

Taiwan Watch

February CPI inflation jumped on seasonality

February headline & core CPI inflation rose notably...

Taiwan's CPI inflation jumped to 3.08% yoy in Feb (vs. 1.79% in Jan), exceeding the market consensus of 2.60% and our forecast of 2.85%. In sequential terms, CPI increased by 0.15% mom sa in Feb, vs. 0.2% in the previous month. Core CPI inflation (excluding vegetables, fruits and energy; 91.9% of the CPI basket) also rose notably to 2.90% yoy in Feb (vs. 1.64% in Jan; Exhibit 1 and Exhibit 2).

...mostly driven by LNY base effect

The large increase in the yoy readings of both the headline & core CPI was mostly driven by seasonality due to the calendar shift of Lunar New Year (LNY; Feb 2024, vs. Jan 2023). Typically, personal services prices see a one-off jump ahead of the LNY holiday. Combining the Jan-Feb data, the headline/core CPI inflation was 2.4%/2.3% on average, down from 2.7%/2.4% in Dec 2023.

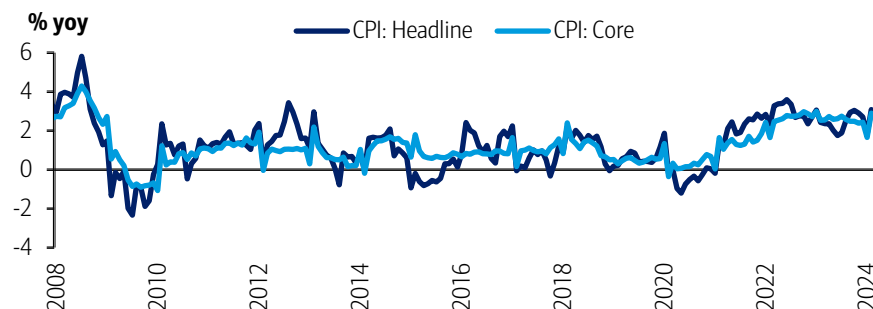
By breakdown, food price inflation moderated to avg. 4.3% yoy in Jan-Feb from 4.7% in Dec, helped by a continued sequential decline in vegetable prices (-3.7% mom in Feb). Fuel price inflation eased (avg. 0.1% yoy in Jan-Feb, vs. 1.6% in Dec). Price inflation of education & entertainment services softened (avg. 1.8% yoy in Jan-Feb). On the other hand, medicine & medical services inflation rose modestly in Jan-Feb (+3.2%) while that of clothing also edged up (+1.9%). Overall, services prices inched down to avg. 2.6% yoy in Jan-Feb (vs. 2.7% in Dec).

CPI to decline again after LNY distortion subsides

We expect both the headline and core CPI inflation to moderate notably in March after the base distortion effect subsides. Combining the Jan-Feb CPI figures, it is encouraging to see that inflationary pressure continues to cool gradually compared with late 2023. We maintain our view that the headline CPI print will return to the CBC's implicit target of 2% by mid-2024.

Exhibit 1: Headline CPI vs core CPI

Headline CPI inflation rose to 3.08% yoy in Feb (vs. 1.8% in Jan) while core CPI inflation climbed to 2.9% yoy (vs. 1.65% previously), both due to LNY base effect



Source: BofA Global Research, CEIC

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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)

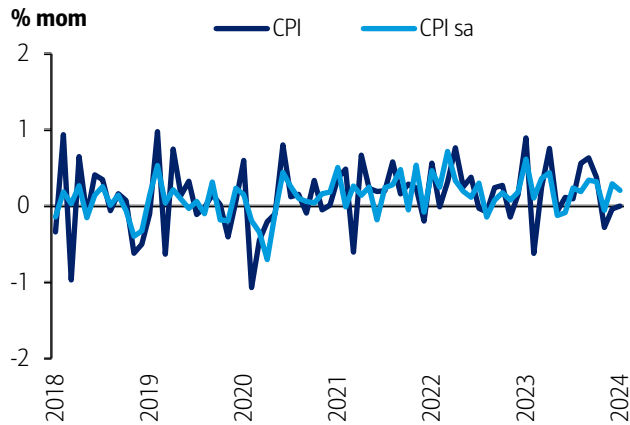
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Exhibit 2: CPI mom vs CPI mom sa

