

# Taiwan CPI inflation beats forecasts to hit a 19-month high

Taiwan's February CPI inflation rebounded to 3.1% YoY, led by food prices during the Lunar New Year but also supported by a larger-than-expected uptick in core inflation to 2.9% YoY



Views over Taipei

# 3.1%

Taiwan Feb CPI

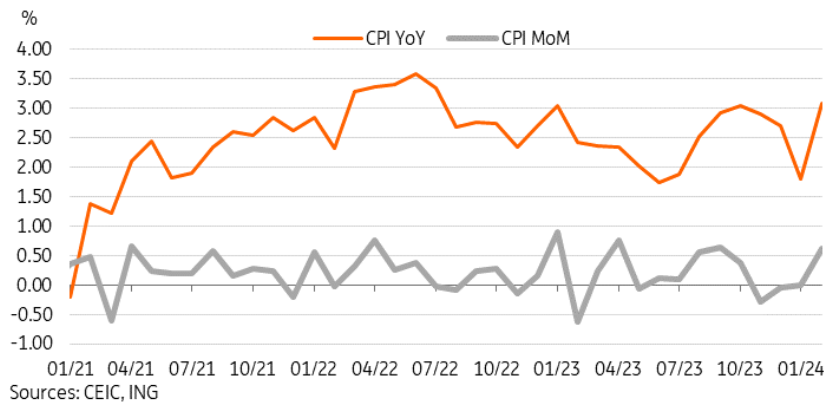
19-month high

Higher than expected

## CPI inflation came in hotter than expected on several levels

Taiwan's CPI inflation came in at 3.08% YoY in February, up from 1.79% YoY in Jan, returning above the inflation target, and beating both market (2.6% YoY) and our (2.8% YoY) forecasts. In MoM terms, inflation rose by 0.63%, which marked a 5-month high. Core inflation also rose sharply to 2.9% YoY, up from 1.64% YoY in January.

## YoY inflation reached 19-month high, MoM inflation hit 5-month high

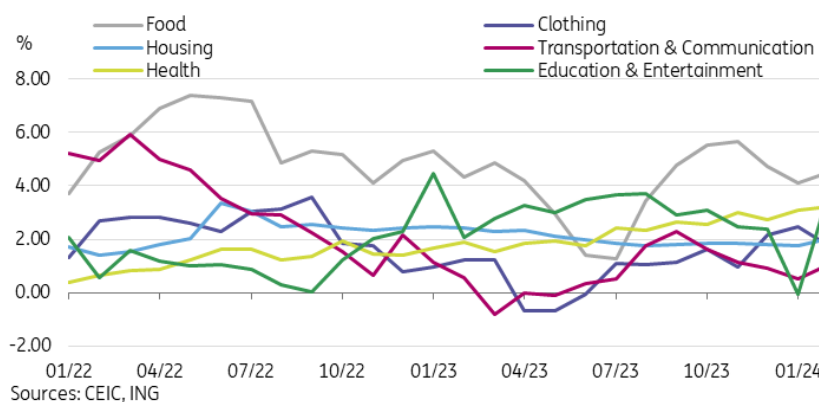


## Both food and core inflation contributed to headline inflation beating forecasts

Seasonal factors played a role in the higher than expected CPI inflation, as food inflation rose 4.49% YoY, which was expected around the Lunar New Year holiday. This was highlighted by a surge in fruit and meat prices, both of which tend to be in high demand for the festivities.

However, the bigger story was stronger inflation in non-food categories, where a significant surge in nursery and nursing care (25.9% YoY) and personal care services (6.0% YoY) contributed to a stronger-than-expected rise in core inflation. Education & entertainment (3.7% YoY) also saw a significant uptick. Housing inflation also grinded upward on a YoY basis to a 9 month high of 2.0% YoY.

## Taiwan CPI subcategories



## Inflation to cool in coming months and should not impact monetary policy

We expect inflation to moderate in the coming months, and barring any new shocks, it should gradually trend below the 2% target later in the second half of the year.

Inflation is unlikely to be a major factor impacting monetary policy this year, as it is expected to be within a comfortable range from target levels for most of the year. However, with rates already low compared to international levels and the TWD seeing a weak start to the year, we see low odds of any monetary policy action before global central banks start to cut rates. In Taiwan's case, barring any unexpected deterioration in the growth outlook, we believe the next rate cut would likely come after global rate cuts have been underway for some time, likely toward the tail end of the year.

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