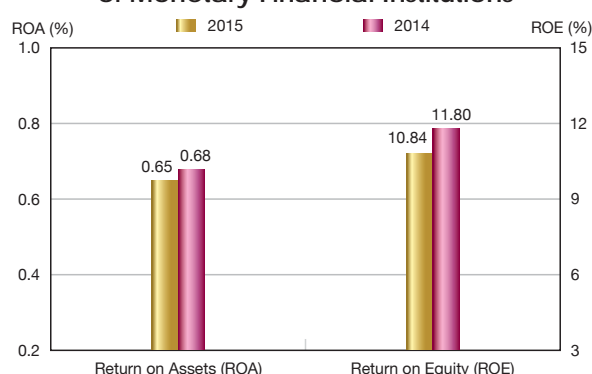
With regard to capital adequacy ratios, the average ratio for domestic banks increased to 12.93% at the end of the year from 12.35% a year before, mainly owing to capital increases by some domestic banks.

Pre-tax Profits



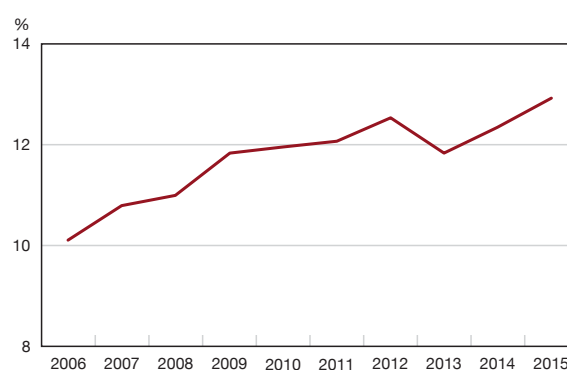
Source: Department of Financial Inspection, CBC.

ROA and ROE of Monetary Financial Institutions



Source: Department of Financial Inspection, CBC.

Capital Adequacy Ratio of Domestic Banks



Source: Department of Financial Inspection, CBC.

4. Money Market

In 2015, the total turnover in the interbank call loan market increased by 1.59%, whereas that in the short-term bills market decreased by 6.76%. Interest rates in both markets remained broadly stable in the first half of the year, but then had exhibited a downtrend as the CBC lowered policy rates in the third quarter.

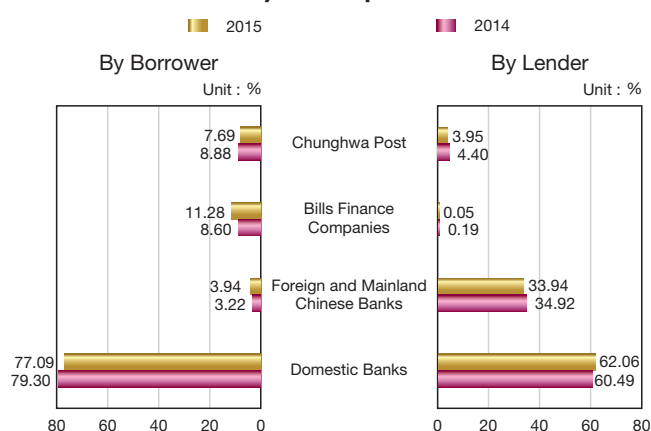
Slight Increase in Interbank Call Loans

For the year 2015, as the domestic economy slowed down, growth in bank loans and investments moderated, weakening banks' demand for call loans. Therefore, total annual turnover of interbank call loans for 2015 only slightly increased by NT\$762.1 billion, or 1.59%, to NT\$48,696.6 billion.

With regard to borrowers, domestic banks were still the largest player during the year, accounting for 77.09% of total transactions, followed by bills finance companies, Chunghwa Post, and foreign and Mainland Chinese banks, with shares of 11.28%, 7.69% and 3.94%, respectively. The amount borrowed by domestic banks decreased by NT\$474.0 billion, or 1.25%, compared with the previous year, mainly because banks had ample liquidity, which reduced their funding needs. On the other hand, the amount borrowed by bills finance companies increased by NT\$1,369.1 billion or 33.22% during the year because of their stronger demand for funds, which was associated with increased profits from short-term bill transactions resulting from lower bills market rates. However, the borrowed amount of Chunghwa Post decreased by NT\$509.9 billion, or 11.98%, while that of foreign and Mainland Chinese banks increased by NT\$376.9 billion or 24.45%.

With respect to lenders, domestic banks continued to be the largest supplier of funds, accounting for 62.06% of total transactions in 2015. Following domestic banks were foreign and Mainland Chinese banks, Chunghwa Post and bills finance companies with respective shares of 33.94%, 3.95% and 0.05%. The amount lent by domestic banks increased by NT\$1,229.3 billion, or 4.24%, compared with the previous year because the amount lent to bills finance companies rose, reflecting their higher funding needs. With a decline in net foreign capital inflows, the lending amount of foreign and

Composition of Interbank Call Loan Market by Participant



Source: Financial Statistics Monthly, CBC.

Mainland Chinese banks decreased by NT\$212.8 billion or 1.27%. The amount lent by Chunghwa Post fell by NT\$188.7 billion, or 8.94%, compared with the previous year, attributable to an increase in its holdings of government bonds.

In terms of maturity, interbank overnight call loans remained the most actively traded instrument in the market with a predominant share of 63.72%, up by 5.34 percentage points from that of the previous year. Second were those with a maturity of 1 week, accounting for 29.62%, down by 5.11 percentage points from that of the previous year. The share of loans with a 2-week maturity decreased by 0.30 percentage points to 5.37%. Shares for the trading of interbank call loans with maturities of 3 weeks, 1 month, 2-6 months, and above 6 months were negligible.

Rise in Short-Term Bill Issuance, yet Decrease in Transactions

In 2015, newly issued short-term bills totaled NT\$11,512.8 billion. Of the new issues, commercial paper continued to account for the lion's share of 90.56%. Second were negotiable certificates of deposit with a share of 7.23%, showing an increase of 1.31 percentage points over the previous year. The growth was largely because banks started to issue foreign currency-denominated negotiable certificates of deposit in August in order to increase foreign currency funding channels, to diversify investment tools for corporate and individual investors, and to expand the domestic market of foreign currency bills. As market interest rates remained at low levels, private and government enterprises were more willing to issue commercial paper instead of borrowing from banks. Consequently, compared with the previous year, the amount of commercial paper issued grew by NT\$506.4 billion. On the contrary, the Ministry of Finance decreased the issues of treasury bills by NT\$11.2 billion owing to increased tax revenue. Meanwhile, the amount of city treasury bills and bankers acceptances

Short-Term Bills Market

Unit: NT\$ Billion

Year	Total		Treasury Bills		City Treasury Bills		Commercial Paper		Bankers' Acceptances		Negotiable Certificates of Deposit	
	Issues	Year-end Outstanding	Issues	Year-end Outstanding	Issues	Year-end Outstanding	Issues	Year-end Outstanding	Issues	Year-end Outstanding	Issues	Year-end Outstanding
2006	7,004.0	1,092.4	45.0	25.0	-	-	5879.8	717.6	36.1	8.1	1,043.1	341.7
2007	6,495.1	925.3	88.0	28.0	-	-	5,577.2	664.8	38.2	8.4	791.7	224.0
2008	6,948.6	969.8	240.0	106.8	-	-	6,074.7	690.2	33.3	4.9	600.6	167.8
2009	6,293.4	1,043.1	435.0	215.0	-	-	5,397.7	651.3	21.9	4.9	438.8	171.9
2010	7,140.8	1,167.5	365.0	240.0	-	-	5,903.4	686.1	33.1	6.2	839.3	235.2
2011	7,424.0	1,192.6	321.2	180.3	-	-	6,270.5	735.2	30.1	5.7	802.2	271.5
2012	8,187.7	1,454.0	265.0	195.0	-	-	7,311.6	1,023.6	24.2	4.3	586.9	231.1
2013	9,809.0	1,650.2	324.6	214.6	-	-	8,827.4	1,199.2	23.5	4.2	633.5	232.3
2014	10,840.6	1,641.2	244.9	130.0	10.0	0.0	9,919.5	1,306.8	24.1	4.3	642.2	200.2
2015	11,512.8	1,677.7	233.7	90.0	0.0	0.0	10,426.0	1,346.6	20.8	3.5	832.3	237.6
2015-2014 Change	672.2	36.5	-11.2	-40.0	-10.0	0.0	506.4	39.8	-3.3	-0.7	190.2	37.4

Source: Financial Statistics Monthly, CBC.

decreased by NT\$10.0 billion and NT\$3.3 billion, respectively, compared with the previous year. As of the end of 2015, total outstanding short-term bills amounted to NT\$1,677.7 billion, 2.22% more than that of the previous year end.

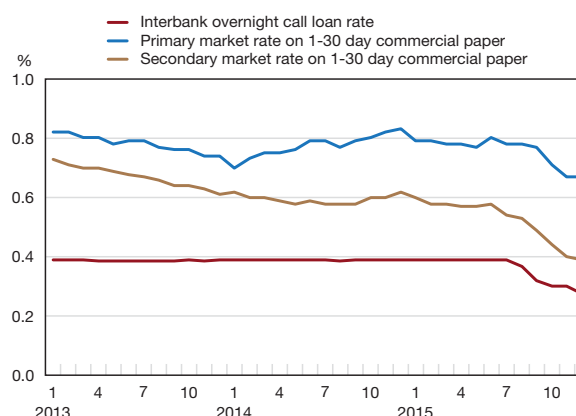
The total turnover of short-term bills in 2015 decreased by 6.76% to NT\$33,263.3 billion. Of the total transactions, commercial paper still made up the largest share of 93.79%, representing an increase of 0.99 percentage points compared with the previous year. It was followed by negotiable certificates of deposit with a share of 5.41%, representing a decrease of 0.69 percentage points over 2014. Treasury bills and bankers' acceptances made up a negligible share of transactions. With respect to market participants, private enterprises were the largest player in the market with a share of 49.32%, followed by banks with a share of 25.29%.

Downtrend in Money Market Rates

In 2015, as the domestic economy posted slower growth, the CBC continued to manage market liquidity to maintain excess reserves of banks at an appropriate level. On September 25 and December 18, the CBC lowered policy rates twice by a total of 25 basis points, guiding the weighted average interbank overnight call loan rate to gradually move downward from 0.387% to 0.275%.

The primary market rate on commercial paper with a maturity of 1-30 days trended down from 0.79% in January of 2015 to 0.67% in December of the same year. The secondary market rate on commercial paper with a maturity of 1-30 days also descended from 0.60% in January to 0.39% in December of the same year.

Money Market Interest Rates



Source: Financial Statistics Monthly, CBC.

Growth in Money Market Funds

At the end of 2015, there were a total of 45 money market funds in Taiwan with total assets reaching NT\$993.5 billion, an increase of NT\$252.1 billion or 34.00% over the previous year. With regard to portfolio composition, the largest use of the funds was bank deposits with a share of 65.95% at the end of the year. The second largest was repurchase agreements, with a share of 16.67%, a 4.48 percentage points increase resulted from a need by institutional investors, a major client group, to boost their financial performance. Meanwhile, short-term bills made up 16.23% of total money market funds. In addition, the bond holding ratio of all money markets funds slightly increased from 0.29% in January to 1.14% in December of the same year.

Portfolio Composition of Money Market Funds

Unit: NT\$ Billion

Year/Month End	Total	Bank Deposits		Short-Term Bills		Repurchase Agreements		Bonds	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
2013	815.0	592.0	72.64	112.3	13.78	110.4	13.55	0.3	0.04
2014	741.4	512.6	69.14	136.2	18.37	90.4	12.19	2.3	0.30
2015	993.5	655.2	65.95	161.2	16.23	165.6	16.67	11.4	1.14
2015/ 1	814.6	557.5	68.44	141.0	17.31	113.7	13.96	2.4	0.29
2	814.1	566.0	69.52	130.7	16.05	114.9	14.11	2.6	0.32
3	769.1	548.3	71.28	121.3	15.77	97.4	12.67	2.1	0.28
4	860.4	592.4	68.85	149.6	17.38	116.6	13.55	1.9	0.22
5	869.0	594.0	68.35	142.9	16.44	130.4	15.01	1.7	0.20
6	791.3	558.1	70.54	125.8	15.90	105.9	13.39	1.4	0.17
7	842.8	592.8	70.34	118.7	14.08	129.0	15.30	2.3	0.27
8	879.1	626.1	71.22	106.4	12.10	143.6	16.33	3.1	0.36
9	890.4	644.5	72.38	105.7	11.87	136.8	15.36	3.5	0.39
10	994.9	677.9	68.13	128.3	12.89	181.3	18.22	7.5	0.76
11	1,061.2	678.7	63.96	157.7	14.86	213.4	20.11	11.4	1.07
12	993.5	655.2	65.95	161.2	16.23	165.6	16.67	11.4	1.14

Source: Securities Investment Trust & Consulting Association of the R. O. C. (Taiwan).

5. Foreign Exchange Market

Appreciation of the NT Dollar in trade-weighted terms

In 2015, the NT dollar depreciated against the US dollar and the renminbi (RMB), but appreciated against most major international currencies including the euro, the Japanese yen, and the Korean won. The trade-weighted nominal effective exchange rate index of the NT dollar increased by 2.64% on a daily average basis. The exchange rate movements of the NT dollar against the US dollar, the euro, the yen, the RMB, and the Korean won are analyzed as follows.

The NT dollar against the US dollar slightly appreciated before it weakened in the second half of 2015. Early in the year, the US dollar strengthened as the US economy expanded at a moderate pace, while the economic growth rates of Japan, the euro area and China all slowed down. After the Swiss National Bank (SNB) discontinued the minimum exchange rate of the Swiss Franc (CHF) per euro on January 15, international hedge funds flowed into emerging Asia including Taiwan, and the NT dollar turned to appreciation. A softer US dollar at the end of April, owing to sluggish first quarter GDP performance in the US and growing market expectations for the Fed to postpone rate normalization after the FOMC Statement noted that underutilization of labor resources was little changed, and inflows of foreign capital into Taiwan's financial markets combined to lead the NT dollar higher, soaring to a yearly high against the US dollar on May 22. In July, the Fed chairperson's speech about a possible rate hike within 2015 caused the US dollar to strengthen, while foreign capital inflows turned into a net outflow from Taiwan, resulting in NT dollar depreciation against the US dollar. On August 11, the People's Bank of China (PBOC) devalued the RMB exchange rate against the US dollar, leading most major Asian currencies to fall. Meanwhile, Taiwan's exports continued to contract and the CBC announced a rate cut in its September Board Meeting. Consequently, the NT dollar hit a yearly low on September 25. From October onwards, the US economic indicators were mixed; however, Taiwan's economic growth rate slipped into negative territory in the third quarter. In December, the Fed announced its rate hike, while the CBC decided to cut policy rates to boost economic growth, leading the NT dollar to depreciate against the US dollar. At the end of 2015, the NT dollar depreciated by 4.08% against the US dollar compared with the end of the previous year. On a daily average basis, the NT dollar depreciated against the US dollar by 4.80% in 2015.

The NT dollar appreciated against the euro in the first half of the year but then depreciated in the third quarter and slightly appreciated in the last quarter. The NT dollar against the euro fell to a yearly low on January 5. As oil prices steadily declined, and investors worried about a deflation risk in the euro area, the euro faced depreciation pressures. This was exacerbated by the ECB's

expansion of its asset purchase program and the SNB's discontinuing the minimum exchange rate of CHF per euro. As a result, the NT dollar against the euro soared to a yearly high on April 14. In May, the euro area's CPI rose, and German factory orders increased more than anticipated and the GDP growth rate was revised up; therefore, the consequent euro strength led the NT dollar to depreciate against the euro. Later in June, Greece defaulted on its International Monetary Fund (IMF) loans and conducted a bailout referendum on July 5, sending the euro down against the NT dollar. On August 11, the PBOC devalued the RMB exchange rate against the US dollar, leading most major Asian currencies to fall, and the NT dollar turned into depreciation against the euro. After late October, the continuous fall in international commodity prices and growing downside risks to economic growth posed bigger challenges to achieve the ECB's inflation target. These concerns built up expectations that the ECB would expand its monetary easing, and therefore the NT dollar appreciated against the euro. In December, the ECB cut the interest rate on the deposit facility and extended its asset purchase program, but kept its overall asset purchases unchanged. Against this backdrop, the NT dollar against the euro depreciated. Compared with the end of the previous year, the NT dollar appreciated against the euro by 6.69% at the end of 2015. On a daily average basis, the NT dollar appreciated against the euro by 13.89%.

The NT dollar appreciated against the yen in the first half year and rapidly depreciated in the second half of 2015. In the first half year, Japan revised down not only its economic growth rate of the last quarter of 2014 but also the outlook for economic growth and inflation, and the Bank of Japan (BOJ) maintained its monetary easing policy stance. The NT dollar against the yen reached a yearly high on June 2. On June 10, the BOJ governor's comments that the real exchange rate of the yen was low enough and further depreciation would not improve the economic situation sent the yen higher. Moreover, the Greek default crisis and China's slowdown also led the yen to soar on safe-haven demand. In turn, the NT dollar against the yen hit a yearly low on September 24. After that, the yen trended down on account of weak economic conditions. In December, with international commodity and oil prices staying low, capital flowed into the yen, and the NT dollar against the yen depreciated. In sum, the NT dollar depreciated by 3.47% against the yen at the end of 2015 compared with the previous year end. On a daily average basis, the NT dollar appreciated against the yen by 8.77%.

In 2015, the NT dollar appreciated against the RMB in the first half year and depreciated in the second half. Early in the year, downside risks to China's growth remained significant, weighing down on domestic demand and exports. With the CPI and the PPI rising less than anticipated, the PBOC lowered its reserve requirement ratio in February and April, and cut RMB benchmark loan and deposit interest rates in March and May. As a result, the NT dollar against the RMB reached a yearly high on May 22. On August 11, the PBOC devalued the RMB exchange rate against the US dollar, and major Asian currencies thus fell following a weaker RMB. After that, the PBOC cut its reserve

Annual Changes of NTD Exchange Rate Against Major Currencies

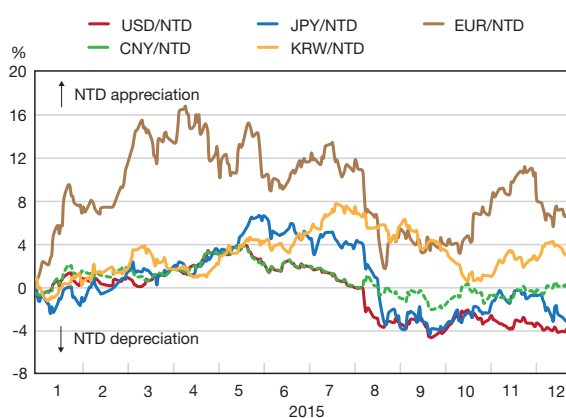
	NTD/USD	NTD/EUR	NTD/JPY	NTD/CNY	NTD/KRW
Exchange Rate (2015/12/31)	33.066	36.131	0.2747	5.0921	0.0281
Exchange Rate (2014/12/31)	31.718	38.550	0.2652	5.1125	0.0291
Annual Change	-4.08%	6.69%	-3.47%	0.40%	3.42%
Average Exchange Rate (2015)	31.898	35.377	0.2635	5.1222	0.0282
Average Exchange Rate (2014)	30.368	40.290	0.2866	4.9431	0.0288
Annual Change	-4.80%	13.89%	8.77%	-3.50%	2.27%

Source: Department of Economic Research, CBC.

requirement ratio and RMB benchmark loan and deposit interest rates several times on concerns of slower economic growth, while Taiwan also experienced economic moderation. The NT dollar against the RMB dropped to a yearly low on September 25 and fluctuated toward the end of 2015. The NT dollar appreciated against the RMB by 0.40% between end-2014 and end-2015. On a daily average basis, the NT dollar depreciated by 3.50% against the RMB when compared with the previous year.