CPI rose by 0.15% mom sa in Feb

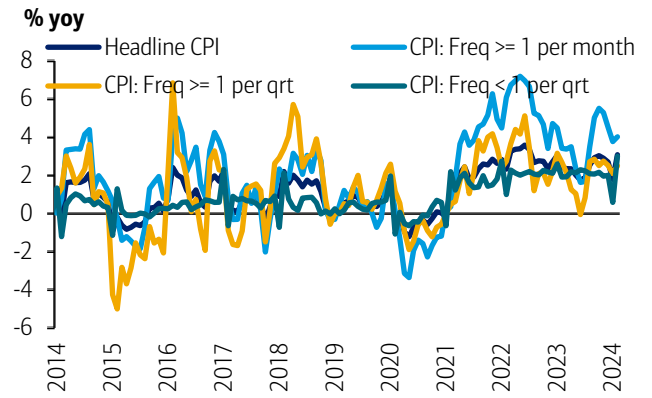


Source: BofA Global Research, CEIC

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Exhibit 3: CPI inflation: breakdown by purchase frequency

Inflation of items with purchase frequency more than once per month remained at high level

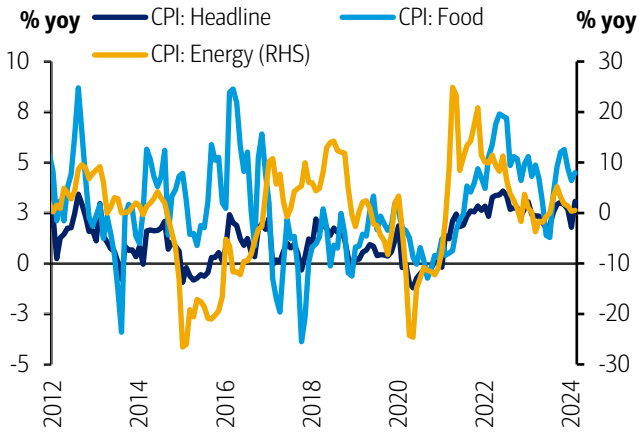


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Exhibit 4: Food CPI vs Energy CPI

Food price inflation moderated to avg. 4.3% yoy in Jan-Feb

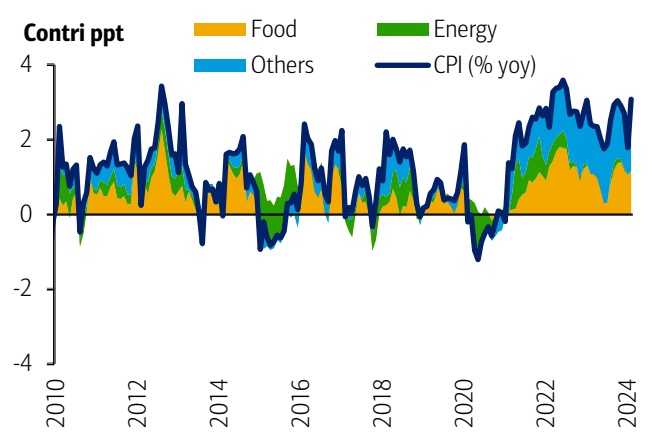


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Exhibit 5: CPI inflation: breakdown by contribution

Energy price inflation cooled

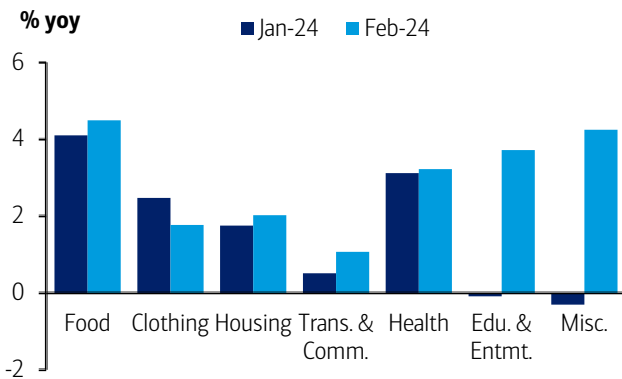


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Exhibit 6: CPI main category breakdown: yoy

