

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
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