In 2015, The NT dollar slightly appreciated against the Korean won in the first half of the year but then trended down toward the end of the year. Early in 2015, as the Greek debt crisis and a weak euro led to international capital flows into emerging Asia, and South Korea posted robust export growth in December 2014, the NT dollar against the won fell to a yearly low on January 12. In March, the Bank of Korea (BOK) lowered the base rate, and South Korea's consumption growth was dampened by the spread of the Middle East Respiratory Syndrome (MERS) in the second quarter, leading to another BOK rate cut. The won weakened, and the NT dollar against the won soared to a yearly high on July 23. On August 11, the PBOC devalued the RMB exchange rate against the US dollar, leading the NT dollar and the won both to fall. The NT dollar against the won fluctuated between 0.0272 and 0.0281. After October, South Korea recorded net foreign capital outflows, and the NT dollar against the won turned into appreciation. As the Fed raised the federal funds rate in December and induced foreign capital outflows from South Korea, the won turned to depreciation. Compared with the end of 2014, the NT dollar appreciated by 3.42% against the won at the end of 2015. On a daily average basis, the NT dollar also appreciated by 2.27% against the won in 2015.

**Percent Changes of NT Dollar
Against Major Currencies**
(Compared with End-2014)



Source: Department of Economic Research, CBC.

Growing Foreign Exchange Market

Trading in the Taipei foreign exchange market expanded in 2015. Total net trading volume for the year reached US\$8,204.6 billion, representing a year-on-year growth rate of 4.9%. The daily average turnover was US\$33.4 billion. The increase in turnover reflected expanded trading by local banks with overseas banks as major foreign currencies fluctuated wildly.

In terms of trading partners, transactions between banks and non-bank customers accounted for 25.1% of the total turnover, while interbank transactions made up 74.9%, including 20.0% for transactions among local banks and 54.9% for those between local banks and overseas banks.

As far as traded currencies were concerned, NT dollar trading against foreign currencies accounted for 36.0% of the total trading volume, of which trading against the US dollar (USD) made up a dominant 34.4%. Transactions in third currencies contributed to 64.0% of the total trading volume, with trading in currency pairs of USD-RMB, USD-euro and USD-yen accounting for respective shares of 20.7%, 15.1% and 10.6%. Compared with 2014, NT dollar trading against foreign currencies decreased by 7.0%. Transactions in third currencies increased by 13.0% over a year earlier, mainly because local banks increased trading with overseas banks amid more volatile fluctuations of major foreign currencies.

With respect to types of transactions, the major types were spots and foreign exchange swaps, accounting for 41.5% and 40.1% of total turnover, respectively. Compared with 2014, the trading volumes of spots, forwards and margin trading increased, whereas the other types decreased.

For other foreign currency derivatives including forwards, swaps, and options based on foreign currency interest rates, stock price indices, commodity prices, and credit derivatives, the total turnover amounted to US\$111.6 billion. Of this amount, interest rate-related derivatives accounted for the lion's share with US\$105.9 billion, or 94.9%, with its turnover down by 36.6% from the previous year. Interest rate futures accounted for the majority of this decrease, down by US\$66.2 billion.

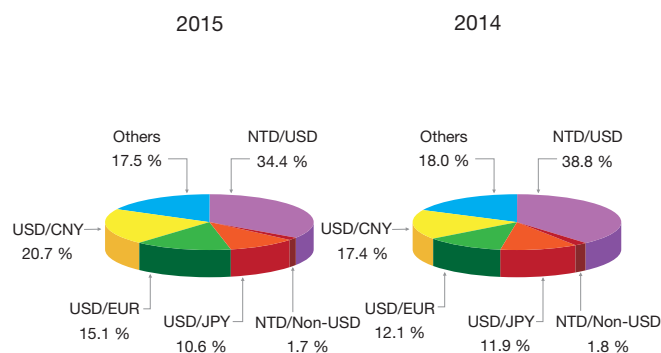
Turnover of Major Products in the Taipei Foreign Exchange Market

Unit: US\$ Million

Year	Spots	Forwards	Forex Swaps	Margin Trading	Options	Cross Currency Swaps	Total
2011	2,570,319	415,459	2,454,626	19,016	529,351	24,587	6,013,357
2012	2,249,684	406,831	2,558,288	19,419	627,958	30,993	5,893,172
2013	2,681,798	373,006	2,991,819	21,730	1,072,740	32,983	7,174,076
2014	2,869,175	408,770	3,352,584	20,379	1,134,172	37,365	7,822,445
2015	3,405,177	475,473	3,292,799	25,055	973,082	33,023	8,204,608
2014-2015 Growth Rate (%)	18.7	16.3	-1.8	22.9	-14.2	-11.6	4.9

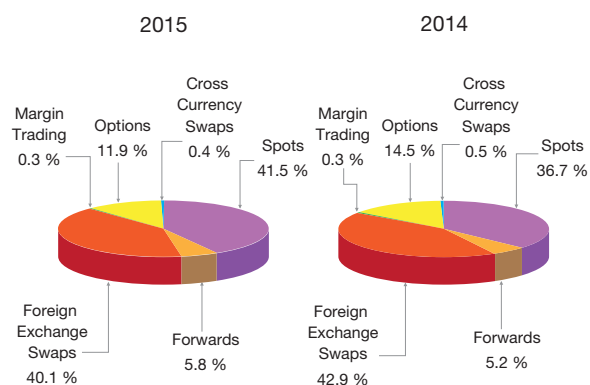
Source: Department of Foreign Exchange, CBC.

Composition of Foreign Exchange Transactions by Traded Currency



Source: Department of Foreign Exchange, CBC.

Composition of Foreign Exchange Transactions by Product



Source: Department of Foreign Exchange, CBC.

Decrease in Trading in Foreign Currency Call Loan Market

The transaction volume in the foreign currency call loan market in 2015 was US\$1,407.1 billion, a decrease of 4.6% over the previous year. Of this amount, US dollar transactions accounted for a dominant share with US\$1,325.5 billion, making up 94.1% of the total while decreasing 7.1% from 2014. In view of rising market expectations for the Fed's rate hike before the end of 2015, some banks increased long term currency lending and reduced short term trades, which caused the turnover rate to fall. Japanese yen transactions reached ¥872.1 billion in 2015, a small share of 0.5% of the total with a decline of 35.8% in the volume compared to the previous year. The amount of euro transactions totaled €0.5 billion, a low share of 0.1%. Other currencies accounted for a combined 5.2% of the total transaction volume.

Turnover of Other Products in the Taipei Foreign Exchange Market

Unit: US\$ Million

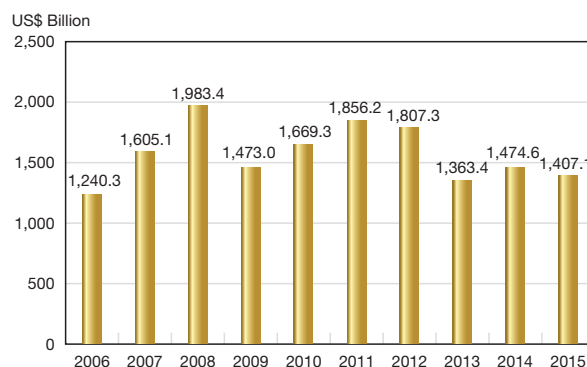
Year	Interest Rate-Related Products					Commodity-Related Products	Stock Index Options	Credit Derivatives	Total
	Forward Rate Agreements	Interest Rate Swaps	Interest Rate Options	Foreign Currency Interest Rate Futures	Subtotal	Commodity Options			
2011	902	76,153	3,569	254,703	335,327	22,728	421	5,204	363,681
2012	1,069	51,887	4,320	142,310	199,586	15,440	955	2,243	218,223
2013	523	37,042	3,040	115,636	156,240	5,488	1,758	1,517	165,004
2014	22	43,179	1,657	122,236	167,093	3,870	302	1,401	172,666
2015	4,928	42,763	2,152	56,088	105,930	4,058	486	1,122	111,596
2014-2015 Growth Rate (%)	22,609.2	-1.0	29.9	-54.1	-21.7	4.9	61.0	-20.0	-35.4

Source: Department of Foreign Exchange, CBC.

Slight Reduction in Assets of Offshore Banking Units

There were 62 offshore banking units (OBUs) at the end of 2015. Domestic banks operate 37 of these OBUs, while foreign banks run the other 25. The total assets of all OBUs decreased to US\$181.9 billion at the end of the year, representing a decline of US\$2.1 billion or 1.1% from the previous year end owing to lower lending to non-financial institutions. Domestic OBUs made up 86.4% of these combined assets with an amount of US\$157.2 billion, and the OBUs of foreign banks accounted for US\$24.7 billion, a 13.6% share of the total.

Transactions in the Taipei Foreign Currency Call Loan Market



Source: Department of Foreign Exchange, CBC.

In terms of the uses of funds, loans to non-financial institutions, at US\$81.2 billion, represented the majority share of 44.6% of total OBU assets. Due from banks came in second place, accounting for 18.7% of total OBU assets. In terms of the destination for funds, Asia accounted for the majority with 59.0%, followed by America at 27.0%.

The OBUs' main source of funds was interbank transactions, making up 41.7% of total liabilities. Furthermore, deposits of non-financial institutions accounted for 36.4% of total liabilities. The main funding origins of OBUs were Asia, accounting for the majority with 60.0%, and America, with a share of 28.0%.

Since most major foreign currencies fluctuated more wildly in 2015, forex trading turnover of

Consolidated Balance Sheet of Offshore Banking Units in Banking System

Unit: US\$ Million

End of Year	Loans to Non-financial Institutions	Portfolio Investment	Claims on Financial Institutions	Other Assets	Total Assets= Total Liabilities	Deposits of Non-financial Institutions	Due to Financial Institutions	Securities Issued	Other Liabilities
2011	58,976	15,760	56,900	13,465	145,101	37,645	91,662	370	15,424
2012	67,811	18,240	60,200	24,655	170,906	44,102	100,389	364	26,051
2013	79,981	22,019	44,459	23,113	169,572	51,191	100,133	351	17,896
2014	87,849	22,066	47,681	26,379	183,974	57,818	101,671	338	24,146
2015	81,198	29,547	52,790	18,388	181,924	66,137	97,087	0	18,700
2014-2015 Growth Rate (%)	-7.6	33.9	10.7	-30.3	-1.1	14.4	-4.5	-100.0	-22.6

Source: Financial Statistics Monthly, CBC.

all OBUs rose by 77.3% and registered US\$1,067.3 billion, of which US\$753.7 billion went for spot transactions, US\$187.9 billion for forex swap transactions and US\$125.8billion for forward transactions. Compared with the previous year, the growth rates of trading of spots, forex swaps and forward transactions were 106.9%, 31.4%, and 32.8%, respectively.

The total turnover of other derivatives products decreased to US\$768.6 billion, a decrease of 17.2% over the previous year. Of this amount, currency options transactions registered an amount of US\$681.3 billion, making up 88.6% of the turnover.

6. Stock Markets

Taiwan's primary stock index, the Taiwan Stock Exchange (TWSE) weighted stock price index (TAIEX), trended up in the first few months of 2015 and exceeded the 10,000-point mark at the end of April, supported by an environment of policy rate cuts by several central banks and quantitative easing (QE) measures by the ECB. The surge was then reversed in the subsequent months, affected by unfavorable economic conditions at home and abroad, continued net-selling by foreign investors, China's economic slowdown, and the global stock market turbulence. As a result, the TAIEX hit its yearly low in late August before gradually climbing back up afterwards, thanks to the support from the National Financial Stabilization Fund and abating turmoil in major stock markets around the world.

At the end of 2015, the TAIEX dropped by 10.4% compared to one year earlier. Share prices in many industrial groups suffered, while shares in Oil, Gas & Electricity, Food, Biotechnology & Medical Care, Textile, and Plastics enjoyed price rose. The largest two declines went to Glass & Ceramics and Cement, falling by 42.4% and 31.5%, respectively. The TAIEX daily average trading value was NT\$82.8 billion, a 6.3% decrease compared to the previous year.

In Taiwan's over-the-counter market, the weighted stock price index of the Taipei Exchange (TPEx) closed the year down by 8.1% over the previous year end. All but Textile and Biotechnology & Medical Care groups posted share price declines, with construction shares falling the most by 35.8% amid the housing market slump. In 2015, the TPEx daily average trading value was NT\$23.3 billion, decreasing significantly by 9.0% compared to the previous year.

Major Statistics of the TWSE Market

Year/Month	Stock Price Index (end of period)	Daily Average Trading Value (NT\$ Billion)	Turnover Rate (%)	Market Capitalization (NT\$ Billion)	Net Buying Positions (NT\$ Billion)		
					Foreign Investors Net Buy/Sell	Securities Investment Trust Companies Net Buy/Sell	Securities Dealers Net Buy/Sell
2013	8,611.5	77.0	82.6	24,519.6	243.0	-76.7	8.5
2014	9,307.3	88.3	84.6	26,891.5	354.6	-38.1	-0.4
2015	8,338.1	82.8	77.5	24,503.6	46.2	-35.2	-56.6
2015/ 1	9,361.9	86.1	6.4	27,081.4	64.2	-0.6	-3.3
2	9,622.1	78.7	3.7	27,859.5	96.6	-1.3	-2.8
3	9,586.4	91.6	7.3	27,787.1	-42.8	-14.2	5.6
4	9,820.1	98.0	6.9	28,480.9	100.2	-5.3	13.9
5	9,701.1	87.9	6.3	28,150.4	31.1	-1.7	-3.9
6	9,323.0	83.8	6.5	27,135.0	-84.7	-3.0	-15.8
7	8,665.3	79.6	6.9	25,275.5	-50.7	3.5	-26.1
8	8,174.9	85.6	7.5	23,860.3	-57.1	1.8	-14.3
9	8,181.2	74.6	6.3	23,896.9	-6.2	-4.8	-3.2
10	8,554.3	80.4	6.8	25,013.8	66.3	1.5	-4.0
11	8,320.6	79.7	6.9	24,387.8	-43.2	-6.0	-7.3
12	8,338.1	67.4	6.3	24,503.6	-27.5	-5.1	4.6

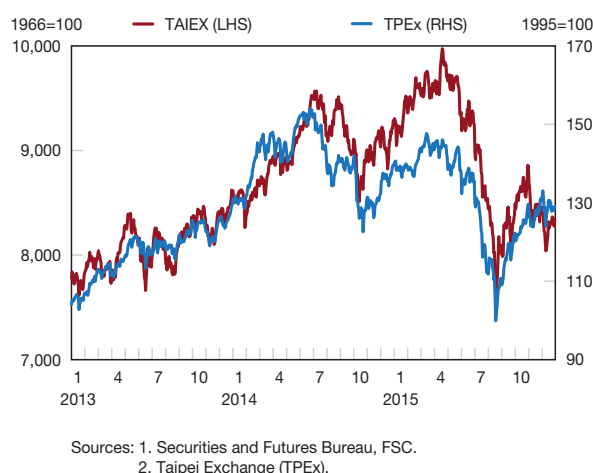
Source: Securities and Futures Bureau, FSC.

The TWSE Market

More Listings, Lower Capitalization

At the end of 2015, the number of TWSE listings grew by 20 during the year to a total of 874. The par value of total shares issued amounted to NT \$7.0 trillion, 2.5% greater than the end of the previous year. Total market capitalization decreased by 8.9% year on year to NT\$24.5 trillion. While there was no new issuance of Taiwan Depository Receipts (TDRs) in 2015, four of the existing TDRs were de-listed. The total number of TDRs on the TWSE became 22 at the end of the year.

TAIEX and TPEX Indices

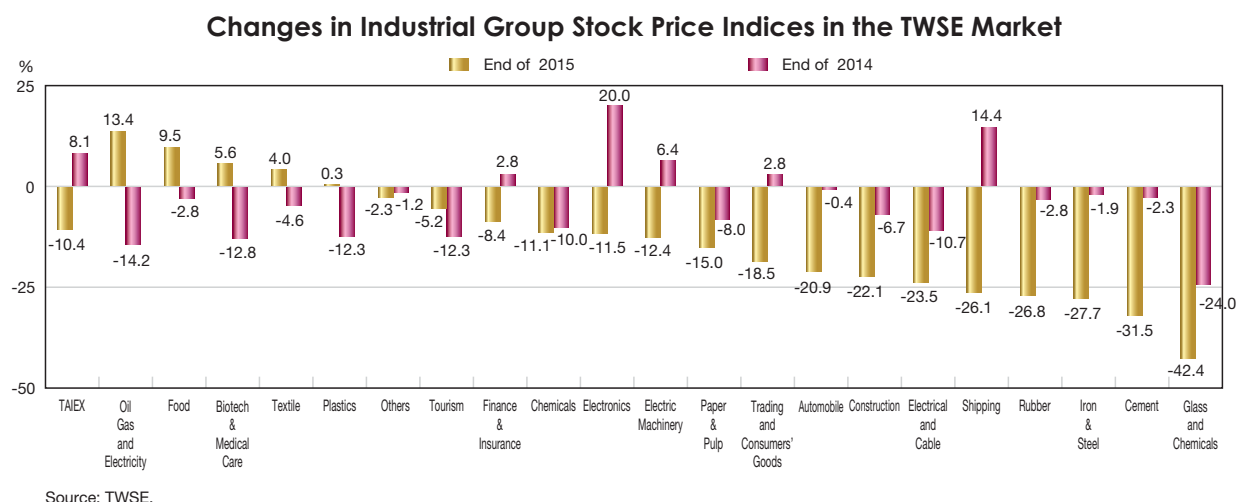


TAIEX Climbed Before Falling, Showing Greater Volatility

Entering 2015, several factors combined to boost Taiwan's equities. Internationally, major stock markets rallied as central banks reduced their policy rates and the ECB unveiled QE measures. Foreign investors turned into net buyers of TAIEX shares, followed by the Financial Supervisory Commission's (FSC's) stock market stimulus program. The TAIEX was driven up consequently, hitting the 10,000-point mark intraday on April 27 and closing the day at 9,973 points.

Afterwards, Taiwan's export growth continued to slow and the domestic economy slackened, while expectations of an upcoming US Fed rate hike prompted investors to withdraw from Asian markets, and China's growth momentum eased and its stock crash spread into an international market meltdown. Reflecting the above, the TAIEX suffered successive declines toward the yearly low of 7,410 points on August 24. With government funds deployed to shore up the stock market and major foreign markets stabilized, the TAIEX rose up to 8,857 points on November 4 before entering several weeks of price consolidation. At the end of the year, the TAIEX closed at 8,338 points, down by 10.4% compared to 9,307 points a year ago.

Broken down by subcategory, five industrial groups, namely Oil, Gas & Electricity, Food, Biotechnology & Medical Care, Textile, and Plastics, saw their share prices increase, while the rest slid down. The worst performers were Glass & Ceramics, with a 42.4% drop, and Cement, with a 31.5% fall, affected mainly by weak demand for cement amid sluggish housing markets on both sides of the Strait. The international commodity price slump eroded profit earnings of Iron & Steel and Rubber groups, whose stock prices fell 27.7% and 26.8%, respectively. Shipping shares dropped 26.1% as the world trade slowdown caused sea freight rates to plunge.



Market Turnover Decreased

In 2015, the TWSE market turnover, measured on a daily average basis, decreased to NT\$82.8 billion from the NT\$88.3 billion of the previous year. This represented a 6.2% decline, as investors turned cautious amid a weaker stock market in the second half of the year and lingering uncertainty prior to the presidential and parliamentary elections in January 2016. As trading activity lost momentum, the turnover rate also dropped from 84.6% in the previous year to 77.5%.

Foreign Investors Net-Buying Sharply Contracted

In 2015, foreign investors bought a net NT\$46.2 billion in the TWSE market, a sizable decrease compared to the NT\$354.6 billion of 2014. Local securities investment trust companies and securities dealers net sold TAIEX shares valued at NT\$35.2 billion and NT\$56.6 billion, respectively.

In the months of January, February, April and May, foreign investors were net-buyers in the TAIEX market, encouraged by a steady domestic recovery and rising corporate profits, while in March they net sold in the local bourse for profit taking. Afterwards, international stock market slumps and a slow domestic economy led to net-selling from June to December, except October when a global rally and the expectation of the Fed postponing the expected rate hike attracted foreign capital inflows back to Asian emerging markets including Taiwan.

Taking into consideration an elevated TAIEX, local securities investment trust companies recorded a net selling position in the first half of 2015. They net bought in July, August, and October, increasing holdings of bargain stocks after a considerable fall of the TAIEX. Then they net sold again in the last two months of the year to meet the year-end demand for fund redemption and to boost their own financial statements.

