

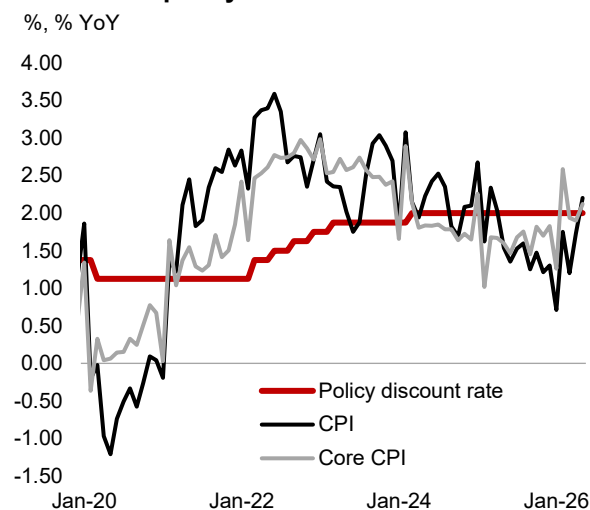
Taiwan: CBC maintains a slightly hawkish policy bias

19 June 2026

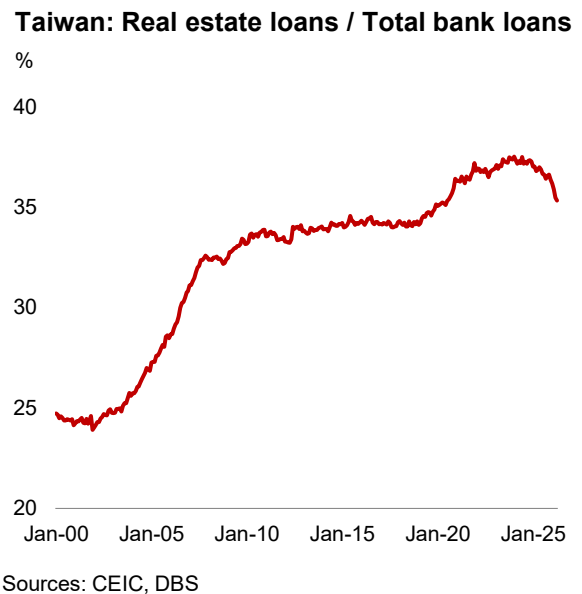
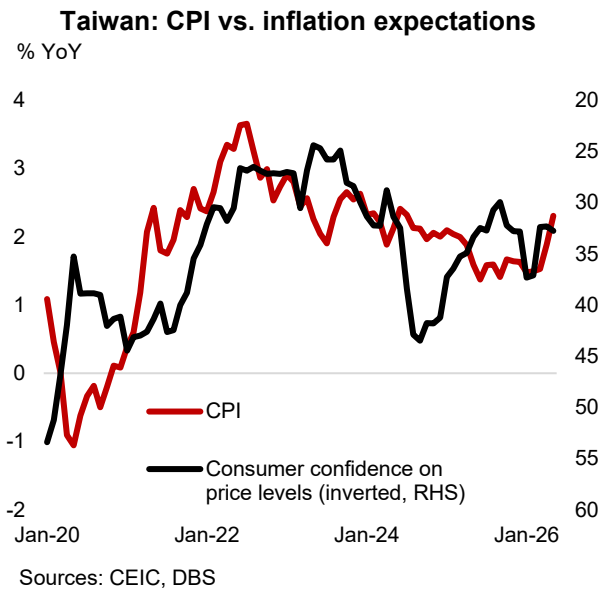
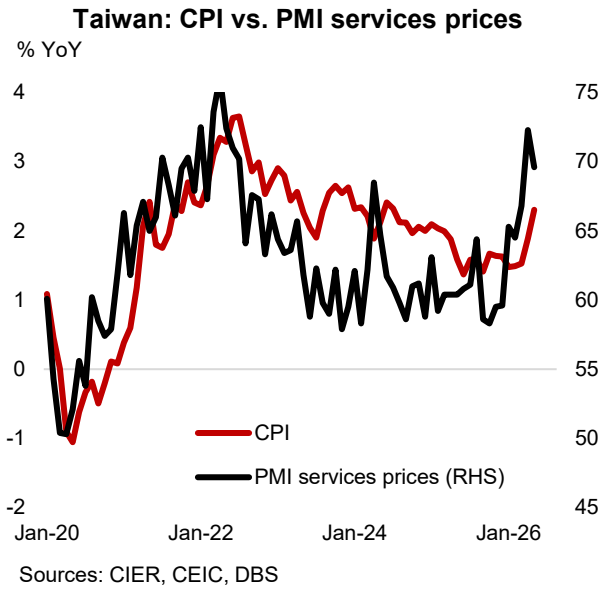
- Taiwan's central bank kept its policy rate unchanged at 2.00% at the June 18 meeting, while maintaining a slightly hawkish bias
- The CBC also left its LTV restrictions on housing mortgage loans unchanged
- The CBC reminded banks to strengthen risk management amid the expansion of stock market-related credit
- We continue to forecast a 12.5bp rate hike in 2H, but shift the expected timing to 4Q from 3Q
- We also expect existing property-sector credit controls to remain in place
- Policymakers may also seek to curb excessive leverage in equity markets

