

Taiwan Watch

December CPI inflation moderated

Dec CPI inflation eased slightly; core CPI inflation steady

Taiwan's CPI inflation eased to 2.71% yoy in Dec (vs. 2.90% in Nov), slightly above the Bloomberg consensus of 2.6% and our forecast of 2.5%. In sequential terms, CPI rose by 0.3% mom sa in Dec, vs. -0.1% in the previous month. Core CPI inflation (excluding vegetables, fruits and energy; 91.9% of the CPI basket) inched up to 2.43% yoy (vs. 2.38% in Nov; Exhibit 1 and Exhibit 2).

Food price inflation moderated; fuel prices fell further

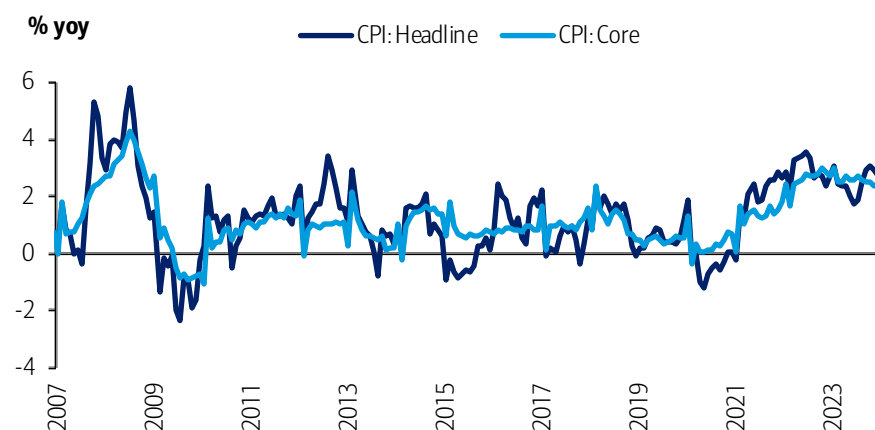
In Dec, food price inflation moderated to 4.7% yoy from 5.6%, as a notable sequential decline in vegetable prices (-12.9% mom) offset a small increase in fruit prices (+2.5%). Prices of medicine and medical care edged down to 2.8% in Dec. Fuel price inflation moderated further to 1.6% yoy from 2.1% in Nov, as global oil prices fell. Price inflation of clothing rose to 2.1% yoy, while that of transport & communication moderated. Overall services price inflation stayed steady at 2.7% in Dec, with a 0.3% mom change.

CPI inflation likely to return to target by 2H24

While CPI inflation could stay at high levels in the near term, due to sticky services prices, we expect the headline print to return to the CBC's implicit target of 2% by 2H24. This is roughly in line with the central bank's own projection, which implies monetary policy could remain tight during 1H24. The different timing of Lunar New Year (LNY) holiday (Feb 2024, vs. Jan 2023) could cause some temporary distortion to the CPI readings during Jan-Feb, but unlikely to alter the trend.

Exhibit 1: Headline CPI vs core CPI

Headline CPI inflation softened to 2.71% yoy in Dec (vs. 2.90% in Nov); core CPI inflation inched up to 2.43% yoy (vs. 2.38% previously)



Source: BofA Global Research, CEIC

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GEM Economics
Asia | Taiwan

Miao Ouyang
China & Asia Economist
Merrill Lynch (Hong Kong)
+852 3508 6745
miao.ouyang@bofa.com

Helen Qiao
China & Asia Economist
Merrill Lynch (Hong Kong)
+852 3508 3961
helen.qiao@bofa.com

Abbreviations:

CPI: Consumer Price Index

mom: month-over-month

yoy: year-over-year

sa: seasonally adjusted

CBC: Central Bank of the Republic of China (Taiwan)

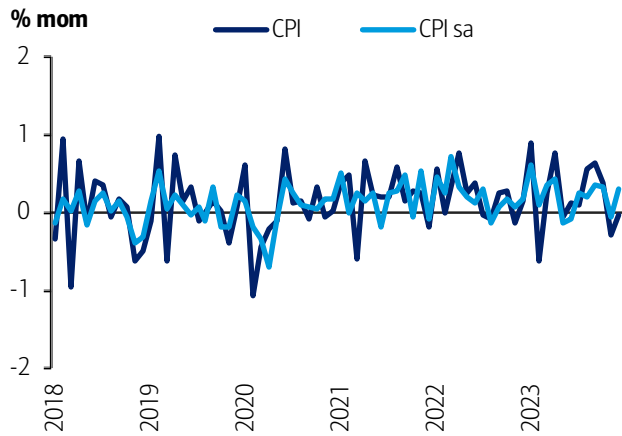
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Timestamp: 05 January 2024 04:54AM EST