Local securities dealers, with tendencies for short swing trading, net bought in March, April, and December on market uptrends and net sold in the rest of the year when the TAIEX weakened.

The TPEX Market

Listings and Capitalization Both Increased

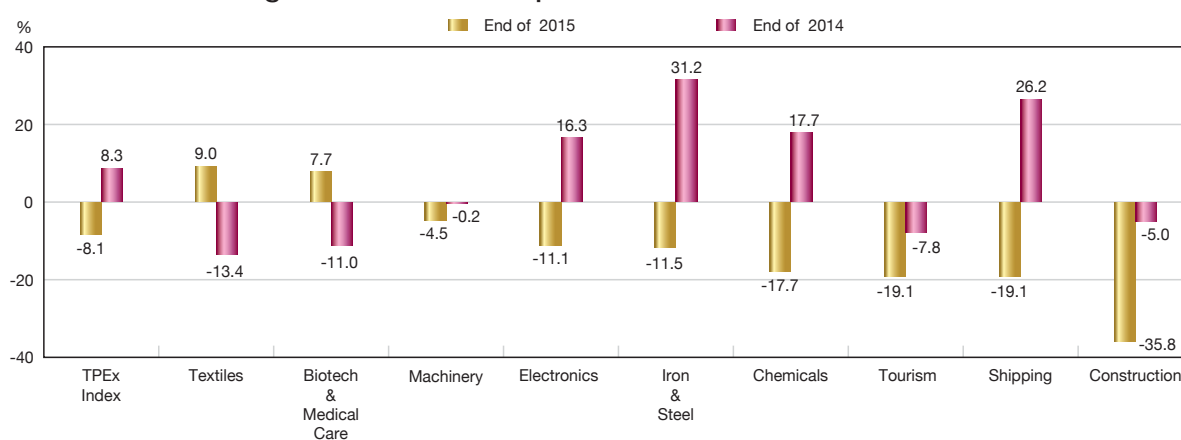
The number of TPEX listings increased by 27 to a total of 712 at the end of 2015. The total par value amounted to NT\$706.2 billion, up by 3.9% from the previous year end. Market capitalization grew by 1.9% year on year, amounting to NT\$2.73 trillion at the year end.

TPEX Index on Mixed Trend Before Rebounding

Stock prices in the TPEX market generally tracked the TWSE in 2015. The TPEX index began the year with an uptrend to peak at 147.7 points on March 20, before swinging down toward an all-year low of 100.0 points on August 24, hit by China's and international stock market plunges, economic downturns at home and abroad, and foreign investor sell-off. Later, the TPEX recovered some of the losses thanks to bio-tech share gains. At the end of the year, the TPEX closed at 129.1 points, down by 8.1% from the 140.4 points at the previous year end.

For the year of 2015 as a whole, foreign investors and local securities investment trust companies made net purchases of NT\$53.3 billion and NT\$6.4 billion in the TPEX market, while local dealers net sold NT\$5.2 billion. The daily average turnover in the TPEX market decreased by 9.0% from the previous year's NT\$25.6 billion to NT\$23.3 billion.

Changes in Industrial Group Stock Price Indices in the TPEX Market



Source: TPEX.

Key Measures for the Stock Markets

Key measures for Taiwan's stock markets in 2015 included the following:

- (1) January 1: In line with the implementation of the new integrated income tax system, only 50% (originally 100%) of the imputed tax credit of shareholders' dividends can be used to offset their individual income tax liability, effective January 1, 2015.
- (2) June 1: The FSC announced that (A) the price rise/fall limit would be increased to 10% from the previous 7% cap, (B) the account collateral maintenance ratio for securities margin transactions would be raised from the current 120% to 130%, and (C) the scope of securities eligible for day trading would be expanded to 435 stocks (from 150 TWSE stocks to 275; from 50 TPEX stocks to 160).
- (3) August 12: the FSC announced (A) adjustment to the maintenance margin requirement for short trading of TWSE- or TPEX-listed securities from 90% to 120% and (B) expanding the range of collateral that an investor can use to make up the shortfall for margin purchases or short sales.
- (4) August 25: The government announced it would deploy the National Financial Stabilization Fund by as much as NT\$500 billion, authorizing its fund managers to buy equities in a move to stabilize the stock market.
- (5) September 21: the FSC lifted the ban prohibiting short selling of stocks below the closing prices of the previous trading session.
- (6) October 16: The FSC readjusted the maintenance margin requirement for short trading from 120% back to 90% and discontinued the scope expansion of collateral used to make up the shortfall for margin purchases or short sales.
- (7) November 17: The amendment to the *Income Tax Act* passed the third reading in the parliament, revoking the capital gains tax levied on income from securities transactions, effective January 1, 2016.

7. Bond Market

For the year 2015, the total volume of bond issuance showed a slight increase. New issues of bonds amounted to NT\$2,090.2 billion, growing by NT\$116.1 billion or 5.88% over the previous year. At the end of 2015, the outstanding amount of bonds issued stood at NT\$10,467.0 billion, an increase of NT\$1,041.7 billion or 11.05% from the previous year end.

In order to meet fiscal funding needs, issuance of central government bonds for 2015 was NT\$605.3 billion, a decrease of NT\$70.0 billion or 10.37% from the previous year.

Corporate bonds exhibited a downtrend in 2015 as corporations issued more bonds in the previous year amid market expectations of a possible rate hike later. Therefore, issuance of corporate bonds for 2015 fell by NT\$92.0 billion, or 25.53%, to NT\$268.4 billion.

In terms of bank debentures, the main purpose for banks to issue bonds was to strengthen their capital base and meet mid- to long-term operation funding needs. For the year as a whole, bank debenture issuance totaled NT\$196.3 billion, decreasing by NT\$201.3 billion or 50.62% over the previous year.

With regard to asset securitization, no new issues were recorded during the year.

Furthermore, the Financial Supervisory Commission (FSC) announced in 2014 that international bonds would not be included in insurers' overseas investment ceilings. Therefore, market demand increased and numerous foreign institutions raised funds in Taiwan. In 2015, foreign institutions issued 139 foreign currency-denominated international bonds in Taiwan totaling NT\$1,006.6 billion, a marked increase of NT\$480.2 billion or 91.21% over the previous year. On the other hand, foreign institutions issued 11 NT dollar-denominated foreign bonds amounting to NT\$5.5 billion, a decrease of NT\$0.5 billion or 8.40% compared to the previous year.

In the secondary market, the Fed's rate hike in 2015 coupled with other countries' expansions of their monetary easing measures caused international financial market turmoil, and thus funds flowed to bond markets to avoid risk. Apart from 30-year government bonds, yields on bonds with different maturities all trended downward. Among the components, the 10-year bond yield reached 1.015% at the end of 2015, down by 59 basis points from 1.602% at the previous year end. Because of abundant liquidity and soft funding demand, repo transactions of bonds fell by NT\$306.7 billion or 0.45% over the previous year to NT\$67,725.7 billion.

Decrease in Government Bond Issuance

With respect to central government bonds, owing to the rise in tax revenues and approaching the ceiling of government bond issuance, central government bond issuance for 2015 contracted by NT\$70.0 billion or 10.37% over the previous year to NT\$605.3 billion.

Taking into account the term structure of government bond maturities, 5-year, 10-year, and 20-year government bonds continued to be issued in 2015, and their issuances were NT\$130.0 billion, NT\$195.0 billion, and NT\$91.8 billion, respectively. In addition, there were also 2-year bond issuances and 30-year bond issuances totaling NT\$62.5 billion and NT\$91.0 billion, respectively, to meet market demand.

In regard to issuing rates, on account of a slowdown in domestic economic growth and successive policy rate cuts announced by the CBC in September and December, the weighted average issuing rates in 2015 on central government bonds with different maturities were all lower than the previous year except 30-year bonds. The weighted average issuing rates on 5-year bonds and 10-year bonds dropped to 0.957% and 1.383% from the previous year's 1.177% and 1.610%, respectively. As 30-year bonds were issued before the announcements of the CBC's rate cuts and were also affected by market expectations of the Fed's rate hike in the middle of 2015, the issuing rate on 30-year bonds rose from the previous year's 2.227% to 2.376%.

Broken down by institutional investors, bonds held by the insurance industry accounted for the largest share at 36.64% in 2015, a decrease of 6.01% over the previous year. Meanwhile, the shares of bonds held by Chunghwa Post, the banking industry, and bills finance companies increased by 1.97%, 2.60%, and 0.46%, respectively, to 30.59%, 26.89%, and 2.67% in 2015. The decline in the share of government bonds held by the insurance industry was because of the crowding out effect triggered by international bonds, which had a higher rate of return. As of the end of 2015, the outstanding amount of government bond issuance was NT\$5,478.8 billion, an increase of NT\$140.3 billion or 2.63% from the previous year end.

In terms of bonds issued by governments of special municipalities, the government of Kaohsiung Special Municipality issued a new bond in 2015 with an amount of NT\$8.2 billion. At the end of 2015, the outstanding amount of bonds issued by governments of special municipalities stood at NT\$90.6 billion, down by NT\$11.1 billion or 10.93% from the previous year end.

Contraction in Corporate Bond Issuance

For the year 2015, the issuing amount of corporate bonds shrank by NT\$92.0 billion, or 25.53%, to NT\$268.4 billion. The contraction was mainly due to faltering demand for funds from relevant industries amid the slide in domestic exports and the plunge in international raw material prices.

Issues and Outstanding Values in Bond Market by Category

Unit: NT\$ Billion

Year/ Month	Total		Central Government Bonds		Local Government Bonds*		Corporate Bonds		Bank Debentures		Beneficiary Securities**		Foreign & Int'l Bonds***	
	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding
2013	1,268.6	8,289.1	641.9	5,068.2	-	141.3	466.0	1,865.3	110.3	1,029.8	8.0	135.1	42.4	49.4
2014	1,974.1	9,425.3	675.3	5,338.5	-	101.7	360.4	2,013.0	397.5	1,273.6	8.5	118.7	532.4	579.9
2015	2,090.2	10,467.0	605.3	5,478.8	8.2	90.6	268.4	2,004.2	196.3	1,285.9	-	94.5	1,012.0	1,513.0
2015/ 1	155.4	9,465.9	66.8	5,325.3	-	101.7	16.5	2,016.2	10.6	1,273.1	-	108.2	61.5	641.3
2	245.8	9,662.5	63.5	5,348.8	-	101.7	8.5	2,018.1	13.2	1,283.8	-	108.1	160.7	801.9
3	248.2	9,744.9	75.0	5,293.8	-	101.7	24.4	2,025.4	35.8	1,301.8	-	107.9	113.0	914.3
4	96.2	9,780.6	30.0	5,323.8	8.2	109.9	8.9	2,015.1	10.6	1,279.1	-	100.0	38.6	952.7
5	201.6	9,944.5	60.0	5,383.8	-	109.9	25.5	2,022.7	17.9	1,278.7	-	98.8	98.2	1,050.6
6	230.9	10,095.7	60.0	5,443.8	-	99.3	39.7	2,040.1	52.9	1,286.4	-	98.2	78.3	1,127.9
7	167.3	10,125.7	60.0	5,393.8	-	99.3	32.9	2,047.4	2.7	1,288.0	-	98.0	71.7	1,199.1
8	175.2	10,220.1	30.0	5,393.8	-	99.3	52.8	2,076.6	13.6	1,297.6	-	97.8	78.9	1,255.0
9	182.1	10,278.3	35.0	5,353.8	-	99.3	22.9	2,078.9	20.2	1,314.0	-	97.7	104.1	1,334.7
10	188.9	10,418.5	65.0	5,418.8	-	99.3	12.6	2,077.8	5.8	1,311.1	-	94.9	105.5	1,416.6
11	55.1	10,430.2	30.0	5,448.8	-	90.6	18.1	2,073.8	1.2	1,300.4	-	94.5	5.8	1,422.2
12	14.3	10,467.0	30.0	5,478.8	-	90.6	5.8	2,004.2	11.9	1,285.9	-	94.5	95.8	1,513.0

Notes: * Referring to bonds issued by governments of special municipalities.

** Including those purchased back by originators for credit enhancement.

*** Including NT dollar and foreign currency-denominated bonds issued in Taiwan by international financial institutions.

Sources: 1. *Financial Statistics Monthly*, CBC.

2. Banking Bureau, Financial Supervisory Commission.

3. Department of Foreign Exchange, CBC.

As the policy rates were lowered twice in 2015, the weighted average issuing rates on 3-year, 5-year, 7-year, and 10-year corporate bonds all decreased by 16, 10, 10, and 13 basis points from a year earlier to 1.106%, 1.373%, 1.634% and 1.815%, respectively. At the end of 2015, the outstanding amount of corporate bonds was NT\$2,004.2 billion, falling by NT\$8.8 billion or 0.44% from the previous year end.

Significant Slide in Bank Debenture Issuance

A total of 26 financial institutions issued bank debentures in 2015 in support of their funding needs, with an issuance amount of NT\$196.3 billion, showing a decrease of NT\$201.3 billion or 50.62% over the previous year. The decline was accounted for by the following factors: (1) the amendment of the Insurance Act in 2014, whereby insurance companies' investments in international bonds issued in Taiwan would no longer be included in the overseas investment ceiling, stimulated substantial issuance of US dollar bank debentures in Taiwan during that year, leading to a higher base effect; (2) domestic economic downturn lowered demand for funds.

Regarding the purpose of issuance, the issuance of NT dollar bank debentures was to bolster capital adequacy and support mid- to long-term operation funding needs. The majority of the issuance, or 97.67%, went for subordinated debts. With respect to the issuance of foreign currency bank debentures, the main purpose was to meet rising demand for foreign currency loans and support mid- to long-term foreign currency funding needs. Senior bank debentures with lower issuing rates made up the largest share of 96.37% in total issuance.

In terms of the volume of issuance, the major types of NT dollar bank debentures issued were 10-year debentures and debentures without maturity ranges, accounting for shares of 41.76% and 34.75% in total issuance, respectively. The share of bank debentures without maturity ranges went up by 11.12% from the previous year. As for foreign currency bank debentures, 30-year bank debentures accounted for the lion's share of 64.34%. At the end of 2015, the outstanding amount of bank debentures was NT\$1,285.9 billion, expanding by NT\$12.3 billion or 0.97% from the previous year end.

No New Issues in Asset Securitization

As the housing market posted a downtrend, enterprises were less willing to issue real estate securitization products, and banks turned cautious toward financial asset securitization. As a result, new issues of asset securitization products were nil in 2015.

Two financial asset securitization products matured and the principal was repaid. In addition, the net worth of real estate securitization products changed. Therefore, the outstanding amount of asset securitization decreased by NT\$24.2 billion or 20.40% from the previous year end to NT\$94.5 billion.

Slight Decrease in Foreign Bond Issuance and Marked Increase

in International Bond Issuance

Foreign bonds refer to NT dollar-denominated corporate bonds issued in Taiwan by foreign institutions. The foreign bonds currently in circulation are convertible corporate bonds issued by offshore companies listed on the stock exchange market or over-the-counter market in Taiwan. For the year 2015, issuance of foreign bonds amounted to NT\$5.5 billion, showing a decrease of NT\$0.5 billion or 8.40% from a year earlier. At the end of the year, the outstanding amount of foreign bonds was NT\$9.6 billion, increasing by NT\$0.3 billion or 3.64% over the previous year end.

On the other hand, international bonds refer to corporate bonds issued in Taiwan by foreign institutions and are currently denominated in foreign currencies. Issuance of international bonds in 2015 grew by NT\$480.2 billion or 91.21% from the previous year to NT\$1,006.6 billion. This was mostly because the market had been expecting a rate hike by the Fed since the beginning of the year, which enhanced the willingness for US dollar-denominated bond issuance. In terms of the currency composition of international bonds, issuance of US dollar-denominated, RMB-denominated, and AUD-denominated bonds amounted to NT\$858.4 billion, NT\$139.3 billion and NT\$8.9 billion, respectively, making up shares of 85.28%, 13.83% and 0.88% in total issuance in 2015. At the end of the year, the outstanding amount of international bonds was NT\$1,503.4 billion, an increase of NT\$932.9 billion or 163.50% over the previous year end.

Downtrend in Bond Yields and Contraction in Transactions

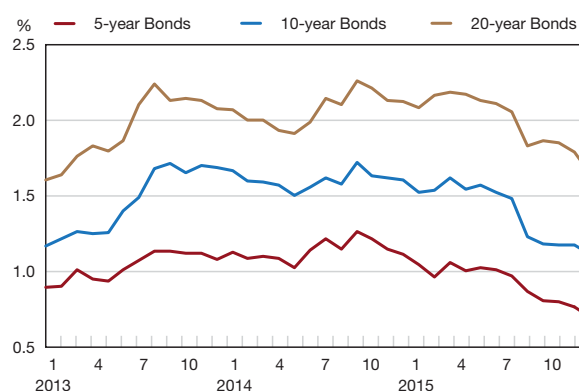
For the second half of 2015, the slowdown in the domestic economy and a tumbling stock market enhanced investors' risk aversion, inducing higher demand for domestic bonds, and leading the 10-year local bond yield to decline, which reached 1.1858% on September 24. Subsequently, on the back of sluggish domestic economic growth and successive policy rate cuts, the 10-year local bond yield continued to trend downward, and ended 2015 at 1.015%, 59 basis points lower than the 1.602% of the previous year end. The average yield on 10-year government bonds for the year was 1.3522%, down by 24 basis points from 1.5904% over the previous year.

Furthermore, average yields on 5-year, 7-year, 10-year, 15-year, and 20-year government bonds for the year 2015 dropped by 18, 8, 24, 35, and 5 basis points, respectively, compared to the previous year. As for 30-year bonds, their poor liquidity and the crowding out effect triggered by international bonds weakened the demand for 30-year government bonds. Consequently, the average yield on 30-year government bonds moved up by 17 basis points over the previous year.

In terms of transaction volume, as demand for funds softened and market liquidity was abundant, the volume of repo transactions exhibited a downtrend, falling by NT\$1,015.0 billion or 1.90% for the year. Conversely, outright transactions expanded by NT\$708.3 billion or 4.82% over the previous year owing to increased transactions of international bonds. As a result, total bond transactions for 2015 decreased by NT\$306.7 billion or 0.45% from the previous year to NT\$67,725.7 billion.

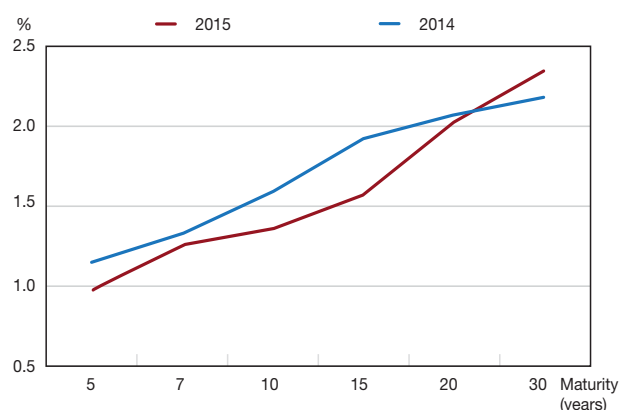
By type of bonds, government bonds accounted for 67.59% of total bond transactions with an annual trading volume of NT\$45,778.7 billion. The second most actively traded were corporate bonds, making up 26.65% of total transactions with an annual trading volume of NT\$18,047.4 billion.

Yield on Central Government Bonds with Different Maturities



Source: TPEX.

Yield Curve of Central Government Bonds



Source: TPEX.

Bank debentures came in third, accounting for 3.80% of total transactions with an annual trading volume of NT\$2,574.3 billion. Foreign and international bonds and asset securitization products made up marginal shares of 1.91% and 0.05% in total transactions, with their respective annual trading reaching NT\$1,290.7 billion and NT\$34.7 billion.