Taiwan's central bank kept its policy rate unchanged at 2.00% at the June 18 meeting, while maintaining a slightly hawkish bias. The CBC raised its 2026 GDP growth forecast to 9.45% (from 7.28%) and increased its CPI inflation forecast to 1.91% (from 1.80%). Governor Yang disclosed that 2 of the 15 board members voted for a rate hike at this meeting. However, he emphasized that pressure for a rate hike is not imminent, as inflation remains around 2%. The CBC will continue to monitor inflation developments in 2H and maintain a data-dependent policy approach.

CBC policy rate vs. CPI inflation



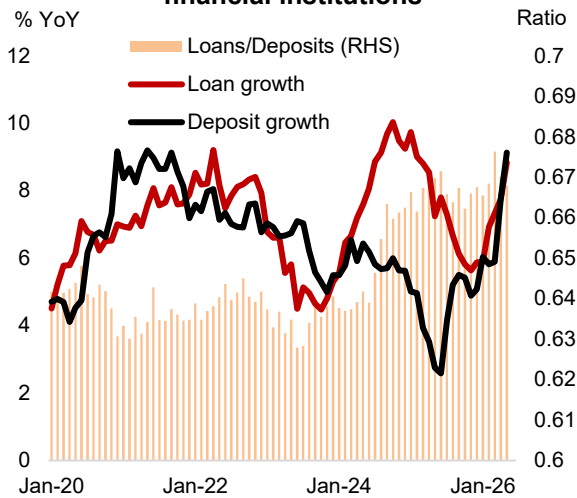
Sources: CEIC, DBS



The CBC also left its LTV restrictions on housing mortgage loans unchanged. The central bank noted that property transactions have cooled, house price appreciation has moderated, and banks' concentration in real estate lending has improved following the credit control measures introduced since August 2024. However, it also pointed out that outstanding real estate loan balances continue to rise, while the decline in the real estate loan concentration ratio partly reflects stronger growth in other lending categories, particularly credit related to stock market activities.

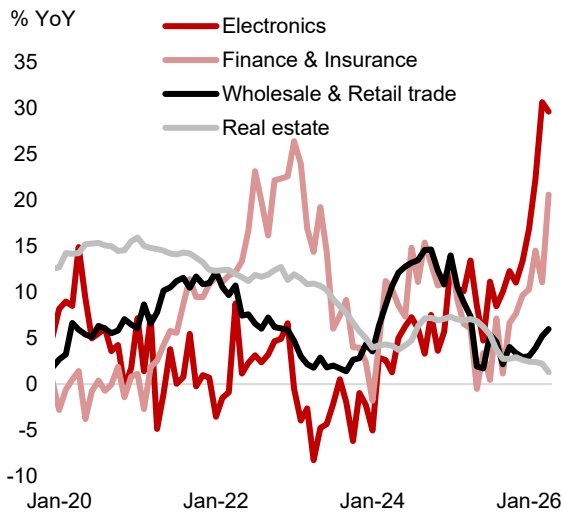
In addition, the CBC reminded banks to strengthen risk management amid the expansion of stock market-related credit. Against the backdrop of a strong equity market, there has been significant growth in both personal wealth-management revolving loans and banks' lending and investment financing to securities firms, futures companies, and financial support service providers.

