Snap | 8 September 2026 TAIWAN

Taiwan’s inflation miss adds uncertainty to our September rate hike call

Taiwan s inflation came in below expectations in August, easing to 2.04% year-on-year and returning to the CBC s target range. The reading adds uncertainty ahead of the September meeting, where a rate hike remains possible, but policymakers now have an excuse to stay on hold if they choose

The drop in inflation in August was largely due to falling food inflation

2.04% YoY **Taiwan's August headline CPI inflation**

Lower than expected

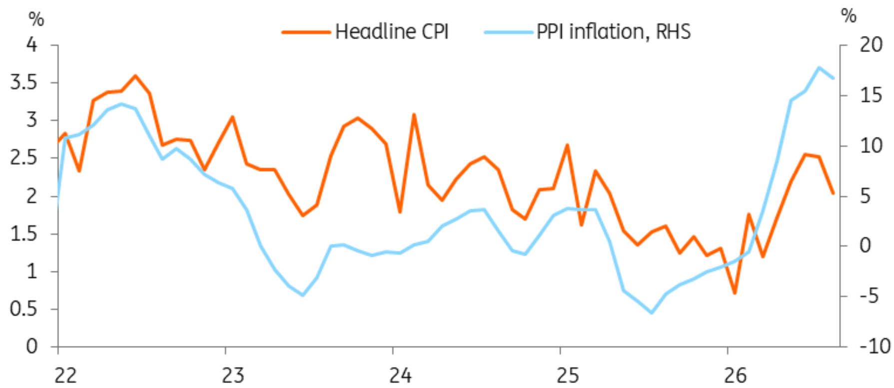
Headline inflation unexpectedly fell back to target level

Taiwan's headline CPI inflation fell to 2.04% YoY in August, down from 2.52% in July, coming in below expectations (market: 2.35%, ING: 2.3%) to reach a four-month low.

Looking at the breakdown, the drop in inflation was largely due to food inflation falling to 0.8% YoY, from 2.5% YoY in July, as well as commodity inflation, which fell to 1.6% YoY, down from 2.5% YoY in July. A sharp drop in fresh vegetable prices (-21.6%) contributed to the falling food inflation and is expected to be a temporary factor.

Most other categories were relatively steady. Key categories such as housing (2.3%), transportation & communication (2.8%), education & entertainment (3.2%), and services (2.5%) all remain well above target. As a result, core inflation was little changed, edging down to 2.30% YoY from 2.36% YoY.

Headline inflation falls back to target but other measures remain too high



Sources: CEIC, ING

PPI inflation shows price pressures haven't gone away

PPI inflation, on the other hand, moderated slightly to 16.75% YoY, down from an upwardly revised 17.80% in July. This level of inflation is still very high and brings the year-to-date PPI inflation to 9.1% YoY.

PPI inflation is primarily being driven by two factors: higher energy prices and higher tech product prices. Petroleum & coal products inflation was up 42.1% YoY, while computers, electronics, and optical products were up 37.1% YoY.

CBC will likely still hike this year

In recent months, we have been calling for a rate hike at the September Central Bank of the Republic of China (CBC) meeting. The conditions for this remain in place, with GDP growth likely to end the year in double digits, and inflation trending higher with underlying price pressures still present. The food inflation-led moderation doesn't change the bigger story: core inflation was fairly steady, and PPI inflation remains far too high.

The fall in headline inflation back to target does, however, give the CBC increased flexibility for its September meeting. Combined with the upcoming local elections, the CBC may choose to push back its rate hike, particularly if we get a hold or a dovish hike from the US Federal Reserve, which meets a day earlier. Rather than facing increased pressure to hike, the decision now appears to be more of a subjective one.

The September meeting, in our view, remains very much live, though the odds of a hike may have fallen with the inflation miss. We think that even if the CBC stands pat in September, it will likely hike rates at its next meeting in December.

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