Bond Transactions in the Over-the-Counter Market

Unit: NT\$ Billion

Year/ Month	Total	Outright Transactions		Repurchase Agreement Transactions	
		Amount	Share(%)	Amount	Share(%)
2013	69,226.1	13,695.3	19.8	55,530.8	80.2
2014	68,032.4	14,706.0	21.6	53,326.4	78.4
2015	67,725.7	15,414.3	22.8	52,311.4	77.2
2015/ 1	6,159.0	1,569.5	25.5	4,589.4	74.5
2	3,885.4	824.7	21.2	3,060.7	78.8
3	6,369.7	1,717.4	27.0	4,652.3	73.0
4	5,325.9	1,166.4	21.9	4,159.4	78.1
5	5,048.6	1,235.2	24.5	3,813.4	75.5
6	5,184.2	1,288.2	24.8	3,896.0	75.2
7	5,587.6	1,337.6	23.9	4,250.0	76.1
8	6,601.4	1,680.6	25.5	4,920.9	74.5
9	6,105.7	1,264.0	20.7	4,841.7	79.3
10	5,885.3	1,105.1	18.8	4,780.2	81.2
11	5,460.4	1,117.3	20.5	4,343.1	79.5
12	6,112.5	1,108.2	18.1	5,004.3	81.9

Source: TPEx.

Turnover in Bond Market by Category

Unit: NT\$ Billion

Year/ Month	Total	Government Bonds	Corporate Bonds		Bank Debentures	Beneficiary Securities	Foreign & int'l Bonds
			Nonconvertible	Convertible			
2013	69,226.1	51,490.5	14,863.4	807.0	1,948.5	76.4	40.3
2014	68,032.1	49,776.5	14,296.9	753.9	2,483.3	89.5	632.4
2015	67,725.7	45,778.7	17,396.9	650.5	2,574.3	34.7	1,290.7
2015/ 1	6,159.0	4,340.2	1,502.1	63.9	189.4	3.5	59.9
2	3,885.4	2,422.1	1,099.0	38.6	158.4	2.9	164.4
3	6,369.7	4,299.5	1,609.6	68.3	250.6	5.2	136.5
4	5,325.9	3,593.8	1,384.6	61.3	210.9	2.7	72.5
5	5,048.6	3,299.5	1,309.2	58.4	243.7	2.1	135.7
6	5,184.2	3,307.1	1,461.3	56.2	249.1	3.2	107.3
7	5,587.6	3,687.5	1,500.3	56.0	213.2	4.3	126.2
8	6,601.4	4,679.3	1,532.9	49.3	248.5	2.2	89.3
9	6,105.7	4,186.8	1,514.1	47.5	226.1	3.2	128.0
10	5,885.3	3,978.6	1,534.2	47.4	199.5	1.6	124.0
11	5,460.4	3,778.4	1,403.5	49.7	185.4	1.6	41.7
12	6,112.5	4,205.8	1,546.1	53.9	199.4	2.1	105.2

Source: TPEx.

Central Bank Operations

III. Central Bank Operations

1. Overview

For the year 2015, the global economy performed weaker than expected, domestic economic growth decelerated, the negative output gap widened, and inflation expectations were mild. Against such a backdrop, the CBC lowered policy rates twice in September and December, respectively, by a total of 25 basis points to foster economic growth.

In response to economic and financial conditions, the CBC continued to conduct open market operations by issuing certificates of deposit (CDs) to manage market liquidity and sustain steady growth in monetary aggregates. Furthermore, the CBC raised the bidding amounts of 364-day CDs and 2-year CDs to meet financial institutions' portfolio diversification needs. The outstanding balance of CDs issued by the CBC was NT\$7,545 billion at the end of the year, expanding by NT\$438 billion or 6.17% from the end of the previous year. In regard to money supply, M2 recorded an annual growth rate of 6.34%, within the CBC's target range of 2.5% to 6.5%, which was sufficient to support economic activity.

In 2015, the CBC continued with targeted macro-prudential measures on the real estate sector. During the year, banks' concentration on mortgage loans improved, the government's measures to sustain housing market soundness gradually came into effect, and real estate speculation was more contained. Based on these assessments, the CBC revised the scope of the designated Specific Areas by removing six districts, and raised the 50% cap on the loan-to-value (LTV) ratio to 60%, effective from August 14, 2015.

In terms of foreign exchange management, the CBC steadily promoted the internationalization and liberalization of capital markets and revised relevant foreign exchange regulations in continual cooperation with the FSC. In 2015, adjustments to foreign exchange business made by the CBC included easing regulations governing foreign exchange business performed by insurance companies, approving authorized banks to issue foreign currency-denominated negotiable certificates of deposit, and expanding the scope of foreign exchange derivatives business conducted by authorized banks as well as simplifying relevant application procedures.

To enhance the safety and efficiency of payment system operation, the CBC continued to improve financial infrastructure. During 2015, the CBC further expanded the functions of the foreign

currency clearing platform, such as launching domestic and cross-border yen and euro remittances, and establishing the delivery-versus-payment (DVP) mechanism for transactions of foreign currency bonds and bills. The new functions significantly reduced both the charges for remittances and the processing time.

2. Monetary Management

In 2015, uncertainties continued to surround the global economy, while the domestic economy experienced a slower recovery, the negative output gap widened and the inflation outlook was anticipated to be mild. Against this backdrop, the CBC announced policy rate cuts to help construct a stable financial environment and foster economic growth. In addition, the CBC continued to monitor financial institutions' management of real estate-associated credit risks and the enforcement results of targeted macro-prudential measures to ensure financial stability. The CBC also continued to enhance the financing mechanism for small and medium-sized enterprises (SMEs) in order to expand banks' lending to SMEs while absorbing excess funds from the financial market to maintain liquidity at an appropriate level.

Lowering Policy Rates to Promote Economic Growth

The CBC cut policy rates in September and December, respectively, by a total of 0.25 percentage points to promote economic growth. At the end of 2015, the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral were 1.625%, 2.000%, and 3.875%, respectively.

CBC Policy Rates

Unit: % (percent per annum)

Effective Date	Discount Rate	Accommodation Rate with Collateral	Accommodation Rate Without Collateral
2011 / Apr. 1	1.750	2.125	4.000
Jul. 1	1.875	2.250	4.125
2015 / Sep. 25	1.750	2.125	4.000
Dec. 18	1.625	2.000	3.875

Source: *Financial Statistics Monthly*, CBC.

Continuing to Conduct Open Market Operations to Absorb Excess Liquidity

In 2015, the CBC continued to conduct open market operations by issuing certificates of deposit (CDs) to maintain reserve money and overnight call loan rates at accommodative levels. The average annual growth rate of reserve money in 2015 was 5.79%, while M2 recorded an annual growth rate of 6.34%, within the CBC's target range of 2.5% to 6.5%.

In response to the demands for asset allocation of financial institutions, the monthly amount of

Open Market Operations

Unit: NT\$ Billion; %

Year/ Month	Amount Absorbed	Amount Offered	Weighted Average Rate on CDs Issued				
	Issues of CDs	Redemptions of CDs	1-30 Days	31-91 Days	92-182 Days	274-364 Days	2 Years
2013	63,122	63,074	0.870	0.930	1.050	0.660	0.769
2014	67,187	66,955	0.870	0.930	1.050	0.575	0.786
2015	68,418	67,877	0.842	0.911	1.031	0.502	0.617
2015/ 1	5,446	5,406	0.836	0.930	1.050	0.596	0.793
2	5,068	5,089	0.870	0.930	1.050	0.591	-
3	6,585	6,553	0.845	0.930	1.050	0.585	0.778
4	6,262	6,222	0.870	0.930	1.050	0.571	0.755
5	5,157	5,113	0.870	0.930	1.050	0.557	0.728
6	5,794	5,748	0.870	0.930	1.050	0.540	0.698
7	5,642	5,571	0.867	0.930	1.050	0.519	0.669
8	5,467	5,402	0.866	0.930	1.050	0.494	0.619
9	5,605	5,540	0.858	0.922	1.040	0.447	0.553
10	5,456	5,396	0.796	0.860	0.980	0.417	0.505
11	5,577	5,510	0.796	0.860	0.980	0.389	0.465
12	6,359	6,329	0.772	0.836	0.952	0.384	0.464

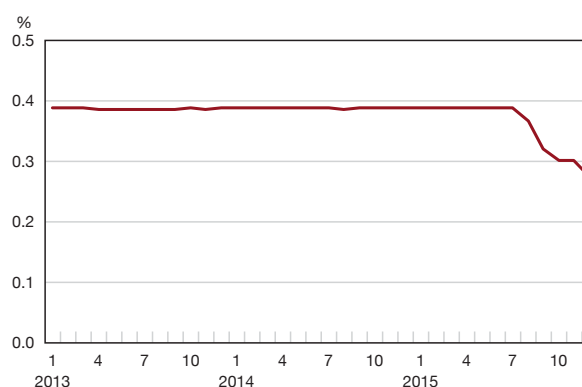
Source: Financial Statistics Monthly, CBC.

364-day CDs issued increased from NT\$120 billion to NT\$130 billion from March onwards, and then increased to NT\$150 billion from June. Subsequently, the monthly amount of 2-year CDs issued rose from NT\$20 billion to NT\$30 billion beginning August 2015. The total value of CDs issued amounted to NT\$68,418 billion in 2015, and the total outstanding amount of CDs issued by the CBC was NT\$7,545 billion at the end of the year.

Keeping in line with policy rates, the non-competitive bidding rates on CDs also changed. Consequently, in 2015, the rates on 30-day CDs fluctuated for the first eight months within the range of 0.836% to 0.870%, and then showed a downward trend from 0.858% in September to 0.772% in December. Meanwhile, the rates on 91-day, and 182-day CDs remained unchanged for the first eight months, and dropped to 0.836% and 0.952% at the end of the year, respectively. Furthermore, the rates on 364-day and 2-year CDs exhibited a downtrend from 0.596% and 0.793% in January to 0.3840% and 0.464% at the end of the year, respectively.

The average overnight call loan rates for the first seven months of the year remained

Overnight Call Loan Rate



Source: Financial Statistics Monthly, CBC.

stable within 0.387% to 0.388%. Afterwards, the average overnight call loan rates gradually declined, dropping to 0.275% at the end of the year.

Making Changes to Targeted Macro-prudential Measures Governing Real Estate Loans

- (1) Since June 2010, the CBC has introduced several rounds of targeted macro-prudential measures governing housing loans and strengthened financial institutions' management of real estate-associated credit risks. Furthermore, the CBC has urged banks to exercise self-discipline to implement risk management of real estate loans.
- (2) Banks' management of real estate-associated credit risks has already improved, and the government's measures to sustain housing market soundness have gradually come into effect. Real estate speculation has been more contained. Based on these assessments, the Board made several amendments to the *Regulations Governing Home Mortgage Loans and Land Loans Extended by Financial Institutions* on August 13, effective from August 14, 2015. Important amendments related to the above mentioned regulations included:
 - A. Revising the scope of the designated Specific Areas by removing two districts in New Taipei City, namely Bali and Yingge, and four districts in Taoyuan City, namely Taoyuan, Luzhu, Zhongli and Guishan.
 - B. Raising the loan-to-value (LTV) ratio ceiling on housing loans taken out by corporate legal entities and those taken out for high-value housing or third (or more) home purchases by natural persons to 60%, up from 50%.
- (3) Since the CBC introduced targeted macro-prudential measures on the real estate sector in June 2010, banks' concentration on mortgage loans has improved. Moreover, banks were also found to have granted loans for housing in the designated Specific Areas and high-valued housing across the country at lower LTV ratios and higher mortgage rates. This is conducive to sound banking operation and to the attainment of financial stability.

The risk management measures for real estate lending implemented by the CBC have achieved the following results:

- A. The outstanding amount of housing loans accounted for 27.13% of total loans at the end of the year, down by 0.49 percentage points from June 2010. In addition, the concentration of housing loans in the stipulated Specific Areas improved markedly.

Housing Loan Ratios

Unit: %

Date	Housing Loans to Total Loans	New Housing Loans in "Specific Areas" to Total New Housing Loans
2010 / Jun.	27.62	64.99
2015 / Dec.	27.13	39.62

B. The average LTV ratio of housing loans in Specific Areas fell to 56.52%, and the average mortgage rate rose to 2.10% at the end of 2015.

Housing Loans in "Specific Areas"

Unit: %

Date	Loan-to-Value Ratio	Mortgage Rate
2010 / Jul.	63.91	1.97
2015 / Dec.	56.52	2.10

C. The average LTV ratio of newly-extended land collateralized loans declined by 5.91 percentage points to 62.45%, and the average mortgage rate climbed to 2.81% at the end of 2015.

Newly-Extended Land Collateralized Loans

Unit: %

Date	Loan-to-Value Ratio	Mortgage Rate
2010 / Dec.	68.36	2.08
2015 / Dec.	62.45	2.81

D. The average LTV ratio of housing loans taken out by corporate legal entities decreased to 56.77%, and the average mortgage rate increased to 2.18% at the end of 2015.

Housing Loans by Corporate Legal Entities

Unit: %

Date	Loan-to-Value Ratio	Mortgage Rate
2011 / Jan.	67.37	1.99
2015 / Dec.	56.77	2.18

E. The efforts of the aforesaid policy measures had effectively pushed the average LTV ratio of high-valued housing loans down to 57.53%, and brought the average mortgage rate upwards to 2.04% in December 2015.

High-Valued Housing Loans

Unit: %

Date	Loan-to-Value Ratio	Mortgage Rate
Pre-restriction	80-99 (maximum)	1.84 (minimum)
2015 / Dec.	57.53 (average)	2.04 (average)

F. The average LTV ratio on loans for third home purchases edged down to 57.96%, while the average mortgage rate trended up to 2.15% at the end of 2015.

Loans for Third Home Purchase

Unit: %

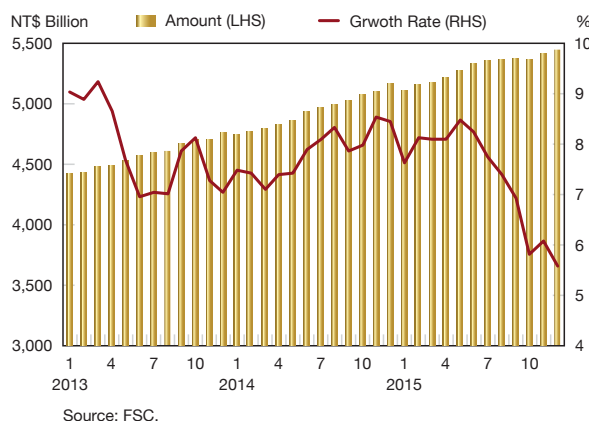
Date	Loan-to-Value Ratio	Mortgage Rate
2014 / Jun.	58-72	1.97
2015 / Dec.	57.96	2.15

Enhancing the SME Financing Mechanism

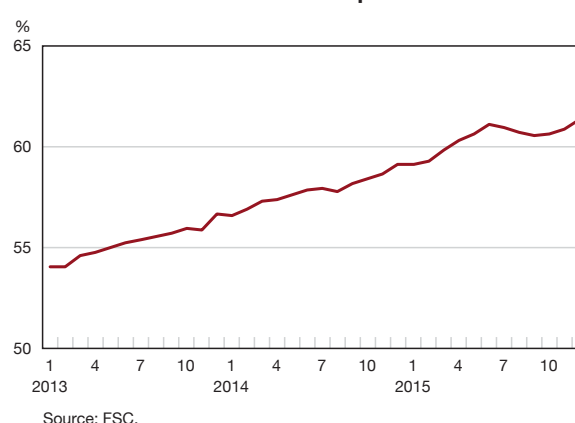
To provide easier access to financing for SMEs, the CBC supported the Financial Supervisory Commission (FSC) to continue the program of encouraging lending to SMEs by domestic banks. Furthermore, the CBC also continued to urge commercial banks to increase lending to SMEs.

At the end of 2015, the outstanding loans extended to SMEs by domestic banks amounted to NT\$5,452 billion, increasing by NT\$289 billion from the end of the previous year. The ratio of the outstanding loans extended to SMEs to those extended to private enterprises rose from 59.11% at the end of 2014 to 61.32%.

Outstanding Loans Extended to SMEs



Ratio of Outstanding Loans Extended to SMEs to Those Extended to Private Enterprises



Redeposits of Financial Institutions

Accepting redeposits from Chunghwa Post, the Agricultural Bank of Taiwan and commercial banks is another instrument for the CBC to influence banks' reserve positions to promote financial stability. At the end of 2015, the outstanding redeposits of Chunghwa Post and the Agricultural Bank of Taiwan stayed unchanged at NT\$1,624 billion and NT\$165 billion, respectively. However, commercial banks' redeposits slightly decreased to NT\$384 billion.

In addition, the Central Deposit Insurance Corporation's time deposits at the CBC totaled NT\$60 billion, which was a NT\$6.5 billion increase from 2014.

3. Foreign Exchange Management

For the year 2015, the CBC followed the established managed float regime to maintain an orderly foreign exchange (FX) market. Sufficient seed funds were provided by the CBC for the Taipei Foreign Currency Call Loan Market. The CBC's foreign exchange reserves increased by US\$7.1 billion owing to returns mainly on investments. A delivery-versus-payment (DVP) mechanism for foreign currency bonds and bills transactions was added to the foreign currency clearing platform. Moreover, from February 6, 2013, when domestic banking units (DBUs) were allowed to conduct renminbi (RMB) business, up to the end of 2015, the total amount of DBUs' cross-strait RMB remittances was RMB5,016.6 billion, and DBUs recorded a balance of RMB319.4 billion on RMB deposits.

Foreign Exchange Market Management

Taiwan's exchange rate is in principle guided by the market mechanism; the CBC conducts “leaning against the wind” operations when there is excessive exchange rate volatility. Indeed, according to behavioral macroeconomic analysis, “leaning against the wind” policies can effectively eliminate excessive exchange rate fluctuations and enhance FX market efficiency. In recent years, frequent and massive capital movement has replaced trade or economic fundamentals to become the major factor affecting short-term exchange rate variation. This development increases the need for the CBC to maintain foreign exchange market order. Therefore, Taiwan adopts a managed float regime, which allows exchange rate flexibility and FX intervention and helps diminish or prevent speculative attacks.

At the end of 2015, the NT dollar depreciated by 4.08% against the US dollar compared with the end of the previous year, showing that the NTD exchange rate was relatively stable as compared to the euro's 13.37% depreciation, the RMB's 5.36% depreciation, the Korean won's 6.31% depreciation and the Japanese yen's 2.19% depreciation.

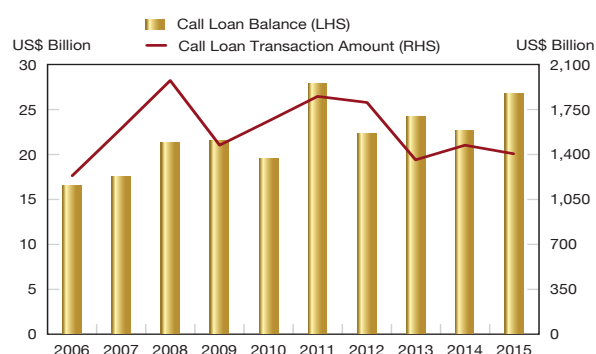
In 2015, the CBC continued to implement the Real-Time Reporting System for Large-Amount Foreign Exchange Transactions to keep the market orderly. Moreover, reinforced examination efforts were made to ensure that forward transactions were based only on actual transactions. The CBC also urged authorized banks to enhance their exchange rate risk management.

Management of the Foreign Currency Call Loan and Swap Market

In order to provide the financial system with sufficient foreign currency liquidity to meet funding needs, including those for corporations to venture into overseas markets, the CBC provided seed funds for the Taipei Foreign Currency Call Loan Market, including US\$20 billion, €1 billion and ¥80 billion.

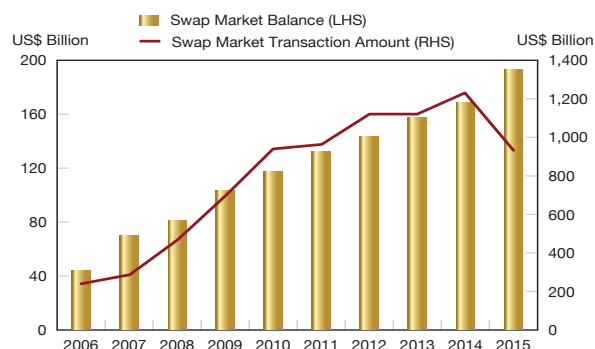
Furthermore, the CBC continued to conduct foreign currency swap transactions with banks and offered foreign currency call loans to banks so as to facilitate smooth corporate financing. During 2015, the volume of foreign exchange call loan transactions reached US\$1,407.1 billion, 4.6% less than that of 2014, while the balance at the end of 2015 was US\$26.8 billion. The volume of foreign currency-NTD swap transactions reached US\$942.8 billion, 24% less than 2014, while the balance was US\$195.2 billion at the end of 2015.