Taiwan: Loans and deposits at monetary financial institutions



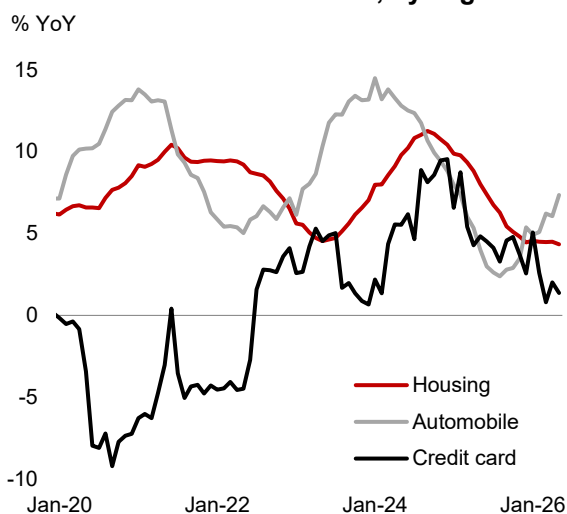
Sources: CEIC, DBS

Taiwan: Corporate loans, by sector



Sources: CEIC, DBS

Taiwan: Consumer loans, by segment



Sources: CEIC, DBS

We continue to forecast a 12.5bp rate hike in 2H, but shift the expected timing to 4Q from 3Q. The CBC appears comfortable with inflation around 2% and real interest rates near zero at present. A decisive rate hike would likely require CPI inflation to exceed 2.5% or remain above 2.0% for an extended period—such as six months—thereby influencing public inflation expectations. Given the recent decline in oil prices, the risk of CPI inflation exceeding 2.5% during Jun–Dec has diminished. However, the risk of inflation remaining above 2% throughout 2H remains intact.

We also expect existing property-sector credit controls to remain in place. The CBC is likely to remain cautious about broader asset price inflation pressures in 2H. Continued strength in the stock market could boost wealth effects, spill over into the property market, and eventually revive housing transactions and house price growth.

Policymakers may also seek to curb excessive leverage in equity markets through moral suasion, window guidance, and enhanced prudential examinations in 2H.

ECONOMICS & STRATEGY

Taimur BAIG, Ph.D.

Chief Economist
Global

taimurbaig@dbs.com

Mo JI, Ph.D.

Chief Economist
China/HK SAR

mojim@dbs.com

Nathan CHOW

Senior Economist
China/HK SAR

nathanchow@dbs.com

Radhika RAO

Senior Economist
Eurozone, India, Indonesia

radhikarao@dbs.com

Tieying MA, CFA

Senior Economist
North Asia

matieying@dbs.com

Han Teng CHUA, CFA

Senior Economist
Asean

hantengchua@dbs.com

Byron LAM

Economist
China/HK SAR

byronlamfc@dbs.com

Eugene LEOW

Senior Rates Strategist
G3 & Asia

eugeneleow@dbs.com

Philip WEE

Senior FX Strategist
Global

philipwee@dbs.com

Wei Liang CHANG

FX & Credit Strategist
Global

weiliangchang@dbs.com

Samuel TSE

Rates Strategist
Asia

samueltse@dbs.com

Sherilyn CHEW

Multi-asset Strategist
Global

sherilync Chew@dbs.com

Mervyn TEO

Credit Analyst
USD, SGD, AUD

mervynteo@dbs.com

Dexter CHUN

Credit Analyst
USD

dexterchun@dbs.com

Tracy Li Jun LIM

Credit Analyst
USD, SGD

tracylimt@dbs.com

Ian Haan CHUI

Credit Analyst
USD

ianchui@dbs.com

Amanda SEAH

Credit Analyst
USD, SGD, AUD

amandaseah@dbs.com

Teng Chong LIM

Credit Analyst
USD, SGD, AUD

tengchonglim@dbs.com

Joel SIEW, CFA

Credit Analyst
USD, SGD, AUD

joelsiew@dbs.com

Iris GAO

Credit Analyst
USD

irisgao@dbs.com

Lilian LV

Credit Analyst
USD

lilianlv@dbs.com

Daisy SHARMA

Analyst
Data Analytics

daisy@dbs.com

Violet LEE

Associate
Publications

violetleeyh@dbs.com

GENERAL DISCLOSURE/ DISCLAIMER (For Macroeconomics, Currencies, Interest Rates, Digital Assets or Commodities)¹

The information herein is published by DBS Bank Ltd and/or DBS Bank (Hong Kong) Limited (each and/or collectively, the "Company"). It is based on information obtained from sources believed to be reliable, but the Company does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. The information herein is published for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Company and its associates, their directors, officers and/or employees may have positions or other interests in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking or financial services for these companies. The information herein is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction (including but not limited to citizens or residents of the United States of America) where such distribution, publication, availability or use would be contrary to law or regulation. The information is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction (including but not limited to the United States of America) where such an offer or solicitation would be contrary to law or regulation.

[#for Distribution in Singapore] This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) which is Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 65-6878-8888 for matters arising from, or in connection with the report.

DBS Bank Ltd., 12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E.

DBS Bank Ltd., Hong Kong Branch, a company incorporated in Singapore with limited liability. 18th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

DBS Bank (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability. 11th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

¹ This disclaimer may not apply if they are falls within 'financial instruments' that are within the scope of Article 2(1) EU MAR (e.g. financial instruments that are traded on a regulated market, MTF or OTF, etc.). Section C of Annex I of MiFID2 specifies these 'financial instruments'.