Exhibit 2: CPI mom vs CPI mom sa

CPI rose by 0.3% mom sa in Dec

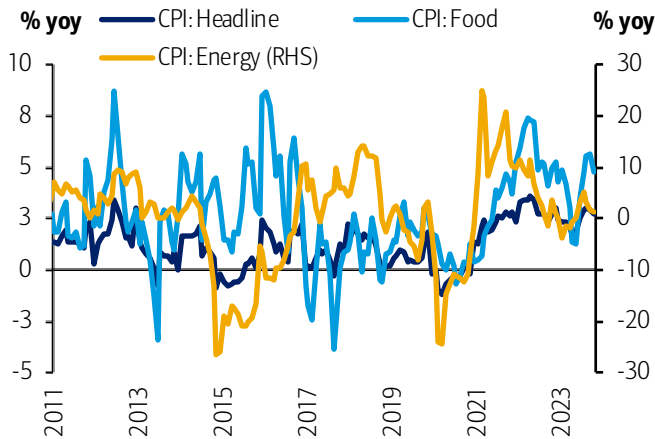


Source: BofA Global Research, CEIC

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Exhibit 4: Food CPI vs Energy CPI

Food price inflation eased to 4.7% yoy in Dec...

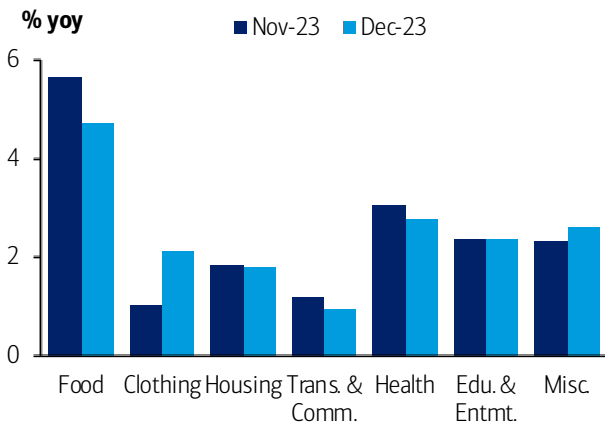


Source: BofA Global Research, CEIC

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Exhibit 6: CPI main category breakdown: yoy

Food CPI inflation moderated in Dec

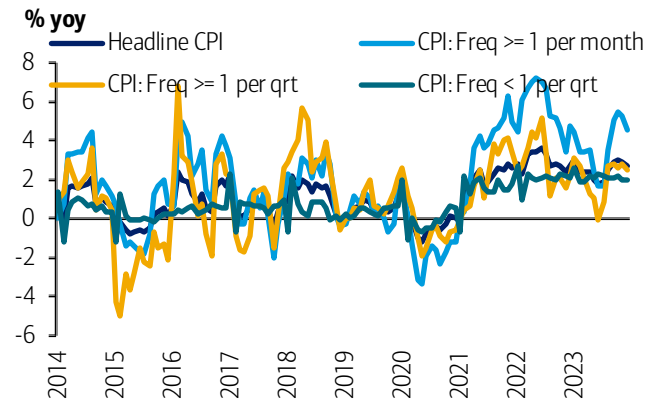


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Exhibit 3: CPI inflation: breakdown by purchase frequency

Inflation of items with purchase frequency more than once per month eased in Dec but stayed at elevated level

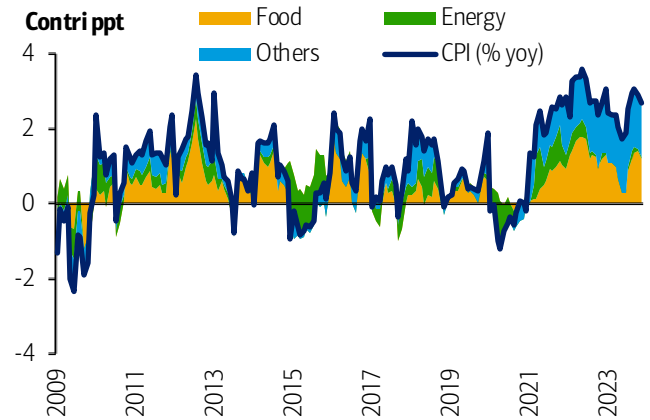


Source: BofA Global Research, CEIC

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Exhibit 5: CPI inflation: breakdown by contribution

