

## Taiwan inflation cools while exports continue to beat forecasts

CPI inflation fell to a 51-month low of 1.4% year-on-year amid a broad-based cooling of price pressures, while trade data continues to surprise to the upside as tech trade remains resilient



### Falling inflation and stronger TWD remove impediments to CBC easing

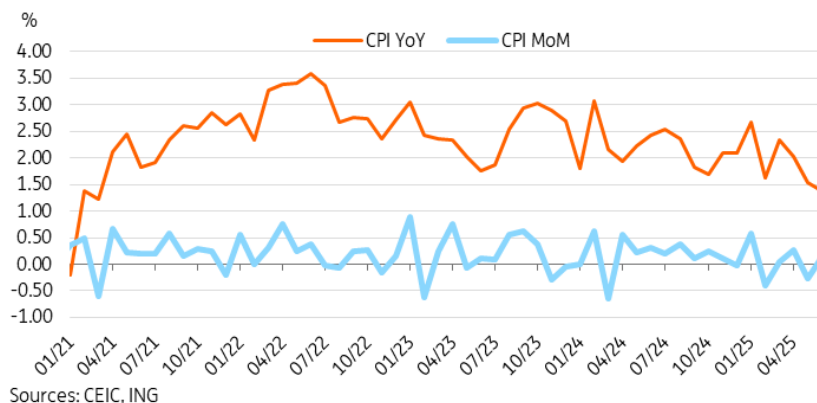
June CPI inflation bucked expectations for a slight uptick, instead dropping to 1.37% YoY from 1.55% YoY, marking the lowest level since March 2021.

The decline of inflation was broad-based, with most key inflation categories declining on the month, most notably in food prices, which fell to 2.8% YoY from 4.9% YoY the previous month. Housing price inflation also moderated for the third consecutive month, down to 1.8% YoY. The clothing and transportation categories continued the trend from recent months, remaining in deflation.

While inflation has not necessarily been the most significant consideration in recent monetary policy decision-making, inflation has been more or less near the target range for much of the past year, while only recently dropping noticeably under target. A further drop in June inflation

probably won't raise the urgency to cut rates, but combined with the recent strengthening of the Taiwan dollar, these conditions create a suitable environment for the CBC to ease if it deems it necessary.

## CPI inflation has been on a cooling trajectory in the past few months



## Trade data continues to surprise to the upside again

At the risk of beginning to sound like a broken record, Taiwan's trade growth continued to surprise on the upside again.

Exports grew by 33.7% YoY, which was a slight slowdown from May's 38.6% YoY growth but nonetheless clearly still a very impressive rate.

By export destination, far and away the US (90.9%) continues to represent the fastest growth market for Taiwan's exports. Exports to Japan (25.3%) and Korea (32.7%) also accelerated on the month. In contrast, we saw export growth slow to China (13.1%), ASEAN (28.2%), and the EU (-5.4%).

The breakdown of exports by product continues to show a high degree of concentration. Semiconductor exports rose 32.9% YoY, computer exports continued to see triple-digit growth at 116.2% YoY, while the broader electronics and ICT products category grew 53.0% YoY. As we've seen in the past few months, tech exports aside, many categories were quite weak, with numerous categories seeing YoY contraction.

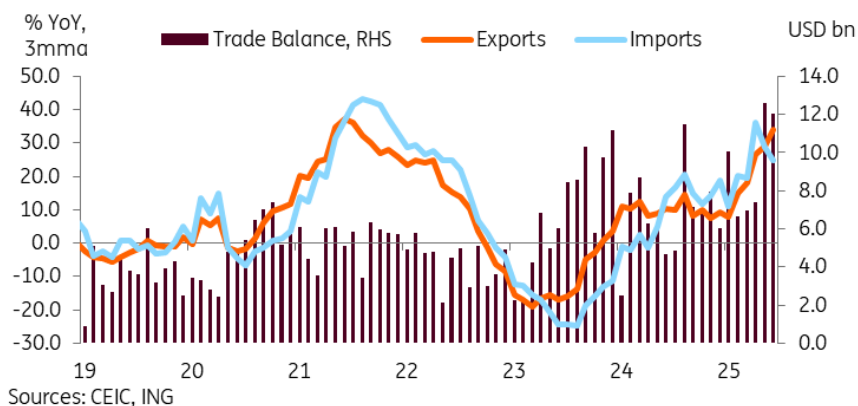
Imports also beat forecasts with a respectable 17.3% YoY growth. While imports were also concentrated in machinery and tech-related categories, unlike the export situation, the fastest import growth for Taiwan was from Europe (35.7%) and Korea (36.1%), while imports from the US were down -5.2% YoY.

On net, Taiwan's trade surplus remained high at USD 12.1bn. Over the first half of the year, Taiwan's trade surplus surged to USD 55.7bn, which is 54.3% YoY higher compared to 1H24, and will likely contribute to Taiwan's GDP growth eclipsing forecasts in 1H25.

Moving forward, what happens in terms of tariffs could play a significant role in Taiwan's trade and growth trajectories in the second half of the year. Given the heavy concentration of exports,

sector-specific tariffs could have just as much of an impact as the broad-based tariffs.

## Taiwan's trade growth continues to beat forecasts for another month



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