Call Loan Market Transaction Amount and Balance



Source: Department of Foreign Exchange, CBC.

Swap Market Transaction Amount and Balance



Source: Department of Foreign Exchange, CBC.

Foreign Exchange Reserve Management

At the end of 2015, total foreign exchange reserves stood at US\$426.0 billion, a US\$7.1 billion increase (1.7%) from the end of 2014, mainly attributable to higher returns from foreign exchange reserve investments.

Capital Flow Management

The CBC's foreign exchange management mainly relies on the market mechanism, and capital can, in principle, flow freely in and out of Taiwan.

As of 2015, foreign currency capital not involving NT dollar conversion can flow freely; neither is there any restriction on financial flows involving NT dollar conversion for goods and service trade, as well as direct and securities investments approved by the competent authorities. However, regulation exists for short-term remittances. Annual remittances for an individual resident within US\$5 million and for a juridical person within US\$50 million can be settled by banks directly, while annual remittances above the aforementioned amounts require the approval of the CBC. Each transaction for a non-resident within US\$0.1 million can be settled by banks directly, whereas any

Foreign Exchange Reserves



Source: Department of Foreign Exchange, CBC.

transaction amount above that threshold requires the approval of the CBC.

Key measures with regard to the management of capital flows in 2015 included:

(1) Promoting the internationalization of Taiwan's capital market

CBC-Approved Fund-Raising by Domestic and Foreign Institutions

Institution	Method	Number	Amount
Foreign companies	IPO on TWSE & TPEX and registration on the Emerging Stock Board	21	NTD 12.12 billion
	NTD convertible bonds	9	NTD 5.55 billion
	International bonds	53	USD 27.04 billion RMB27.66 billion USD 2.11 billion
Domestic companies	Overseas convertible bonds	8	USD 2.41 billion
	Overseas depositary receipts	1	USD 0.09 billion
Mainland Chinese banks	RMB-denominated bonds	1	RMB 3.0 billion

Note: TWSE (Taiwan Stock Exchange) ; TPEX (Taipei Exchange) .
Source: Department of Foreign Exchange, CBC.

(2) Approving residents' investments in foreign securities

Residents' investments in Foreign Securities Approved by the CBC

Institution	Method/Instrument	Amount
Securities investment trust enterprises (SITEs)	100 domestic SITE funds (including 37 NTD-foreign multiple currency SITE funds)	NTD 1,602.5 billion (multiple currency funds: NTD 766 billion)
	1 SITE private fund	NTD 3.0 billion
	1 domestic futures trust fund	NTD 2.0 billion
	1 domestic futures trust fund for qualified person	NTD 5.0 billion
Life insurance companies	Non-discretionary money trusts managed by financial institutions	USD 0.11 billion
	Investment for their own accounts	USD 0.75 billion
	Lowering overseas investment hedge positions	USD 1.6 billion
Five major government funds	Investment for their own accounts	USD 4.93 billion
Chunghwa Post	Hedge own investment interest Presell forward FX	USD 0.1 billion

Source: Department of Foreign Exchange, CBC.

(3) Recommending FSC announce adjustments to foreigners' investment limit measures

To stimulate the stock market, and taking into the consideration the fact that corporate bonds, financial debentures and government bonds are all fixed income securities, the CBC recommended the Financial Supervisory Commission (FSC) to include foreign investors' holdings of corporate bonds and financial debentures, along with government bonds and money market instruments, into the category of which the total amount can not exceed 30% of the inflow funds, in order to maintain the consistency of foreigners' investment limit management. The above adjustment went into effect starting from April 22, 2015.

(4) Loosening the regulations regarding foreign exchange remittances

A. To facilitate declarations of FX settlements for electronic payments, the CBC revised the *Directions for Banking Enterprises while Assisting Customers to Declare Foreign Exchange Receipts and Disbursements or Transactions*. Starting from May 3, 2015, electronic payment institutions which receive the FSC's approval of cross-border business items, and companies approved by the FSC to cooperate with or assist foreign institutions to engage in related businesses, may act as agents for FX settlement declaration.

B. To promote the development of Taiwan as a key offshore renminbi market and to aid the internationalization and product diversification of the futures market, starting from July 20, 2015, banks are allowed to conduct FX settlement declarations for the Taiwan Futures Exchange (TFE) or futures firms to conduct renminbi/USD exchange rate futures listed on TFE.

C. To assist investment trust and investment consulting firms to explore more business opportunities in foreign currency related services, starting from October 20, 2015, these investment firms' declarations of FX settlements of foreign currency-denominated (excluding renminbi) mutual funds collected and paid with NTDs on behalf of fund purchasers do not count as part of the accumulated yearly FX settlement amount.

Management of the Foreign Exchange Business of Financial Institutions

(1) Authorized FX banks

Pursuant to the *Central Bank of the Republic of China (Taiwan) Act* and the *Foreign Exchange Regulation Act*, the CBC reviews and authorizes banks to conduct FX business and be supervised accordingly. In 2015, the CBC continued to approve bank branches as authorized FX banks and loosened restrictions on FX derivative product business in order to promote authorized FX banks' competitiveness and quality of services.

A. At the end of 2015, there were 3,415 authorized FX banks in total, which included 39 head offices and 3,375 branches of domestic banks, 37 branches of 27 foreign banks, three branches

- of Mainland Chinese banks, as well as 1,268 authorized money exchangers, post offices, and financial institutions authorized to engage in basic foreign exchange business
- B. The CBC also approved 10 cases for authorized FX banks to establish branches in Mainland China, and 10 cases for domestic banks to set up branches abroad.
- C. In terms of new FX products, 35 derivatives were approved in 2015 after prudent review.
- D. The CBC actively assisted banks to take advantage of business opportunities in the digital age, and promoted related businesses:
- (a) On March 4, the CBC simplified procedures for authorized FX banks to apply for electronic FX business.
 - (b) On September 14, the CBC announced that customers of authorized FX banks may conduct FX related business through their own deposit accounts via internet banking, in addition to traditional branch services.
 - (c) On September 16, the CBC announced that authorized FX banks may accept instructions by fax to conduct FX settlement in the amount of NT\$0.5 million and above.
- E. The CBC simplified procedures for banks to apply for FX business through two amendments to the *Directions Governing Banking Enterprises for Operating Foreign Exchange Business*:
- (a) On January 8, the CBC announced in Foreign Exchange Circulars the following measures regarding FX related business conducted by authorized FX banks: allowing FX certificates of deposits to be pledged for foreign currency funds; streamlining procedures for the sale/purchase of foreign currencies at the country's international airports and ad hoc money exchanges; revising rules to allow Mainland Chinese citizens, to enter into non-discretionary money trust contracts investing in foreign currency securities, the same as foreigners.
 - (b) On July 31, the CBC relaxed the qualification criteria for trustors for foreign currency non-discretionary money trusts; and if the trustor is also the beneficiary, the trustors may use their beneficiary right as collateral to pledge for foreign currency loans.
- F. On May 22, the CBC revised the *Regulations Governing Foreign Exchange Business of Banking Enterprises*, the main points of the amendments included:
- (a) The Agricultural Bank of Taiwan is allowed to apply for approval to be designated as an authorized FX bank.
 - (b) Authorized FX banks may issue foreign currency certificates of deposit.
 - (c) Authorized FX banks with trust business are allowed to establish currency-denominated collective investment trust accounts.
 - (d) The scope of FX derivatives was expanded, and procedures for authorized FX banks to apply for FX business was streamlined.

G. On July 31, the CBC promulgated the *Directions for Issuance of Foreign-Currency Denominated Negotiable Certificates of Deposit by Banks*. Accordingly, authorized FX banks would be allowed to issue foreign currency negotiable certificates of deposit, and to offer foreign currency pledged credit or foreign currency loans collateralized with foreign currency negotiable certificates of deposit.

H. On November 27, authorized FX banks with trust business and money trust business may, in consideration of their role as trustee banks for the business of electronic payment institutions, conduct foreign currency individually managed non-discretionary money trust business without prior approval by the CBC.

(2) Insurance companies

A. Up to the end of 2015, 21 insurance companies were allowed to engage in foreign currency investment-linked insurance business, and 23 were permitted to conduct business in relation to traditional foreign currency insurance products.

B. Effective April 8, the restriction on insurance firms that a foreign currency loan pledged against a foreign currency-denominated policy should not exceed 20% of the amount of policy value reserve was removed.

C. On April 29, the *Regulations Governing Foreign Exchange Business of Insurance Enterprises* was revised, and, accordingly, insurance firms would be allowed to conduct foreign currency-denominated property insurance and reinsurance business and to extend foreign currency loans pledged against foreign currency-denominated policy.

D. Effective August 24, insurance firms may participate in foreign currency syndicated lending.

(3) Securities firms, securities investment trust and consulting firms, and bills finance firms

A. On August 17, in order to help domestic investment trust firms to grow their foreign mutual funds business, the CBC extended the scope of foreign currency discretionary investment business conducted by securities investment trust enterprises (SITEs) and securities investment consulting enterprises (SICEs), allowing these enterprises to invest, within 30% of the net asset value of the funds, in foreign currency classes of NTD-included multi-currency funds.

B. The approved cases granted by the CBC for securities firms, investment trust and investment consulting firms to manage FX business as of the end of 2015, are shown in the following table.

CBC-Approved FX Business Managed by Securities Firms and Investment Trust and Investment Consulting Firms

(As of End-2015)

Institution	FX business	Number
Securities firms	Agents for foreign bond trading	14
	Brokering trades in foreign securities	40
	Underwriting international bonds	38
	Proprietary foreign securities trading neither belonging to investment with their own funds nor for hedging needs	15
	Issuance of warrants linked to foreign securities or indexes ⁷	7
	Issuance of warrants linked to domestic securities	1
	Non-discretionary individually managed money trust wealth management	11
	FX spot transactions among foreign currencies	2
	Participating dealers of offshore exchange traded funds	4
Securities firms; investment trust and investment consulting firms	Master agents for offshore public funds	49
	Mandated institution of private offshore funds	25
investment trust and investment consulting firms	Foreign currency discretionary investments in foreign securities	29
	Conducting public offer or private placement of foreign currency-denominated funds	18
	Master agents for offshore exchange traded funds	2
Bills finance firms	Foreign currency bond dealing and investment	8
	Foreign currency bills certification, underwriting, brokerage and dealing	26

Source: Department of Foreign Exchange, CBC.

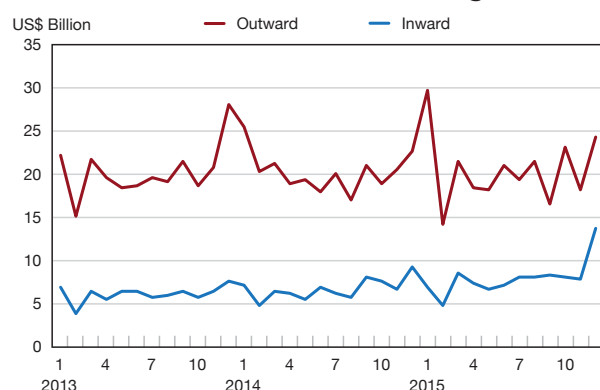
(4) Offshore Banking Units (OBUs)

A. At the end of 2015, all OBU assets totaled US\$181.9 billion, which was US\$2.1 billion or 1.1% less than the previous year end. Domestic banks owned 86.4% of the OBU assets, while foreign banks owned 13.6%.

B. In 2015, the total FX trading amount was US\$1,067.3 billion, a large 77.3% increase from 2014.

C. OBU cross-strait financial business kept growing.

Cross-Strait Remittances Through OBUs



Source: Department of Foreign Exchange, CBC.

OBU's Non-financial Institution Deposits



Source: Department of Foreign Exchange, CBC.

(a) Cross-strait remittances increased by 5.6% from a monthly average of US\$27.02 billion in 2014 to US\$28.53 billion in 2015.

(b) At the end of 2015, non-financial institutions' deposits reached US\$66.14 billion, a 14.4% increase from a year ago.

(5) Offshore Securities Units (OSUs)

At the end of 2015, 17 OSUs were approved and established, total OSU assets reached US\$1.77 billion; total OSU net losses in 2015 were US\$0.6million.

(6) Offshore Insurance Units (OIUs)

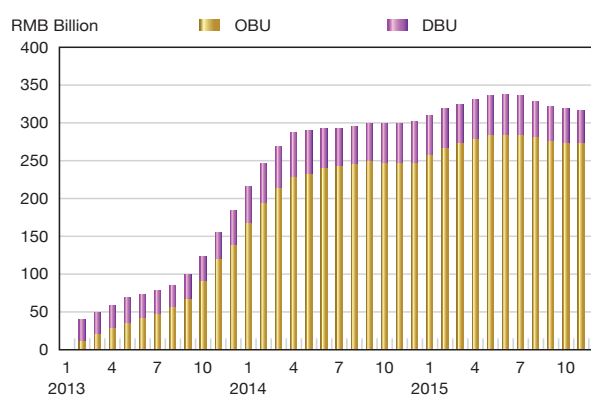
On February 4, 2015, the CBC announced the amendments to the *Offshore Banking Act*, whereby insurance firms would be allowed to establish OIUs. Up to the end of 2015, 18 insurance firms were approved to establish OIUs, and seven of the approved cases were set up.

RMB Exchange Business Kept Growing

(1) Since February 6, 2013, when authorized FX banks or DBUs began to conduct RMB business, domestic RMB business has been flourishing.

(2) By the end of 2015, there were 69 DBUs and 59 OBUs engaging in RMB business. The balance of RMB deposits amounted to RMB319.4 billion, 5.7% higher than the end of 2014; RMB remittances totaled RMB3,045.8 billion in 2015, 107% higher than 2014; and RMB settlement

RMB Deposit Balances of All Banks



Note: Bank renminbi deposits started from February 2013.
Source: Department of Foreign Exchange, CBC.

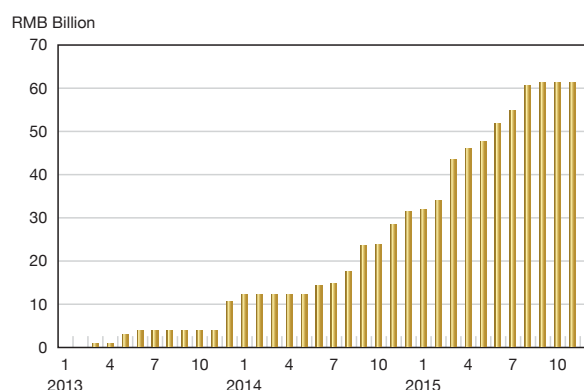
through the Taipei Branch of the Bank of China totaled RMB5,135.7 billion, 29.8% higher than 2014.

- (3) Along with the development of RMB business, RMB investment instruments were further diversified. As of the end of 2015, RMB investment business conducted by financial institutions is included in the following table.

Expanding Foreign Currency Clearing Platform

- (1) The CBC began efforts to establish a domestic USD clearing mechanism in September 2008 and officially launched the system on December 6, 2010. Afterwards, the CBC consigned the Financial Information Service Co. to set up a foreign currency clearing platform, which started operating in March 2013. The platform also began services for domestic and cross-border US dollar and RMB remittances, and adopted a payment-versus-payment (PVP) mechanism among banks and a liquidity-saving mechanism for foreign currency remittances. In 2015, the CBC made available on the platform domestic and cross-border yen and euro remittances, as well as a delivery-versus-payment (DVP) mechanism for foreign currency bonds and bills.

Accumulated Amount of RMB-denominated Bonds Issued



Note: Bank renminbi deposits started from February 2013.
Source: Department of Foreign Exchange, CBC.

RMB Business Conducted by Financial Institutions

Unit: RMB Billion

Institution and business	Amount
Deposit balance (include NCDs, end of 2015)	319.4 (DBU: 272.4; OBU: 47)
Total remittances (February 2013 till December 2015)	5,016.6
Total settlement through the Taipei Branch of the Bank of China (February 2013 to December 2015)	10,638.1
Total value of 97 RMB-denominated bonds issued (up to the end of 2015)	62.6
Issuance of 118 RMB-denominated funds or RMB share classes (up to the end of 2015)	8.3
Accumulated premium receipts from RMB-denominated investment-linked insurance business (up to the end of 2015)	1.2
Accumulated premium receipts from RMB-denominated traditional insurance business (up to the end of 2015)	0.8

Source: Department of Foreign Exchange, CBC.

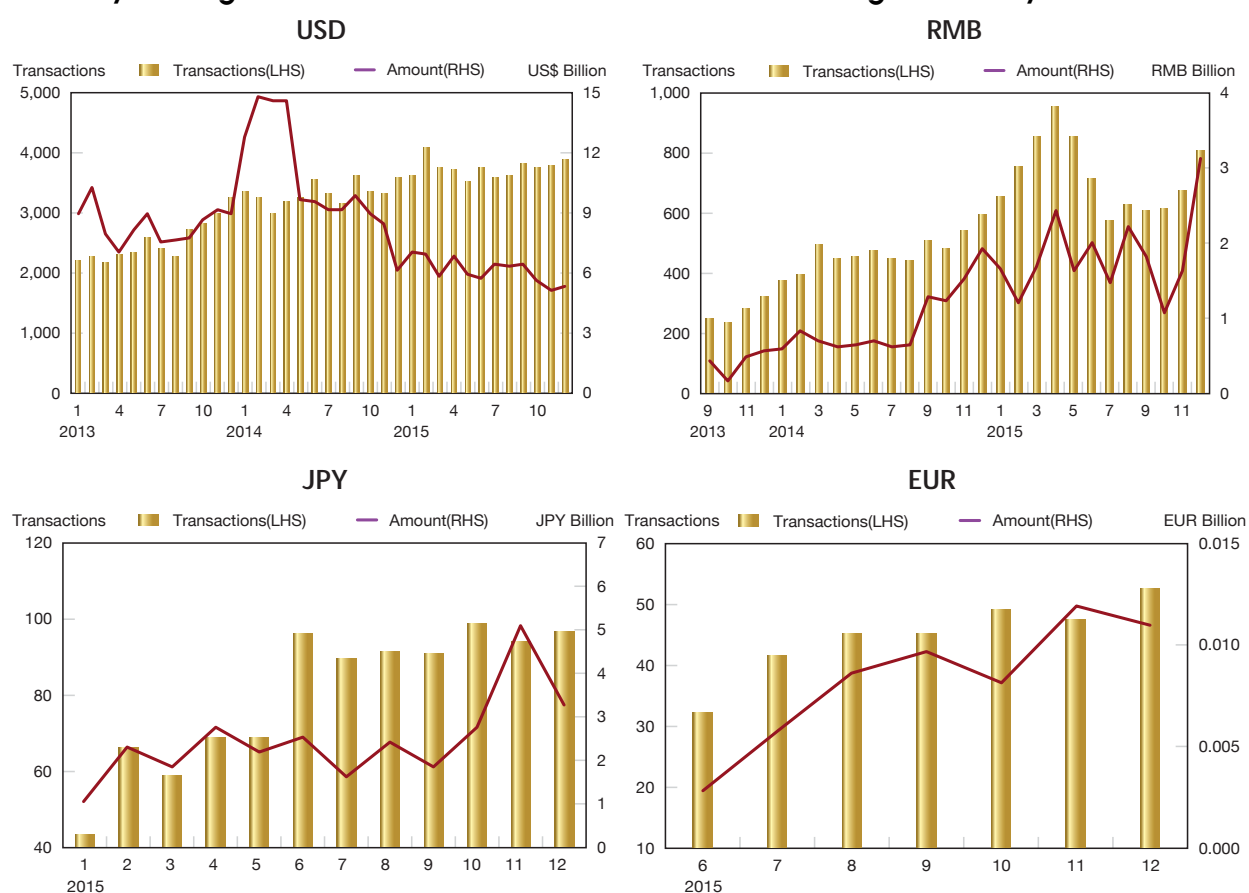
(2) By the end of 2015, the scope of services provided by the platform was complete and comprehensive. It helps to promote the efficiency of foreign currency remittances, significantly reduces the remittance fees, improves the safety and efficiency of payment systems, and boosts financial service development.