Education & entertainment CPI inflation rose sharply in Feb on base effect

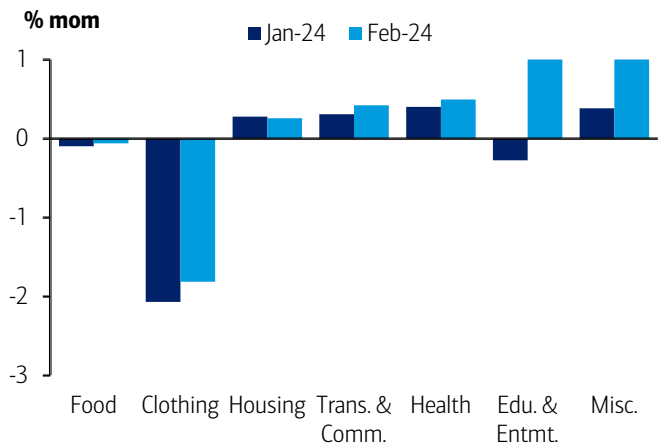


Source: BofA Global Research, CEIC

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Exhibit 7: CPI main category breakdown: mom

Sequentially, both food and clothing prices fell in Feb



Source: BofA Global Research, CEIC

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Exhibit 8: Food price inflation breakdown: heat map

Fruit price inflation stayed elevated in Feb (+20.7% yoy), while vegetable prices dropped by 8.7% yoy (vs. -14.5% in Jan)

Weight (‰)	Category		Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
247.6	Food	% yoy	4.8	5.5	5.6	4.7	4.1	4.5
15.2	Cereals & Cereal Products	% yoy	3.6	3.1	3.2	3.5	3.4	3.7
4.2	Rice & Rice Products	% yoy	0.5	2.0	2.5	3.6	4.2	4.6
11.0	Other	% yoy	4.7	3.5	3.4	3.4	3.0	3.4
23.7	Meat	% yoy	6.3	6.1	6.2	6.1	5.6	5.5
14.1	Pork, Beef & Mutton	% yoy	6.8	6.9	7.0	6.6	6.0	6.5
9.6	Poultry	% yoy	5.4	4.9	4.8	5.3	5.0	3.9
2.3	Meat Products	% yoy	5.2	5.2	3.9	4.1	3.8	2.1
2.9	Eggs	% yoy	4.8	8.7	4.5	2.9	1.4	1.1
11.2	Fish & Seafood	% yoy	2.8	3.0	2.6	1.9	1.1	3.8
4.7	Processed Fish & Seafood	% yoy	3.5	4.5	4.8	4.1	3.8	2.9
14.9	Vegetables	% yoy	9.0	12.3	10.8	-5.8	-14.5	-8.7
5.6	Processed Vegetables	% yoy	3.2	2.6	2.5	2.6	3.1	1.7
20.2	Fruits	% yoy	8.5	14.5	18.7	20.9	20.9	20.7
0.7	Processed Fruits	% yoy	1.6	1.3	1.4	2.2	2.0	1.4
10.1	Dairy Products	% yoy	0.4	0.4	-0.3	-0.3	-0.3	0.0
2.7	Edible Oil	% yoy	0.0	-0.1	0.4	2.2	2.1	1.5
2.8	Condiments	% yoy	1.4	2.2	2.2	4.1	3.2	2.4
6.2	Alcoholic Beverages	% yoy	1.7	2.6	3.3	3.1	4.6	3.1
10.4	Nonalcoholic Beverages & Materials	% yoy	3.0	0.5	2.2	2.1	3.3	1.9
8.2	Other Food	% yoy	3.0	2.6	2.9	2.9	4.2	2.4
96.0	Food Away from Home	% yoy	4.2	4.2	4.2	4.2	4.0	4.0
9.9	Cooked Food	% yoy	4.7	5.0	4.8	4.9	4.3	3.4

Source: BofA Global Research, CEIC

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