

# Foreword



Chin-Long Yang, Governor

2017 was a year of a steady global economic recovery and commodity price upswings, which combined to drive Taiwan's exports expansion as domestic consumer spending maintained moderate growth. Against this backdrop, Taiwan's economy grew at a faster pace of 2.86%, the highest annual growth rate in three years. Meanwhile, inflation was mild as NT dollar appreciation helped alleviate imported inflationary pressures and a weather-induced higher base effect held down food prices. Compared to the previous year, the consumer price index (CPI) rose by 0.62% and the core CPI (excluding vegetables, fruit, and energy prices) went up by 1.04%.

While formulating this year's monetary policy, we have noted that the global economic outlook remains uncertain, the domestic economy is posting moderate growth, and the output gap is still negative. In addition, current inflationary pressures are subdued and inflation expectations are well anchored. Compared to several major economies, Taiwan's real interest rate also stands at an appropriate level. Based on these assessments, the Bank has held the policy rates unchanged during the course of year 2017, keeping money and credit conditions adequate and accommodative to foster economic growth. We also conducted open market operations to adjust liquidity in the banking system. For the year as whole, bank credit and M2 increased by 4.79% and 3.75% year on year, indicating that market liquidity was sufficient to support economic activity.

The Bank is dedicated to policy transparency. We recognize that ever-changing

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economic and financial conditions around the world have amplified public expectations for greater transparency at the central bank. With this in mind, the Bank decided to publish the minutes of quarterly Board Meetings six weeks after each meeting, starting from June 2017, to aid public understanding of monetary policy-making.

With respect to foreign exchange (FX) policy, in 2017, the Bank relaxed several FX regulations, expanded the approved scope of FX derivatives while streamlining the application procedures, facilitated electronic declaration of FX settlements, and gave the National Credit Card Center green light to launch the dynamic currency conversion (DCC) service.

The Bank also reorganized the payment system to achieve greater safety and efficiency, further enhancing financial infrastructure and urging clearing institutions to strengthen system integrity and information security. In light of fintech's growing presence and importance, the Bank will welcome new ideas and respond to new demands. We have put together a team to study digital finance and financial technology, keeping close watch on the development in blockchain, regulatory technology (regtech), big data, and artificial intelligence.

Looking forward, uncertainties around the world, including policy normalization by major central banks of the advanced economies, rising trade protectionism, and escalating geopolitical risks, could heighten financial market volatility and disrupt global economic growth. Our monetary and FX policies will be responsive to the economic and financial developments at home and abroad and remain consistent with our statutory mandate, which includes maintaining an orderly FX market to safeguard dynamic stability of the NT dollar.

Finally, I hope this publication, which is the culmination of the hard work carried out by my colleagues, will serve as a useful source of information. As always, the Bank is committed to fulfilling our mission and will continue moving forward with the times.



Chin-Long Yang  
Governor  
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