A. Domestic foreign currency settlement business grew quickly.

Currency	Domestic participating units	Settlements in 2015	
		Transactions	Amount
US dollar	69	917,543	USD1,496.6 billion
Renminbi	60	178,477	CNY 457.4 billion
Yen	40	19,383	JPY 697.4 billion
EUR	38	6,057	EUR 1.2 billion

Source: Department of Foreign Exchange, CBC.

Daily Average Transactions and Amount of Domestic Foreign Currency Settlements



Source: Department of Foreign Exchange, CBC.

B. The fees for domestic foreign currency remittances were decreased. Some domestic banks' fees lowered from NT\$600-1,400 per transaction to NT\$320-1,020 per transaction.

4. Financial Inspection

Pursuant to the *Central Bank of the Republic of China (Taiwan) Act*, the CBC conducts target examinations to ensure effective enforcement of policies related to monetary, credit, and foreign exchange management. To fulfill its mandate of financial stability, the CBC has established an off-site monitoring system and a financial stability assessment framework to systematically monitor and assess potential risks and risk sources in order to deploy appropriate policies and measures in a timely manner.

On-Site Target Examinations

Target examinations in 2015 inspected the handling of 921 earthquake reconstruction loans, collateralized loans for industrial area land, housing loans, mortgage information disclosure, required reserves, banks' offered rates, counterfeit money detection, foreign exchange transactions, foreign exchange derivatives, foreign exchange remittances, and the correctness of reporting to the CBC, etc.

Follow-up on Banks' Compliance with Examination Findings

In 2015, in light of the CBC's target examination findings and the Financial Supervisory Commission's examination findings related to the CBC's operations or regulations, the CBC continued monitoring how the examined financial institutions had improved and urged them to rectify related deficiencies, thus ensuring successful implementation of the CBC's policies.

Off-Site Monitoring

Taking into consideration financial conditions, the amendments to relevant laws and regulations as well as the monitoring of financial institutions' operations, the CBC reviews and amends as necessary the format and content of periodical statistical data submitted by financial institutions. In 2015, developments related to off-site monitoring for the above purposes included the following:

- (1) In line with the new regime of IFRS, the reporting system and format for domestic banks, bills finance companies and credit cooperative associations were amended accordingly.
- (2) A compliance and liquidity indicator, "Liquidity Coverage Ratio (LCR) for domestic banks," was added. Assessment criteria for the coverage ratio of unsound credit assets were adjusted as well.
- (3) "Accumulated loss," "profit growth rate," and "net profit ratio" were incorporated in internal management commentaries for local branches of foreign and Mainland Chinese banks. Meanwhile, the weights and classifications of relevant assessment criteria were adjusted.

- (4) The assessment criteria for the compliance indicators “credit granting ratios for members and non-members of credit departments of farmers' and fishermen's associations” were adapted to the amendment to the relevant laws and regulations.

Financial Institution Information Transparency

The CBC regularly compiles and publishes financial institution statistics, such as *Condition and Performance of Domestic Banks (Quarterly)* and *Major Business Statistics of Financial Institutions*, as well as the latest financial regulations. It also discloses related information on its website. As a result, operational transparency of financial institutions has strengthened, and market self-discipline has been reinforced.

Financial Stability Assessment

The CBC compiles financial soundness indicators and develops a macro model based on Basel III framework for evaluating banks' market risks, so that the relevant authorities, market participants, and the public are kept informed of the status and sources of financial system risks in Taiwan. In 2015, the ninth *Financial Stability Report* was published. The publication also promotes cross-border communication and information sharing with regard to Taiwan's financial stability and surveillance.

International Cooperation in Financial Supervision

In 2015, the CBC continued to actively engage in international cooperation related to financial supervision, as follows:

(1) Participating in international meetings/conferences

A. The sixth SEACEN Financial Stability Forum and sixth Meeting of Deputy Governors in Charge of Financial Stability and Banking Supervision.

B. APEC FRTI Regional Seminar on Capital Planning and Stress Testing.

(2) Hosting the SEACEN Seminar on Liquidity Risk Management and Supervision.

- (3) Completing questionnaires from the SEACEN Centre and the Asian Development Bank, respectively. The former was to be used for SEACEN learning and research needs analyses. The latter was regarding the APEC Financial Regulators Training Initiative.

5. Payment and Settlement Systems

The CBC Interbank Funds-Transfer System (CIFS) is the backbone of Taiwan's payment system, linking payment and remittance systems operated by the Financial Information Service Co., Ltd. (FISC), the National Credit Card Center of R.O.C. (NCCC), the Taiwan Clearing House (TCH), the Taiwan Depository and Clearing Corporation (TDCC), the Taipei Exchange (TPEX), and the Taiwan Stock Exchange Corporation (TWSE), as well as the Central Government Securities Settlement System (CGSS), together to construct a comprehensive system.

In addition, the CBC monitors major payment systems based on the *Principles for Financial Market Infrastructure* released by the Bank for International Settlements (BIS) to ensure sound operation of these systems and to promote stability of the financial system.

Operation of Payment and Settlement Systems

(1) Funds Transfers via the CIFS

The CIFS is a large-value electronic funds-transfer system. In addition to dealing with interbank funding, reserve requirement adjustments and funds settlements in financial markets, the CIFS also provides interbank final settlement services to each clearing institution.

At the end of 2015, participants of the CIFS included 69 banks, eight bills finance companies, and seven other institutions including Chunghwa Post, the TWSE, the TPEX, and the NCCC. In the year 2015, the number of transactions via the CIFS was 729,222, and the amount of funds transferred totaled NT\$524 trillion. Meanwhile, the daily average number of transactions via the CIFS reached 2,964, and the daily average amount of funds transferred was NT\$2,128.8 billion, growing by 8.02% over the previous year.

(2) Transactions via the CGSS

The CGSS was established in September 1997. It is a system for issuance, transfer, redemption, and interest payment of book-entry central government securities. Since its inception, central government bonds have been issued in book-entry form. In October 2001, treasury bills were included in this system and have been issued in book-entry form ever since.

The CGSS linked up with the CIFS in April 2008. Since then, fund settlements, principal redemptions and interest payments have been handled through the CIFS using a delivery-versus-payment (DVP) mode. The DVP mode, promoted by the BIS, is an arrangement in a securities settlement system to ensure that securities delivery occurs almost at the same time as the funds transfer, effectively

mitigating potential risks during the transaction process.

There were 16 clearing banks with 1,691 branches that handled the registration of central government securities transfers at the end of 2015. During 2015, 265,000 transfers with a total amount of NT\$29.9 trillion were processed by this system.

Monitoring Payment Systems

The CBC monitors the payment systems on a periodic basis to maintain their safety and efficiency. In 2015, the CBC's monitoring activities in this regard included the following:

- (1) Requiring payment system operators and payment instrument issuers to provide detailed information on their operations and activities as a basis for monitoring payment systems.
- (2) Supervising clearing institutions to perform regular drills on operating backup systems and implementing contingency plans in case of emergency to ensure business continuity.
- (3) Inviting the Financial Supervisory Commission and clearing institutions such as the FISC, the TDCC, and the TCH to jointly hold conferences on “Promoting Sound Operation of the Payment Systems” with themes of “Business Review and Improvement” and “Results of Self-Assessment against Principles for Financial Market Infrastructure” in April and December 2015, respectively, in order to urge clearing institutions to strengthen system governance and backup mechanisms and implement suggestions for improvement from self-assessment results.

Expanding the Foreign Currency Clearing Platform

The foreign currency clearing platform planned by the CBC and established by the FISC was launched in March 2013, aiming to strengthen financial infrastructure and facilitate the development of the financial services sector. In 2014, domestic and cross-border (including cross-strait) remittances of the US dollar and the renminbi, the payment-versus-payment (PVP) mechanism for transactions between different currencies, and the liquidity saving mechanism for foreign currency remittances were all incorporated into the platform. In 2015, functions of this platform were gradually expanded as follows:

- (1) Domestic and cross-border remittances of the Japanese yen were launched in January and May, respectively.
- (2) Domestic and cross-border remittances of the euro were both available from June.
- (3) Transactions of foreign currency bonds and bills via the DVP mode were incorporated into this platform in July.

Assessing Payment and Settlement Systems in Line with BIS Principles

To ensure that major payment systems meet the requirements of international standards, the CBC assessed the CIFS, the CGSS, the FISC Interbank Payment System, the foreign currency clearing platform, and the clearinghouse system in accordance with the *Principles for Financial Market Infrastructure*. The results showed that the aforesaid systems generally complied with the BIS standards.

6. Currency Issuance

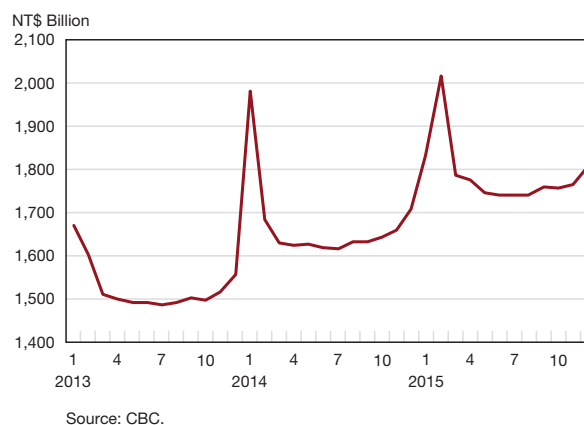
For the year 2015, the CBC conducted currency issuance with a focus on maintaining an adequate supply of currency to meet public demand, which is dependent on the level of economic activity, seasonal factors, and the development of noncash payment instruments, etc.

Rise in Currency Issuance in Response to Currency Demand

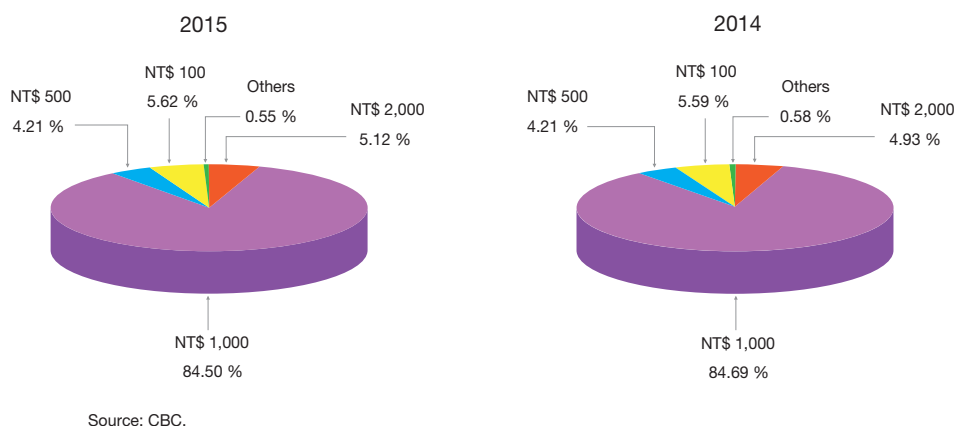
In 2015, the CBC implemented an appropriate currency issuance plan for delivering banknotes and coins in response to currency demand. The currency issued peaked at NT\$2,126.8 billion on February 17, the day before the Lunar New Year holidays, reflecting a temporary seasonal surge in cash demand. At the year end, the outstanding amount of currency issued was NT\$1,804.6 billion, representing an increase of NT\$97.9 billion or 5.74% over the previous year end.

At the end of 2015, the composition of NT dollar banknotes in circulation by denomination was similar to the end of 2014. The NT\$1,000 note accounted for the lion's share at 84.50%, followed by the NT\$100 (5.62%) and the NT\$2,000 (5.12%) notes.

Currency Issued



Composition of NT Dollar Banknotes Issued
(Year-End Figures)



Currency in Circulation to GDP Ratio Increased

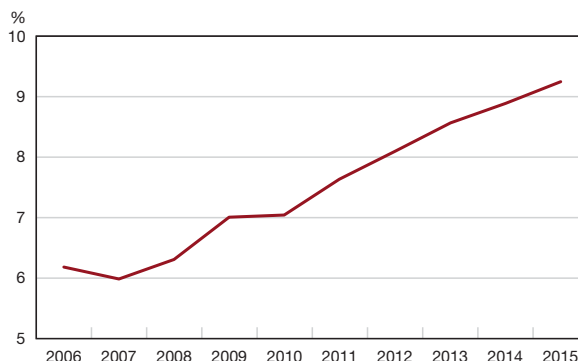
Owing to the low interest rate environment since September 2008, the public began to increase their currency holdings, and the ratio of currency in circulation to GDP continued to rise. It stood at 9.25% in 2015, a 0.36 percentage point gain over the previous year.

Three Commemorative Coin Sets Were Issued

In addition to normal currency issuance, the CBC may also issue gold and silver coins and commemorative notes and coins from time to time, such as for important ceremonies, national holidays, major international events or other significant national events. During 2015, the CBC issued a casting set of coins for the Chinese Zodiac Year of the Goat, a coin set for commemorating the 70th Anniversary of Victory in the War of Resistance Against Japan and the Retrocession of Taiwan, and the fourth coin set of the National Parks of Taiwan series - Taroko National Park.

Moreover, the CBC issued the commemorative silver coin for the 150th Anniversary of the Birth of Dr. Sun Yat-sen, Founding Father of the Republic of China.

The Ratio of Currency Held by the Public to GDP



Sources: 1. CBC.
2. DGBAS, Executive Yuan.

7. Fiscal Agency Functions

The CBC fulfills its responsibilities as a banker to the central government as well as to other banks. As the fiscal agent of the government, the CBC offers services for the national treasury, such as handling the treasury deposit account (TDA), managing central government agency deposit accounts, and undertaking the issuance, registration, redemption, and interest payment of central government bonds and treasury bills.

Managing the Treasury Deposit Account

The CBC manages the TDA on behalf of the Ministry of Finance (MOF), processing receipts and disbursements of the central government. In order to provide convenient services for government agencies and taxpayers, the CBC delegates the handling of treasury business to 14 financial institutions and their 357 branches, including three overseas branches located in New York, Los Angeles, and Paris. In addition, there are another 4,796 tax collection agencies set in financial institutions. In 2015, the CBC received a total of NT\$3,264.3 billion in treasury deposits, an increase of NT\$107.6 billion or 3.41% over the previous year. Payments made on behalf of the national treasury were NT\$3,252.7 billion, increasing by NT\$82.7 billion or 2.61% from 2014. At the end of 2015, the TDA balance was NT\$21.7 billion, an increase of NT\$11.7 billion or 117% from a year earlier, mainly owing to the funding operation considerations of the MOF.

Handling Central Government Agency Deposits

Central government agencies are required to make their deposits with the CBC or other delegated banks. However, the delegated banks are required by law to redeposit 60% of the deposits with the CBC, except those in interest-bearing accounts. At the end of 2015, the balance of central government agencies' deposits with the CBC amounted to NT\$169.5 billion, an increase of NT\$53.4 billion or 45.99% over the previous year. Deposits with other delegated banks were NT\$457.7 billion at the end of 2015, slightly increasing by NT\$2.1 billion or 0.46%. Among them, redeposits with the CBC registered NT\$11.4 billion, increasing by NT\$1.3 billion or 12.87% from the end of 2014.

Managing Central Government Bonds

As a fiscal agent, the CBC provides services related to the issuance, registration, transfer, redemption, and interest payment of central government bonds. The CBC also conducts the auctions of central government bonds. There are 60 domestic dealers qualified to directly participate in the auctions, including 26 banks, 20 securities companies, eight bills finance companies, five insurance

companies, and Chunghwa Post.

In 2015, the CBC handled 19 issues of central government bonds in book-entry form worth NT\$605.3 billion and paid NT\$465.0 billion in principal and NT\$115.6 billion in interest for central government bonds. At the end of 2015, the outstanding amount of central government bonds was NT\$5,478.8 billion, an increase of NT\$140.3 billion or 2.63% from the previous year end.

Managing Treasury Bills

The CBC also conducts the auctions of treasury bills, which are issued at a discount. Currently, direct bidders include banks, insurance companies, securities companies, bills finance companies, and Chunghwa Post.

In 2015, the CBC handled eight issues of book-entry treasury bills with a total amount of NT\$233.7 billion. At the end of 2015, the outstanding amount of treasury bills was NT\$90 billion, a decrease of NT\$40 billion or 30.77% from the previous year end, mainly attributable to the lower borrowing needs of the government resulting from increased tax revenue.

Improving Operational Efficiency

To enhance operational efficiency and the effectiveness of the treasury securities auction, the CBC upgraded the functions of the Electronic Bidding System for Central Government Bonds and Treasury Bills, and the updated system went online from August 3, 2015.

8. Participation in International Activities

In 2015, the CBC contributed to a wide-ranging agenda of participation in international activities. As a member of various international organizations, the CBC hosts conferences, provides training courses, and actively attends numerous forums, including the annual meetings organized by the Asian Development Bank (ADB), the Central American Bank for Economic Integration (CABEL), and the South East Asian Central Banks (SEACEN) group. In addition, the CBC also maintains close relationships with the Inter-American Development Bank (IDB), the European Bank for Reconstruction and Development (EBRD) and the Bank for International Settlements (BIS). Meanwhile, the CBC strengthens its cooperation with other central banks and related institutions through meetings on macroeconomic and financial issues. By using these opportunities, the CBC establishes a collaborative network with world-renowned experts while sharing policy experience and discussing current issues with them.

The CBC is a member of SEACEN. In November 2015, the CBC attended the 51st annual conference of governors held in Manila, the Philippines, exchanging views on issues such as the challenges to regional economic growth and financial stability in the volatile international environment, the necessity of international monetary system reform, and the importance of international financial institutions in addressing regional as well as global issues and challenges. Moreover, the CBC hosted the SEACEN Seminar on Liquidity Risk Management and Supervision during November 2 to 6.

In addition, the CBC participated in the meetings held by other international organizations, such as the IDB's annual meeting of the Board of Governors held in Busan, the Republic of Korea, during March 26 to 29, the CABEL's ordinary meeting of the Board of Governors which took place in Medellin, Colombia, on April 23 and 24, the ADB's annual meeting in Baku, Azerbaijan, during May 2 to 5, the EBRD's annual meeting of the Board of Governors held in Tbilisi, Georgia, on May 14 and 15, and the BIS annual general meeting in Basel, Switzerland, on June 27 and 28.



Annex

IV. Annex

Key Issues Behind Taiwan's Economic Slowdown and Policy Suggestions

From the year 2000 onwards, the growth momentum for Taiwan's economy has gradually diminished. Although external demand has played an increasingly significant role in driving growth, it is weak domestic demand that mainly contributed to the slowdown. Moreover, since 2015, short-term cyclical factors and long-term structural issues have combined to pose a large challenge to Taiwan. Global economic deceleration (particularly in China), weak cyclical conditions facing the global technology industry, and the high concentration of Taiwan's exports on a few markets and products have all served as heavy drags on external demand. Meanwhile, sluggish growth in private consumption and investment has dampened domestic demand. This Annex looks at the key issues behind this longer-term slowdown and presents suggestions including active participation in regional economic integration, boosting investment to increase domestic demand, and promoting innovation.

1. Taiwan's Economy in the Past Three Decades: Driven by Domestic Demand from 1985 to 1999; Driven by External Demand from 2000 to 2015

In the period between 1985 and 1999, the economy grew at an average annual rate of 7.47%, with a 7.35 percentage-point contribution from domestic demand and 0.13 percentage points from external demand. Then, from 2000 to 2015, the economy grew at an average annual rate of 3.84%, with a 1.74 percentage-point contribution from domestic demand and a 2.10 percentage-point contribution from external demand.

Compared to the 1985-1999 period, the average economic growth rate in the 2000-2015 period slowed by 3.64 percentage points, and the contribution from domestic demand fell by 5.61 percentage points. The contribution from private consumption was 2.88 percentage points less, hampered mainly by stagnant wage growth, structural unemployment, an aging society, and a larger population of Taiwanese working abroad. The contribution from fixed capital formation recorded the second-largest decline of 2.02 percentage points, with investment by private enterprises, public enterprises and the government sector all posting contribution declines.

