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Monetary Policy Decision of the Board Meeting (2025Q3)

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Central Bank of the Republic of China (Taiwan)

PRESS RELEASE

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Monetary Policy Decision of the Board Meeting (2025Q3)

I. Global economic and financial conditions

Since the Board met in June this year, with increased clarity on U.S. tariff policy, the impact of its related uncertainty on the world economy has somewhat eased, and global manufacturing activity has slightly recovered. International institutions revised upward the global economic growth forecast for this year, albeit still below the level of the previous year. Meanwhile, despite a recent modest rebound in international crude oil, grain, and other raw material prices, international institutions projected global inflation to continue to soften this year.

From June onwards, the monetary policy paths of major central banks diverged. The U.S. Federal Reserve resumed cutting rates, whereas the Bank of Japan maintained its pause on rate increases. In the meantime, the European Central Bank put rate reductions on hold, and the People's Bank of China continued with monetary easing measures. Market expectations regarding the pace of monetary policy adjustments by major central banks added to volatility in international financial markets.

Looking ahead, multiple factors such as the future course of U.S. tariff policy, monetary policy actions of major central banks, China's economic slowdown, as well as geopolitical conflicts and climate change, could increase uncertainties over the global economic and financial outlook. International institutions forecasted global economic growth to be slightly higher in 2026 than in 2025, with global inflation expected to ease further.

II. Domestic economic and financial conditions

1. The domestic economy performed better than expected in the first half of the year, with an annual growth rate of 6.75%. From July onwards, bolstered by continuous strong demand for artificial intelligence (AI) and other emerging technology applications, exports grew significantly and private investment also increased further, whereas private consumption showed slower growth. The Bank forecasted that while a high base effect would lead the economic growth rate to register 2.51% for the second half of this year, the economy would expand by 4.55% for the year as a whole (see Appendix Table 1 for the forecasts by major institutions). Regarding labor market conditions in recent months, the number of employed persons continued to rise, the unemployment rate declined year on year, and wage grew mildly. Nonetheless, the number of furloughed workers turned higher, mainly reflecting the U.S. tariff policy impact on some manufacturers.

Looking ahead to next year, despite the ongoing demand boom for emerging tech applications, Taiwan's exports and private investment were expected to grow at a slower pace as the U.S. tariffs may continue to weigh on global trade growth, coupled with a higher base effect. Meanwhile, private consumption would likely pick up. The Bank therefore projected the economy to expand moderately by 2.68% next year.

2. The annual growth rate of the consumer price index (CPI) rose back up in recent months as weather disruptions caused food prices such as fruit and vegetables to stay elevated. For the first eight months of the year, the annual growth rate of the CPI averaged 1.83% and that of the core CPI (excluding vegetables, fruit, and energy items) averaged 1.64%. Regarding the inflation outlook, the Bank expected

inflationary pressures to be mild in the second half of the year and forecasted the CPI and the core CPI annual growth rates to register 1.75% and 1.67% in 2025, respectively (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, international institutions expected oil prices to run below the level of this year, and domestic services inflation would likely maintain a shallow downtrend. In this view, the Bank forecasted the CPI and the core CPI annual growth rates to further decline to 1.66% and 1.64% in 2026, respectively. 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 close to NT\$40 billion in the period of June to August this year. For the first eight months of the year, the average annual growth rate of the monetary aggregate M2 (measured on a daily average basis) was 4.24% and that of bank loans and investments was 6.99%.

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 rate was projected to drop to below 2% this year and to continue to slow down next year. The domestic economy was expected to post solid growth this year and to expand at a moderate pace next year. Taking a prudent approach to the uncertainty surrounding the global economic 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 U.S. tariff policy impact, the pace of monetary policy adjustments by major central banks, China's economic downturn risk, 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 controls 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 policies, 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 36.71% as of the end of August this year.

Going forward, the Bank will keep watch on concentration on real estate lending so as to channel credit resources towards accommodating the funding needs of productive enterprises for real investment, and 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. Meanwhile, the Bank will review 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 . 114-0918Appendix Table

