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Monetary Policy Decision of the Board Meeting (2025Q4)

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Central Bank of the Republic of China (Taiwan)

PRESS RELEASE

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I. Global economic and financial conditions

Since the Board met in September this year, with the development of artificial intelligence (AI) and other emerging technology applications, global manufacturing activity has continued to expand, and the global economy has experienced moderate growth. Meanwhile, the decline in international crude oil prices in recent months has pushed down global inflation further.

Major central banks have taken divergent monetary policy paths since September. The U.S. Federal Reserve has continued rate reductions, whereas the European Central Bank has held off on rate cuts. In the meantime, the Bank of Japan has yet to raise the policy rates, and the People's Bank of China has maintained an accommodative policy stance. Market expectations regarding the pace of monetary policy adjustments by major central banks, along with concerns about overvaluation in AI-related industries, have increased volatility in international financial markets.

Looking ahead, although major economies expand investment in emerging technologies and adopt expansionary fiscal policies, U.S. tariff measures may

dampen global trade growth momentum. International institutions have therefore forecasted global economic growth to be slightly lower in 2026 than in 2025, with global inflation projected to continue easing. A string of factors such as the prospects for AI-related industries, the future course of U.S. economic and trade policies, slower growth momentum for China's economy, monetary policy actions of major central banks, as well as geopolitical conflicts and climate change, could increase uncertainties surrounding the global economic and financial outlook.

II. Domestic economic and financial conditions

1. The domestic economy performed better than expected in the first three quarters of the year, expanding by 7.18% over the same period a year ago. In recent months, as strong demand for AI and other emerging technology applications continued to provide a boost, exports rose significantly and private investment further increased. Private consumption growth also rebounded. For the year as a whole, the GDP growth rate was forecasted by the Bank to register 7.31% (see Appendix Table 1 for the forecasts by major institutions). Regarding labor market conditions in recent months, the number of employed persons increased, the unemployment rate dropped, and wage growth picked up mildly.

Looking ahead to next year, against the background of persistent growth in demand for emerging technology applications and slower expansion in global trade as expected by international institutions, coupled with a higher base effect, Taiwan's exports and private investment were expected to experience moderate growth momentum. Meanwhile, private consumption would likely trend upwards. Overall, the GDP growth rate was projected by the Bank to remain solid at 3.67% next year.

2. For the period since September this year, the annual growth rate of the consumer price index (CPI) trended downwards, reflecting the exemption or reduction of commodity taxes for a number of goods as well as the gradual stabilization in food prices such as fruit and vegetables. For the first eleven months of the year, the annual growth rate of the CPI averaged 1.69% and that of the core CPI (excluding vegetables, fruit, and energy items) averaged 1.64%. The Bank forecasted the CPI and the core CPI annual growth rates to register 1.66% and 1.65%, respectively, in

2025 (see Appendix Table 2 for the forecasts by major institutions), lower than the 2.18% and 1.88% recorded in 2024.

Looking ahead to next year, global oil prices were projected by international institutions to run below the level of this year, the aforementioned price-cutting effect from the partial commodity tax exemption/reduction was expected to continue, and domestic services inflation would also likely to maintain a gradual downtrend. The Bank therefore forecasted the CPI and the core CPI annual growth rates to both register 1.63% next year. Key drivers for future domestic inflation trends include international commodity prices, domestic services prices, and weather factors.

3. Domestic market liquidity remained ample, and both long- and short-term market interest rates fluctuated within a narrow range in recent months. Excess reserves in the banking system averaged slightly above NT\$45 billion in the period of September to November this year. For the first eleven months of the year, the average annual growth rate of the monetary aggregate M2 (measured on a daily average basis) was 4.50% and that of bank loans and investments was 6.70%.

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

At the meeting today, the Board considered the totality of information on the economic and financial conditions at home and abroad. The domestic inflation outlook was projected to be mild next year, with the inflation rate staying below 2%. The domestic economy was expected to post solid growth next year. Taking a prudent approach to the uncertainty surrounding the global economic and financial outlook and the potential influence of U.S. economic and trade policies on Taiwan's economy, the Board judged that a rate hold would help sustain sound economic and financial development on the whole.

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

Going forward, the Bank will closely monitor the implications of uncertainty factors – including the development of AI-related industries, the impact of the U.S. economic and trade policies, the risk of China experiencing weaker growth momentum, the pace of monetary policy adjustments by major central banks, geopolitical conflicts, and extreme weather – for Taiwan's economic activity, financial conditions, and price trends. The Bank will adjust its monetary policy accordingly in a timely manner as warranted to fulfill the statutory duties of maintaining financial and price stability and fostering economic development within the scope of the aforementioned objectives.

IV. The Bank adopted moral suasion in mid-August 2024 by asking banks to enhance internal quantitative control goals of aggregate real estate lending volumes over the coming year (2024Q4 - 2025Q4). The Bank then made the seventh amendment to its selective credit control measures in September 2024.

Since the imposition of these policy measures, the loan brackets under the credit controls have witnessed lower loan-to-value (LTV) ratios; consumer expectations for housing price rises have eased, housing market transactions have continued to cool down, and the housing price uptrend has slowed. Meanwhile, housing loans granted by domestic banks to non-homeowners have continued to increase as a share of total housing loans. Loans for urban renewal and reconstruction of unsafe and dilapidated housing have also been rising as a share of construction loans. Overall, the ratio of real estate lending to total lending of all banks (a measure of concentration of real estate lending) has gradually come down from the peak of 37.61% recorded at the end of June 2024 to 36.70% as of the end of November this year. The annual growth rates of real estate loans, housing loans, and construction loans of all banks have also trended down, standing at 3.79%, 4.81%, and 0.68%, respectively, at the end of November this year.

Looking at the implementation outcome in the past year, most banks have achieved their self-set quantitative control goals of aggregate real estate lending volumes, and data have shown improvements in all of the aforementioned indicators related to real estate lending. In this view, starting next year, banks may carry out quantitative

controls at their own discretion but are required to submit related data reports to the Bank on a monthly basis. Through these reports and by continuing with targeted financial examinations, the Bank will keep watch on the evolving situations of banks' real estate lending and urge banks to ensure compliance with the selective credit control measures. In doing so, the Bank hopes to channel credit resources continuously towards uses aligned with government initiatives such as those in support of non-homeowner mortgage borrowers, urban renewal and reconstruction of unsafe and dilapidated homes, and social housing projects, and towards accommodating the funding needs of productive enterprises for real investment.

Meanwhile, the Bank will continue to conduct rolling reviews of the effectiveness of the selective credit control measures, closely monitor potential impacts of real estate sector-related policies on the housing market, and adjust relevant measures as needed in order to promote financial stability and sound banking operations.

V. The NT dollar exchange rate is in principle determined by market forces.

Nonetheless, when irregular factors (such as massive inflows/outflows of short-term capital) and seasonal factors lead to excess volatility or disorderly movements in the NT dollar exchange rate with adverse implications for economic and financial stability, the Bank, in compliance with its statutory duties, will step in to maintain an orderly market.

Attachment(s) for download

1 . 114-1218Appendix Tables