Component Contributions to Taiwan's GDP Growth

Units: % ; Percentage Points

Period	Economic Growth Rate =(1)+(2)	Domestic Demand (1)								Net External Demand (2)		
			Private Consumption	Gov. Consumption	Fixed Capital Formation	Private Sector	Government	Public Enterprises	Inventory Changes		Exports	(-)Imports
1985~1999 (1)	7.47	7.35	4.28	1.08	2.22	1.47	0.57	0.18	-0.23	0.13	4.49	4.36
2000~2015 (2)	3.84	1.74	1.41	0.19	0.20	0.40	-0.16	-0.05	-0.05	2.10	3.83	1.73
Change= (2)-(1)	-3.64	-5.61	-2.88	-0.89	-2.02	-1.06	-0.73	-0.23	0.18	1.98	-0.66	-2.64

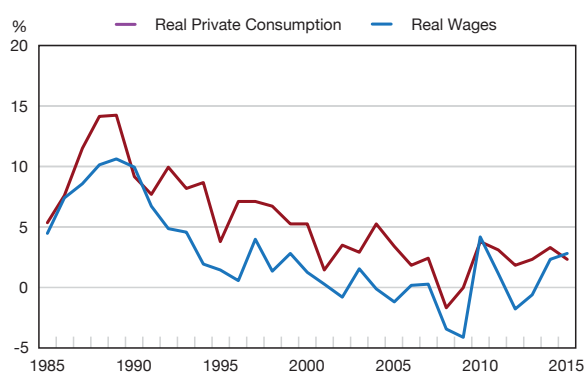
Source: DGBAS, Executive Yuan.

2. Private Spending Constrained Mainly by Wage Stagnation

In Taiwan, private consumption and wages are highly correlated. Between 1985 and 2015, the annual growth rate of real private consumption had a correlation coefficient of 0.86 with the annual growth rate of real wages. Compared with the 1985-1999 period, real private consumption posted a slower growth rate in the 2000-2015 period, a 5.87 percentage point decrease attributable mainly to a drastic slowdown in wage growth.

The nominal wage stagnation since 2000 resulted mainly from the following factors. Taiwan's products witnessed price reductions amid a price war among emerging market competitors and a low value added ratio under an OEM (original equipment manufacturer) business model. In addition, the industrial relocations driven by the trend of globalization led to lower demand for labor. Finally, employers turned less willing to hike wages because they had already increased non-wage compensation for employees in response to institutional changes by the government such as cutting legal working hours, launching the New Labor Pension System, and raising labor and health insurance costs.

Growth Rates of Taiwan's Private Consumption and Wages



Sources: DGBAS, Executive Yuan; Ministry of Labor.

Period Comparison: Taiwan's Private Consumption and Wages

Unit: %

Period	Real Growth Rates of Private Consumption	Real Wage Growth Rates
1985-1999 (1)	8.42	5.28
2000-2015 (2)	2.55	0.12
Change= (2)-(1)	-5.87	-5.16

Sources: DGBAS, Executive Yuan; Ministry of Labor.

3. Overall Investment Dampened by Limited Fiscal Policy Space and Investment Hurdles

The domestic investment rate was 25.52% between 1985 and 1999, but slid by 2.99 percentage points to 22.53% in the 2000-2015 period. This was mainly due to sluggish growth in investments by the government sector and public enterprises

Curbed by less wiggle room for fiscal policy, the government cut back on infrastructure investment. Except in 2009 when government budgets were increased in response to the global financial crisis,¹ growth in government investment between 2000 and 2015 mostly fell into negative territory. Growth in investment by public enterprises also turned negative, as some of them began the privatization process or saw their projects hampered by environmental protection concerns.

As for the private sector, investment growth lacked momentum as a hollowing industrial sector, investment hurdles and non-wage cost increases trimmed corporate enthusiasm for investment.

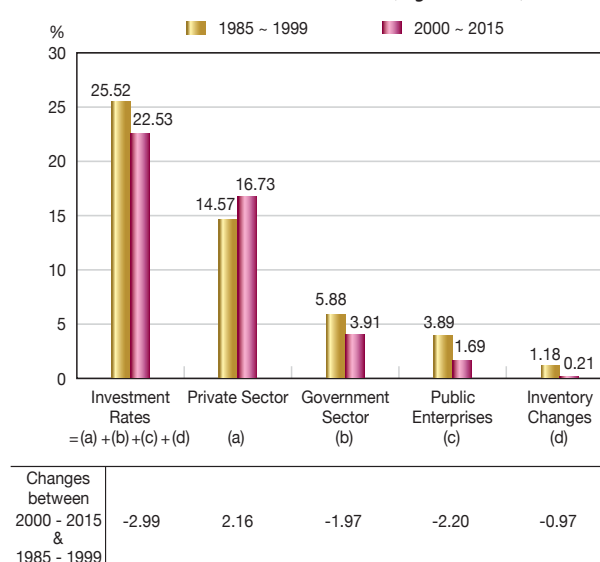
4. Economic Slowdown in 2015: Export Product/Market Concentration Amplified the Impact of Weak External Demand amid Global Downturn

Since the beginning of 2015, the drag on exports under short-term cyclical and long-term structural influences have also depressed investment growth and slashed economic growth.

The cyclical factors include weakening global demand (particularly in China) and a sluggish business cycle for the global technology industry. In terms of structural factors, first, since Taiwan has not signed many free trade agreements so far, the WTO's ITA (Information Technology

¹ The government announced a four-year (2009-2012) special budget worth NT\$500 billion, increasing public spending to stimulate the economy.

Investment Rates (by Sector)

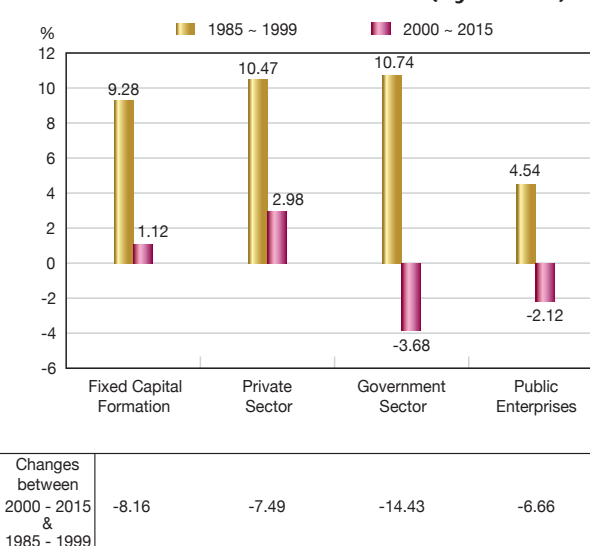


Notes: 1. Investment rates = gross domestic investments / GNI.

2. Investment rates by sector are the simple averages of annual rates.

Source: DGBAS, Executive Yuan.

Investment Growth Rates (by Sector)



Note: Investment growth rates by sector are the simple averages of annual growth rates.

Source: DGBAS, Executive Yuan.

Taiwan's Trade Dependence and Export Concentration in 2015

Exports/GDP(%)	Share of Exports to Mainland China (incl. Hong Kong) (%)	Share of Exports of Electronics and ICT Products (HS-85) (%)	Export Market Concentration	Export Product Concentration
64.5	39.4	42.1	43.3	44.9

Note: Exports are on a national income account basis and include goods and services.
Sources: DGBAS, Executive Yuan; trade figures, Ministry of Finance; CBC.

Agreement) plays a central role for Taiwan's trade, leading electronics products to make up a predominant share in total exports. As a result, Taiwan's exports are vulnerable to a global tech-industry slump. Second, China makes up a dominant share in Taiwan's exports. In recent years, China has embarked on a path towards economic rebalancing (from an investment-driven to a consumption-driven economy, with an import substitution strategy) and industrial upgrading, consequently taking a toll on Taiwan's exports and investment. Third, exports comprise a major component of Taiwan's GDP but the income elasticity of global trade declined in recent years, thus restraining Taiwan's ability to grow its exports.

5. Policy Suggestions to Stimulate Taiwan's Economy

The World Bank (2015) suggests that the appropriate policy response for emerging market economies to halt economic deceleration and stimulate growth includes a mix of countercyclical policies (e.g., fiscal expansion and monetary easing) and structural reforms (e.g., fiscal reforms, labor market reforms, product market reforms, governance reforms, etc.).²

(1) Given Taiwan's High Global Value Chains (GVC) Participation, Taking Part in Regional Economic Integration Is Essential to Boost External Demand

Taiwan is a small open economy, driven by external demand. Taiwan's participation in GVC is greater than most of G-20 economies.^{3,4} As increased regional economic integration in recent years has brought about a deeper impact on the GVC, Taiwan should strive to be part of this integration so as to secure a key role in the GVC and to diversify export products.

(2) Channeling Excess Savings into Investment to Boost Domestic Demand by Reforming Governance and Expediting Infrastructure Building

² Didier, Tatiana, Ayhan Kose, Franziska Ohnsorge and Lei Sandy Ye (2015), "Slowdown in Emerging Markets: Rough Patch or Prolonged Weakness?" *World Bank: Policy Research Note*, Dec. 8.

³ Du Qiaoxia (杜巧霞) (2015), "Wo Guo zai Quan Qiu Jia Zhi Lian de Can Yu ji Zheng Ce Yi Han (我國在全球價值鏈的參與及政策意涵) (Taiwan's GVC Participation and Policy Implications)," *Guo Ji Jing Ji Qing Shi Shuang Zhou Bao (國際經濟情勢雙週報)* (The International Economic Developments Biweekly), No. 1840.

⁴ Related data are calculated based on OECD TIVA statistics.

Indicators of Taiwan's Saving and Investments

	Saving Rate (%)	Investment Rate (%)	Depreciation Rate (%)	Excess Saving Rate(%)	Gross National Savings (NT\$ Trillion)	Gross Domestic Investments (NT\$ Trillion)	Excess Savings (NT\$ Trillion)
2005	29.62	23.89	(13.75)	5.73	3.7	3.0	0.7
2010	33.14	24.23	(15.88)	8.92	4.8	3.5	1.3
2015	34.14	20.27	(14.65)	14.14	5.9	3.5	2.4
2005-2015	31.40	22.41	(15.43)	8.99	50.4	35.7	14.7

Notes: 1. Saving rate=gross national savings /GNI; investment rate = gross domestic investments/GNI; depreciation rate= consumption of fixed capital /GNI; excess saving rate = excess savings /GNI.

2. The rates of the 2005-2015 period are the simple averages of their annual rates.

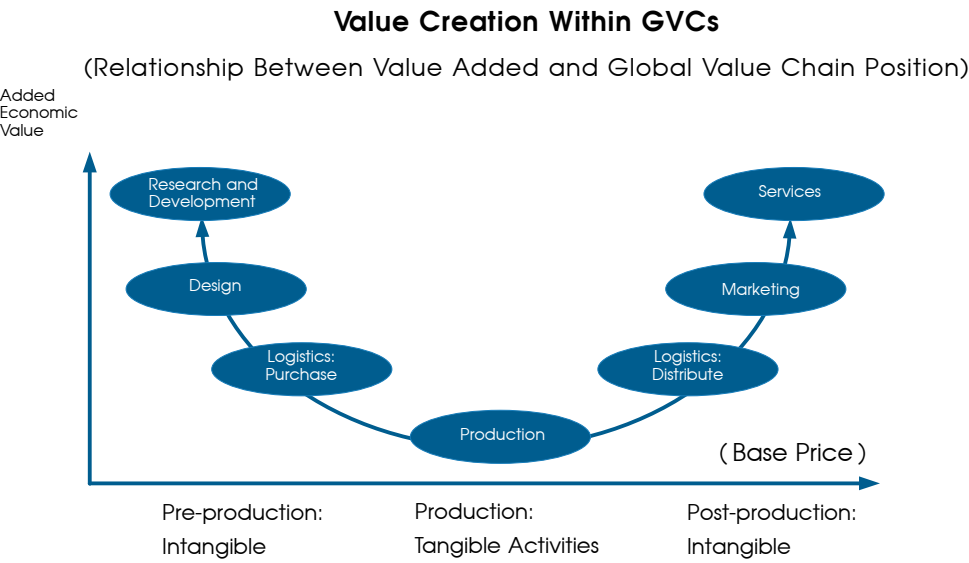
Source: DGBAS, Executive Yuan.

Given the lackluster growth in domestic investment, Taiwan should make strong efforts to remove investment hurdles, so as to channel the large excess savings into domestic investment. In terms of spurring private investment, reforms should be carried out to improve public and private sector governance, and enhanced efforts are needed to speed up the development and delivery of infrastructure. Other examples include promoting private sector participation in government projects, setting up a Petrochemical and Recycling Industrial Park that answers to both ecological and economic appeals, and utilizing the National Development Fund as venture capital funds aiming to promote industrial innovation.

(3) Innovating the Way Toward the Highest GVC Value Added Positions (Upstream R&D and Downstream Marketing & Services)⁵ to Enhance Product Value Added and Stimulate Economic Growth

From 2000 to 2014, Taiwan's value added ratio of industry as a whole dropped by 5.4 percentage points. The key to revive Taiwan's economy lies in innovation. With innovation come industrial upgrading and an increase in the value added of products and services, which will help Taiwan stay competitive. This will also bolster labor productivity and, in turn, employer willingness for wage hikes, so as to foster long-term momentum for private consumption growth.

⁵ UNCTAD (2015), "Tracing the Value-Added in Global Value Chains: Product-Level Case Studies in China," UNCTAD Publication, June 8; IMF (2015), "Reaping the Benefits from Global Value Chains," Regional Economic Outlook: Asia and Pacific, May; OECD, WTO and World Bank (2014), "Global Value Chains: Challenges, Opportunities, and Implications for Policy," Report to the G20 Trade Ministers Meeting, Jul. 19.



Source: UNCTAD (2015).

Chronology of Events of the CBC in 2015

Chronology of Events of the CBC in 2015

Date	Event
Jan. 22	The CBC issued a commemorative coin set for 2015, the Chinese Zodiac Year of the Goat.
28	The foreign currency clearing platform began to process domestic Japanese yen remittances.
Mar. 4	The CBC increased the monthly bidding amount for 364-day certificates of deposit from NT\$120 billion to NT\$130 billion from March onwards.
26	The CBC's Board decided to leave the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral unchanged at 1.875%, 2.25%, and 4.125%, respectively.
Apr. 10	In response to the promulgation of the <i>Act Governing Electronic Payment Institutions</i> , the CBC amended the <i>Regulations Governing the Establishment and Audit of Reserves on Stored Value Funds Received by Non-bank Payment Institutions</i> . The specialized electronic payment institutions shall be subject to relevant reserve requirements when their stored value funds reach a certain amount, effective from May 3, 2015.
29	The CBC amended the <i>Regulations Governing Foreign Exchange Business of Insurance Enterprises</i> , allowing insurance enterprises to engage in foreign currency non-life insurance and reinsurance business, and removing the cap on the annual aggregate amount of foreign currency lending, effective from May 1, 2015.
30	The CBC amended the <i>Directions for Banking Enterprises while Assisting Customers to Declare Foreign Exchange Receipts and Disbursements or Transactions</i> , allowing qualified electronic payment institutions to make declarations of foreign exchange settlements on behalf of their customers, effective from May 3, 2015.
May 22	The CBC amended the <i>Regulations Governing Foreign Exchange Business of Banking Enterprises</i> to permit authorized banks to issue foreign currency negotiable certificates of deposit (NCD), effective from May 24, 2015.
28	The foreign currency clearing platform began to process cross-border

Date	Event
	Japanese yen remittances.
Jun. 5	The CBC increased the monthly bidding amount for 364-day certificates of deposit from NT\$130 billion to NT\$150 billion from June onwards.
11	The CBC amended the <i>Regulations Governing the Audit and Adjustment of Deposit and Other Liability Reserves of Financial Institutions</i> . The stored value funds deposited in electronic stored value cards or electronic payment accounts would be included in the category of demand deposits for which financial institutions shall set aside reserves, effective from July 1, 2015.
25	<p>The CBC's Board decided to leave the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral unchanged at 1.875%, 2.25%, and 4.125%, respectively.</p> <p>The CBC allowed authorized banks to provide interbank foreign currency cash withdrawal by debiting New Taiwan dollar accounts through foreign currency automatic teller machines (ATMs).</p>
29	The foreign currency clearing platform began to process domestic and cross-border euro remittances.
Jul. 2	The CBC issued the New Taiwan Dollar Uncirculated Coin Set to commemorate the 70th Anniversary of Victory in the War of Resistance Against Japan and the Retrocession of Taiwan.
20	The CBC allowed authorized banks to handle declaration of foreign exchange settlements of the Taiwan Futures Exchange (TAIFEX) and futures commission merchants in dealing with USD/CNT futures contracts listed on TAIFEX.
28	The foreign currency clearing platform began to provide delivery-versus-payment (DVP) settlements for foreign bonds and bills transactions.
31	The CBC promulgated the <i>Directions for Issuance of Foreign Currency Denominated Negotiable Certificates of Deposit by Banks</i> .

Date	Event
Aug. 12	The CBC increased the monthly bidding amount for 2-year certificates of deposit from NT\$20 billion to NT\$30 billion from August onwards.
13	The Executive Directors of the CBC amended the <i>Regulations Governing Home Mortgage Loans and Land Loans Extended by Financial Institutions</i> , revising the scope of the designated Specific Areas, and raising the ceilings on the LTV ratio on housing loans granted to corporate legal entities and for high-value housing or third (or more) home purchases by natural persons, effective from August 14, 2015.
17	The CBC extended the scope of the foreign currency discretionary investment business, allowing securities investment trust enterprises (SITEs) and securities investment consulting enterprises (SICEs) to invest in securities investment trust funds including the foreign currency classes of multi-currency funds denominated in NTD, where investments in domestic securities shall not exceed 30% of their total net asset value.
24	The CBC allowed local insurance enterprises to apply for engaging in foreign currency syndicated loan business.
Sep. 24	The CBC's Board decided to cut the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral by 12.5 basis points each to 1.75%, 2.125%, and 4%, respectively, effective from September 25, 2015.
Oct. 2	The CBC reappointed Mega International Commercial Bank as the clearing bank for the US dollar on the foreign currency clearing platform.
6	The CBC lowered the remuneration rates on banks' B reserve accounts with the CBC. Reserves from demand deposits would receive interest at 0.228% per annum, while those from time deposits would receive 1.043%.
15	The CBC issued the New Taiwan Dollar Uncirculated Coin Collection/ National Parks of Taiwan Series - Taroko National Park.
26	The CBC amended the regulations governing RMB positions offset by authorized banks with the RMB clearing bank in Taiwan, effective from

Date	Event
	November 2, 2015.
Oct. 28	The CBC amended the <i>Directions for Open Market Operations by the Central Bank of the Republic of China (Taiwan)</i> , abolishing the rules of denominations of CDs and revising the terms of early termination of CDs.
Nov. 12	The CBC issued a commemorative silver coin for the 150th Anniversary of the Birth of Dr. Sun Yat-sen, Founding Father of the Republic of China.
Dec. 17	The CBC's Board decided on the following measures: 1. Cutting the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral by 12.5 basis points each to 1.625%, 2%, and 3.875%, respectively, effective from December 18, 2015. 2. Keeping the target range of M2 growth for 2016 unchanged at 2.5% to 6.5%.
25	The CBC lowered the remuneration rates on banks' B reserve accounts with the central bank. Reserves from demand deposits would receive interest at 0.208% per annum, while those from time deposits 0.973%.