...while energy price inflation moderated slightly

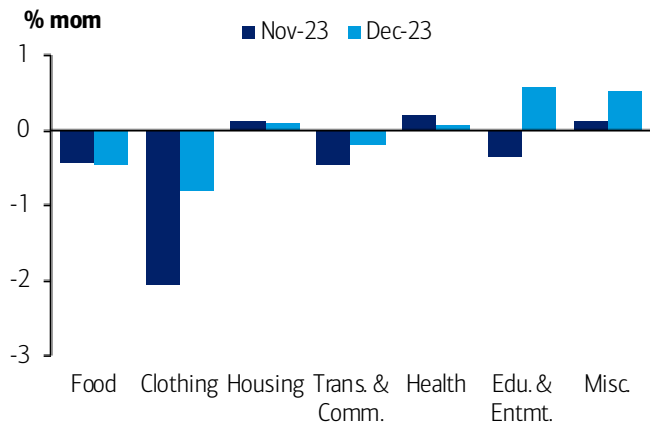


Source: BofA Global Research, CEIC

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Exhibit 7: CPI main category breakdown: mom

Sequentially, both food and clothing prices fell in Dec



Source: BofA Global Research, CEIC

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Exhibit 8: Food price inflation breakdown: heat map

Fruit price inflation rose higher in Dec (+20.9% yoy, vs. +18.7% in Nov), while vegetable prices dropped by 5.8% yoy (vs. +10.7% in Nov)

Weight (%)	Category		Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
247.6	Food	% yoy	1.3	3.4	4.8	5.5	5.6	4.7
15.2	Cereals & Cereal Products	% yoy	4.6	4.5	3.6	3.1	3.2	3.5
4.2	Rice & Rice Products	% yoy	4.6	4.0	0.5	2.0	2.5	3.6
11.0	Other	% yoy	4.6	4.6	4.7	3.5	3.4	3.4
23.7	Meat	% yoy	5.4	5.8	6.3	6.1	6.2	6.1
14.1	Pork, Beef & Mutton	% yoy	6.0	6.2	6.8	6.9	7.0	6.6
9.6	Poultry	% yoy	4.6	5.1	5.4	4.9	4.8	5.3
2.3	Meat Products	% yoy	6.4	5.7	5.2	5.2	3.9	4.1
2.9	Eggs	% yoy	4.0	2.4	4.8	8.7	4.5	2.9
11.2	Fish & Seafood	% yoy	3.1	3.2	2.8	3.0	2.6	1.9
4.7	Processed Fish & Seafood	% yoy	4.0	3.9	3.5	4.5	4.8	4.1
14.9	Vegetables	% yoy	-1.9	13.3	9.0	12.3	10.7	-5.8
5.6	Processed Vegetables	% yoy	3.9	2.8	3.2	2.6	2.5	2.6
20.2	Fruits	% yoy	-22.1	-8.3	8.5	14.5	18.7	20.9
0.7	Processed Fruits	% yoy	1.2	0.4	1.6	1.3	1.4	2.2
10.1	Dairy Products	% yoy	2.9	1.7	0.4	0.4	-0.2	-0.3
2.7	Edible Oil	% yoy	5.0	1.5	0.0	-0.1	0.4	2.2
2.8	Condiments	% yoy	2.6	2.6	1.4	2.2	2.0	4.1
6.2	Alcoholic Beverages	% yoy	2.0	1.5	1.7	2.6	3.3	3.1
10.4	Nonalcoholic Beverages & Materials	% yoy	2.8	2.7	3.0	0.5	2.2	2.1
8.2	Other Food	% yoy	5.8	3.6	3.0	2.6	2.9	2.9
96.0	Food Away from Home	% yoy	4.4	4.3	4.2	4.2	4.2	4.2
9.9	Cooked Food	% yoy	4.8	4.6	4.7	5.0	4.8	4.9

Source: BofA Global Research, CEIC

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