Financial Statements of the CBC

1. Balance Sheet

Unit: NT\$ Million

	December 31 2015	December 31 2014	Change	
			Amount	%
Assets				
Foreign Assets	14,165,207	13,393,295	771,912	5.76
Due from Domestic Banks	882,287	533,318	348,969	65.43
Loans and Accommodations to Financial Institutions	339,985	260,360	79,625	30.58
Other Assets	749,018	1,009,187	-260,169	-25.78
Total Assets	16,136,497	15,196,160	940,337	6.19
Liabilities				
Currency Issued	1,804,606	1,706,694	97,912	5.74
Deposits of Financial Institutions	1,656,019	1,563,552	92,467	5.91
Certificates of Deposit Issued	7,544,710	7,106,310	438,400	6.17
Redeposits of Financial Institutions	2,184,092	2,193,793	-9,701	-0.44
Government Deposits	191,301	126,300	65,001	51.47
Other Liabilities	1,828,638	1,617,447	211,191	13.06
Total Liabilities	15,209,366	14,314,096	895,270	6.25
Equity	927,131	882,064	45,067	5.11
Total Liabilities and Equity	16,136,497	15,196,160	940,337	6.19

2. Income Statement

Unit: NT\$ Million

	2015	2014
Income		
Interest Income	403,507	389,608
Fee Income	105	114
Foreign Exchange Gains	14,862	17,806
Revenue from Trust Investment	3,140	6,066
Subsidiaries Investment Income	1,714	1,697
Others	552	549
Total Income	423,880	415,840
Expenses		
Interest Expenses	93,772	92,464
Fee Expenses	230	227
Expenses for Coin Issuance	1,614	1,814
Expenses for Banknote Issuance	4,287	3,430
Allowances	95,632	116,954
Operating Expenses	1,438	1,462
Administrative Expenses	454	452
Others	1,152	1,078
Total Expenses	198,579	217,881
Net Income	225,301	197,959

Key Economic and Financial Indicators of the Republic of China (Taiwan)

Year / Month	I. Business Indicators			II. National Income and Aggregate Demand										
	NDC ⁽¹⁾ Total Score of Monitoring Indicators	TIER ⁽²⁾ Business Composite Index (2006=100) (average)		Economic Growth Rate	Per Capita GNI	Unemploy- ment Rate	Manufacturing Sector			Annual Rate of Change of Industrial Production Indices				
		Manufacturing	Services				Labor Productivity Index	Average Monthly Earnings (Per Employee) (NT\$)	Unit Labor Cost Index Growth Rate (%)	General	Manufacturing	Construction		
(average)	Sector	Sector	(%)	(US\$)	(%)	(2011=100)		(%)	(%)	(%)				
2006	22	100.00	100.00	5.62	17,446	3.91	77.43	42,393	-1.89	4.80	4.61	9.02		
2007	25	102.12	96.05	6.52	18,256	3.91	83.03	43,178	-5.00	7.76	8.34	-0.49		
2008	19	87.43	89.96	0.70	18,564	4.14	82.93	43,121	1.50	-1.15	-0.90	-9.26		
2009	19	97.36	95.54	-1.57	17,531	5.85	83.87	39,125	-7.57	-7.91	-7.80	-19.08		
2010	37	101.94	105.90	10.63	19,864	5.21	96.88	42,300	-11.20	24.17	26.47	-9.17		
2011	24	95.29	99.43	3.80	21,507	4.39	100.00	43,316	1.17	4.44	4.69	7.58		
2012	17	91.72	90.66	2.06	21,967	4.24	99.34	43,689	2.25	-0.25	-0.32	7.12		
2013	20	98.07	94.54	2.20	22,526	4.18	99.37	43,829	0.27	0.65	0.56	3.69		
2014	25	100.59	98.45	3.92	23,308	3.96	103.46	45,207	-1.40	6.37	6.63	10.56		
2015	17	93.91	89.36	0.75	22,989	3.78	102.52	46,781	6.22	-1.75	-1.49	3.57		
2015/1	23	99.19	95.92			3.71	104.75	49,705	-42.58	6.74	8.17	-28.19		
2	24	98.30	96.74			3.69	115.85	84,071	106.84	2.17	2.31	41.96		
3	22	97.56	97.85			4.04	5,886	3.72	104.88	40,444	-2.09	6.81	7.33	15.60
4	16	96.29	96.80			3.63	105.81	40,928	3.52	1.13	1.27	21.20		
5	18	96.52	96.47			3.62	105.06	41,918	2.35	-3.39	-2.76	2.57		
6	16	93.62	90.96	0.57	5,692	3.71	102.55	42,468	7.54	-1.12	-0.89	-0.95		
7	14	91.77	88.37			3.82	98.92	49,334	11.21	-2.75	-2.77	27.09		
8	14	90.44	83.96			3.90	99.31	43,858	5.33	-5.91	-5.93	3.22		
9	14	90.01	81.53			-0.80	5,712	3.89	100.21	43,117	9.31	-5.59	-5.81	-2.89
10	15	91.30	81.06			3.90	100.94	40,680	6.96	-6.29	-6.50	-13.81		
11	15	91.03	80.63			3.91	99.26	41,146	4.28	-4.80	-4.84	17.74		
12	14	90.86	82.06	-0.52	5,699	3.87	96.60	43,879	6.99	-5.85	-5.29	-2.08		

Notes: (1) NDC : National Development Council.

(2) TIER : Taiwan Institute of Economic Research.

Key Economic and Financial Indicators of the Republic of China (Taiwan) Cont.

Year / Month	II. National Income and Aggregate Demand														
	Annual Rate of Change of Private Consumption Expenditure	Annual Rate of Change of Gross Fixed		Gross National Savings / GNI (%)	Gross Domestic Investment / GNI (%)	External Trade of Goods on Customs Basis (in US Dollars)									
		Capital Formation	Private Sector			Annual Rate of Change of Total Exports					Annual Rate of		Trade Balance (US\$ Million)	Annual Rate of Change of Export Orders (%)	
						Change of Total Imports	Capital Equipment	China and H. K. (%)	U. S. (%)	Japan (%)	Europe (%)	ASEAN (%)			
															(%)
2006	1.79	1.52	4.57	31.05	24.02	13.1	15.0	11.3	8.3	10.6	14.2	11.3	-0.5	19,462	16.7
2007	2.42	1.14	1.88	31.46	23.45	10.1	12.4	-1.0	-2.1	9.9	16.3	8.1	3.1	25,677	15.5
2008	-1.69	-11.13	-14.15	29.62	23.89	3.7	-0.6	-3.7	10.5	4.4	7.2	9.6	-9.3	13,585	1.7
2009	0.01	-8.81	-15.32	29.29	19.29	-20.3	-15.8	-23.5	-18.1	-24.3	-21.5	-27.4	-23.5	28,065	-8.3
2010	3.76	19.31	27.63	33.14	24.23	35.2	37.3	33.6	27.4	30.0	37.3	44.3	65.0	21,734	26.1
2011	3.12	-1.15	1.20	31.46	23.01	12.6	8.4	15.4	3.2	6.4	23.2	12.4	-4.3	24,861	7.2
2012	1.82	-2.61	-0.35	30.45	21.82	-2.1	-3.8	-9.1	2.0	-8.1	9.5	-3.7	-6.7	29,085	1.1
2013	2.34	5.30	7.09	32.00	21.46	1.6	3.4	-1.8	-1.2	-3.4	3.7	0.2	5.4	33,418	0.4
2014	3.33	1.76	3.17	32.95	21.20	2.8	2.6	7.6	3.9	4.4	1.6	1.4	4.6	38,242	6.7
2015	2.28	1.52	3.11	34.41	20.27	-10.9	-12.4	-1.6	-2.7	-10.8	-14.2	-15.8	-1.1	48,124	-4.4
2015/1						2.9	10.8	8.0	2.8	-12.8	-6.2	-3.4	8.3	4,383	8.1
2						-6.6	-16.8	15.5	11.8	-2.2	-8.7	-22.7	-12.8	4,487	-2.7
3	3.73	-0.44	1.33	35.18	19.34	-9.4	-9.4	0.1	-10.9	-13.5	-12.5	-17.6	-18.7	3,705	1.3
4						-12.3	-12.7	0.8	9.3	-22.4	-18.5	-22.1	-14.9	4,506	-4.0
5						-4.2	-8.6	2.4	9.0	-7.6	-0.1	-5.8	-2.6	5,291	-5.9
6	3.55	0.60	-0.64	34.19	21.26	-14.8	-17.8	-8.5	-11.3	-11.0	-12.2	-16.2	4.2	1,933	-5.8
7						-12.7	-14.7	1.3	0.2	-15.2	-18.6	-17.7	10.5	3,289	-5.0
8						-14.6	-16.4	-5.6	-11.5	-12.5	-18.6	-15.1	19.1	3,576	-8.3
9	0.48	3.24	5.24	34.67	20.69	-14.7	-16.2	-0.4	-14.5	-9.2	-17.2	-22.9	-6.8	4,925	-4.5
10						-10.7	-10.4	-8.3	0.7	-11.5	-18.0	-18.8	-1.8	5,736	-5.3
11						-17.2	-19.7	-10.8	-5.5	-4.4	-19.4	-11.4	4.6	2,147	-6.3
12	1.46	2.54	6.81	33.59	19.84	-13.8	-15.4	-7.2	-4.5	-4.1	-18.3	-14.9	0.2	4,147	-12.3

Note: ③ ASEAN: The Association of Southeast Asian Nations.

Key Economic and Financial Indicators of the Republic of China (Taiwan) Cont.

Year / Month	III. Prices					IV. Money, Banking and Finance					
	Annual Rate of Change of Price Indices (%)					Reserve Money (daily average)		Monetary Aggregates (daily average)			
								M1B		M2	
	CPI	Core CPI ⁽⁴⁾	Wholesale Price	Import Price	Export Price	Amount	Annual Growth Rate ⁽⁵⁾	Amount	Annual Growth Rate	Amount	Annual Growth Rate
					(In NT Dollars)	(NT\$ Billion)	(%)	(NT\$ Billion)	(%)	(NT\$ Billion)	(%)
2006	0.60	0.53	5.63	8.82	2.50	1,888.1	5.62	7,787.5	5.30	24,939.0	6.18
2007	1.80	1.46	6.47	8.94	3.56	1,977.1	5.11	8,289.2	6.44	25,975.9	4.16
2008	3.52	3.26	5.14	8.84	-2.15	2,084.1	3.35	8,045.8	-2.94	26,679.3	2.71
2009	-0.86	-0.04	-8.73	-9.60	-6.59	2,298.4	11.55	9,376.5	16.54	28,667.1	7.45
2010	0.96	0.58	5.46	7.04	2.02	2,421.7	5.43	10,776.6	14.93	29,966.1	4.53
2011	1.42	1.26	4.32	7.65	0.09	2,632.3	7.24	11,547.8	7.16	31,713.9	5.83
2012	1.93	1.00	-1.16	-1.28	-1.62	2,761.6	4.91	11,946.7	3.45	33,037.6	4.17
2013	0.79	0.66	-2.43	-4.45	-2.06	2,959.9	7.18	12,815.8	7.27	34,616.7	4.78
2014	1.20	1.26	-0.57	-2.10	0.10	3,165.4	6.94	13,836.1	7.96	36,576.7	5.66
2015	-0.31	0.79	-8.84	-12.94	-4.67	3,348.8	5.79	14,680.0	6.10	38,894.1	6.34
2015/ 1	-0.94	0.64	-7.87	-12.98	-2.95	3,257.0	3.22	14,326.3	5.03	37,846.1	5.86
2	-0.20	1.78	-8.82	-13.59	-4.71	3,427.1	6.08	14,564.3	6.12	38,399.1	6.51
3	-0.62	0.96	-8.82	-13.67	-4.65	3,374.4	7.53	14,517.1	5.87	38,593.0	6.57
4	-0.82	0.66	-9.12	-13.77	-5.03	3,346.4	6.68	14,501.4	5.85	38,698.1	6.53
5	-0.73	0.60	-9.67	-14.33	-6.02	3,330.6	6.39	14,561.2	6.18	38,906.5	6.81
6	-0.56	0.58	-9.46	-14.02	-5.49	3,296.2	5.67	14,488.5	6.09	38,774.0	6.53
7	-0.63	0.69	-10.23	-14.51	-5.98	3,304.2	5.22	14,586.3	5.66	38,874.9	6.06
8	-0.44	0.63	-9.46	-13.75	-4.25	3,345.4	5.67	14,789.6	5.86	39,098.0	6.01
9	0.30	0.61	-8.71	-12.35	-3.60	3,367.9	5.76	14,923.3	6.62	39,276.4	6.50
10	0.31	0.70	-8.67	-11.91	-4.25	3,363.0	5.81	14,890.6	6.75	39,251.8	6.58
11	0.53	0.86	-7.97	-10.51	-4.45	3,368.8	5.75	14,917.4	6.73	39,404.8	6.39
12	0.14	0.79	-7.30	-9.35	-4.60	3,404.5	5.74	15,093.7	6.37	39,606.1	5.68

Notes: (4) Core CPI refers to CPI excluding the categories of fruits, vegetables and energy.

(5) The annual growth rates are adjusted for most recent changes in required reserve ratios on Jan. 1, 2011, and in the share of required reserves deposited with the Bank's B account in Nov. 2001.

Key Economic and Financial Indicators of the Republic of China (Taiwan) Cont.

Year / Month	IV. Money, Banking and Finance										
	Monetary Financial Institutions (end of period)				Non-performing Loan Ratio of Domestic Banks ⁽⁶⁾ (end of period) (%)	Interest Rates (%)					
	Deposits		Loans & Investments			CBC's Discount Rate (end of period)	Interbank Call Loan Rate (average)	31-90 Days CP Rate In Secondary Market	10-year Gov't Bond Rate in Secondary Market	Five Major Domestic Banks ⁽⁷⁾	
	Amount (NT\$ Billion)	Annual Rate of Change (%)	Amount (NT\$ Billion)	Annual Rate of Change (%)						1-year Deposit Rate (end of period)	New Loan Rate (average)
2006	25,811.5	4.88	20,153.9	4.10	2.13	2.750	1.552	1.54	1.98	2.20	2.37
2007	26,052.5	0.93	20,626.9	2.35	1.84	3.375	1.998	1.90	2.32	2.62	2.70
2008	27,870.2	6.98	21,331.5	3.42	1.54	2.000	2.014	1.92	2.29	1.42	2.80
2009	29,448.6	5.66	21,482.3	0.71	1.15	1.250	0.109	0.24	1.51	0.89	1.50
2010	31,006.3	5.29	22,803.7	6.15	0.61	1.625	0.185	0.38	1.37	1.13	1.45
2011	32,302.2	4.18	24,172.9	6.00	0.43	1.875	0.341	0.70	1.38	1.36	1.54
2012	33,300.4	3.09	25,548.8	5.69	0.40	1.875	0.428	0.79	1.21	1.36	1.62
2013	35,062.4	5.29	26,720.6	4.59	0.38	1.875	0.386	0.69	1.46	1.36	1.70
2014	37,133.9	5.91	28,110.6	5.20	0.25	1.875	0.387	0.62	1.60	1.36	1.68
2015	39,355.8	5.98	29,406.4	4.61	0.23	1.625	0.353	0.58	1.39	1.21	1.67
2015/ 1	37,470.5	6.34	28,283.0	4.59	0.27	1.875	0.387	0.64	1.52	1.36	1.62
2	37,781.4	6.30	28,536.9	5.26	0.28	1.875	0.388	0.64	1.54	1.36	1.64
3	37,944.5	6.15	28,538.2	5.14	0.26	1.875	0.387	0.63	1.61	1.36	1.62
4	38,197.9	6.45	28,617.8	4.72	0.26	1.875	0.387	0.65	1.54	1.36	1.81
5	38,327.8	6.62	28,642.4	4.59	0.26	1.875	0.387	0.64	1.57	1.36	1.80
6	38,226.9	6.10	28,491.3	4.23	0.25	1.875	0.387	0.61	1.52	1.36	1.77
7	38,457.1	5.54	28,750.0	4.01	0.25	1.875	0.387	0.62	1.48	1.36	1.66
8	38,675.3	5.90	28,957.4	4.43	0.25	1.875	0.367	0.58	1.23	1.36	1.72
9	38,722.7	6.57	29,126.9	5.03	0.25	1.750	0.320	0.53	1.18	1.28	1.58
10	38,909.9	6.72	29,181.9	4.84	0.25	1.750	0.301	0.49	1.17	1.28	1.66
11	39,002.0	6.04	29,236.9	4.56	0.24	1.750	0.301	0.45	1.17	1.28	1.64
12	39,355.8	5.98	29,406.4	4.61	0.23	1.625	0.275	0.43	1.11	1.21	1.60

Notes: (6) The data are based on the new NPL definition released by the Financial Supervisory Commission in Dec. 2001, which include loans under surveillance.
 (7) For data prior to Oct. 2008, the five major domestic banks are Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank and Chang Hwa Commercial Bank, while beginning Nov. 2008, the Chang Hwa Commercial Bank is replaced by Land Bank of Taiwan.

Key Economic and Financial Indicators of the Republic of China (Taiwan) Cont.

Year / Month	V. Securities Market					VI. Balance of Payments and Foreign Exchange Market						
	TWSE® Stock Market		Bond Market			Balance of Payments				Foreign Exchange Reserves	Exchange Rate	Daily Average Value of Foreign Exchange Transactions
	Stock Price Index	Total Trading Value	Outstanding	Total Trading Value	Share of Outright Transactions	Current Account	Capital Account	Financial Account	Changes in Reserve Assets ⁽⁹⁾			
	(1966=100) (average)	(NT\$ Billion)	(end of period) (NT\$ Billion)		(%)	(US\$ Million)				(end of period) (US\$ Billion)	(end of period) (NT\$/US\$)	(US\$ Billion)
2006	6,842	23,900.4	5,462.1	275,833.2	61.63	23,151	-118	-19,601	-6,086	266.15	32.596	15.63
2007	8,510	33,043.9	5,542.1	194,005.5	48.34	32,044	-96	-38,932	4,020	270.31	32.443	18.62
2008	7,024	26,115.4	5,771.2	135,509.5	44.09	24,821	-334	-1,641	-26,274	291.71	32.860	19.37
2009	6,460	29,680.5	5,920.3	97,547.5	40.40	40,650	-96	13,488	-54,126	348.20	32.030	16.22
2010	7,950	28,218.7	6,352.3	106,318.0	40.12	36,843	-116	-339	-40,173	382.01	30.368	20.23
2011	8,156	26,197.4	6,895.8	97,809.1	27.46	37,898	-119	-32,027	-6,239	385.55	30.290	24.17
2012	7,481	20,238.2	7,576.1	86,551.7	21.30	47,275	-83	-31,674	-15,484	403.17	29.136	23.41
2013	8,093	18,940.9	8,104.6	69,226.1	19.78	53,054	6	-43,915	-11,318	416.81	29.950	28.93
2014	8,992	21,898.5	8,726.8	68,032.4	21.62	63,812	-76	-53,304	-13,015	418.98	31.718	31.29
2015	8,959	20,191.5	8,859.5	67,725.7	22.70	76,165	-82	-68,041	-15,011	426.03	33.066	33.35
2015/ 1	9,282	1,722.5	8,716.4	6,159.0	25.48					415.90	31.555	38.31
2	9,506	1,023.7	8,752.5	3,885.4	21.23					417.83	31.503	33.13
3	9,611	2,016.1	8,722.7	6,369.7	26.96	21,380	-27	-19,818	-3,811	414.69	31.401	34.56
4	9,680	1,959.3	8,727.8	5,325.9	21.90					418.17	30.752	35.97
5	9,689	1,758.9	8,795.1	5,048.6	24.47					418.96	30.871	35.35
6	9,355	1,758.9	8,869.6	5,184.2	24.85	15,978	-3	-14,641	-4,174	421.41	31.070	34.68
7	8,964	1,751.7	8,828.5	5,587.6	23.94					421.96	31.682	35.11
8	8,156	1,796.8	8,867.3	6,601.4	25.46					424.79	32.810	37.43
9	8,206	1,492.8	8,846.0	6,105.7	20.70	18,796	-18	-11,547	-5,685	426.33	33.128	32.91
10	8,551	1,687.3	8,907.0	5,885.3	18.78					426.77	32.802	29.10
11	8,503	1,673.2	8,913.6	5,460.4	20.46					424.61	32.830	26.80
12	8,298	1,550.3	8,859.5	6,112.5	18.13	20,011	-34	-22,035	-1,341	426.03	33.066	27.65

Notes: (8) TWSE: Taiwan Stock Exchange Corporation.

(9) The minus sign "-" represents an increase.

Sources: 1. NDC.

2. Taiwan Institute of Economic Research.

3. Department of Statistics, Ministry of Economic Affairs.

4. DGBAS, Executive Yuan.

5. Department of Statistics, Ministry of Finance.

6. Banking Bureau, Financial Supervisory Commission.

7. Financial Statistics Monthly.

8. Balance of Payments Quarterly CBC, February 2016.

9. Taiwan Stock Exchange Corporation.

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