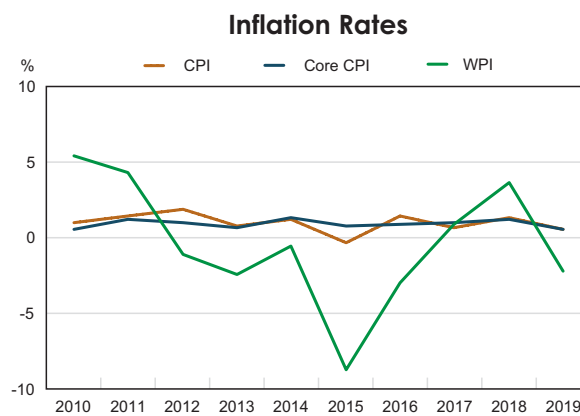


4. Prices

In 2019, Taiwan's wholesale price index (WPI) fell by 2.27% from the previous year's increase of 3.63%. The significant decline in WPI mainly resulted from a reduction in international raw material prices against a backdrop of a slowing global economy clouded by the US-China trade conflict. Headline inflation, measured by the consumer price index (CPI), grew mildly at an annual rate of 0.56% in the year, primarily because of an increase in tour group fees and price rises in vegetables, fruit, residential rent, and food away from home. Nevertheless, it was partly offset by drops in fuel prices, reflecting falling international petroleum prices, and in communication fees. The core CPI, which excludes fruit, vegetables, and energy, increased by 0.49%, the lowest since 2010.



Source: *Price Statistics Monthly*, DGBAS, Executive Yuan.

Marked Decrease in Wholesale Prices

The WPI declined by 2.27% in 2019, after registering increases in the previous two years. The contraction was primarily attributable to a slump in prices for international raw materials amid a global economic slowdown. In terms of monthly movements, the annual WPI inflation rate modestly rose from the beginning of the year and reached 1.19% in March because of a rebound in international oil prices. However, as the global economic growth decelerated on account of the US-China trade friction, the annual WPI inflation rate fell to an all-year low of -6.37% in October. Later, the decline in the annual WPI inflation rate abated owing to a pickup in international oil prices, and the decrease narrowed to 3.55% in December.

Broken down by the three major components of the WPI, the annual rates of change in prices for imports, domestic sales excluding imports, and exports all declined in 2019 because of the weakness in raw material prices.

Import prices, weighted at 31.92% of the WPI, slipped by 3.89% in US dollar terms in 2019. Nevertheless, the NT dollar depreciation against the US dollar over 2019 helped the annual growth rate of import prices alleviate to a 1.46% decrease in NT dollar terms. Among the components of import prices in terms of NT dollars, prices of raw materials moved down by 2.44% and accounted

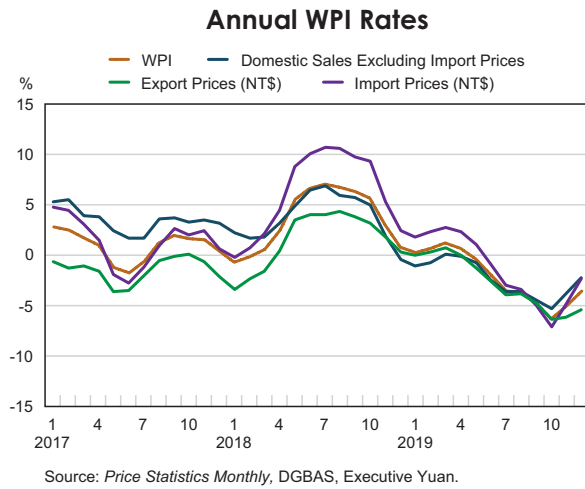
for 1.74 percentage points in the import price decrease, mainly because of falling prices of chemical products and mineral products. On the contrary, prices of capital goods and consumer goods rose by 1.78% and 0.13%, respectively.

Export prices, weighted at 40.04% of the WPI, went down by 5.26% in US dollar terms in 2019. As the NT dollar depreciated against the US dollar, the annual change in export prices lessened to a 2.85% decrease in terms of the NT dollar. Among the components of export prices in terms of NT dollars, prices of raw materials slid by 3.24%, contributing 2.63 percentage points to the export price decrease, largely reflecting lower prices of chemical products, plastics and rubber products, and mineral products. In addition, prices of consumer goods fell by 2.60%, whereas prices of capital goods increased by 1.57%.

With declining import costs of primary commodities owing to slower global economic growth, prices of domestic sales excluding imports, weighted at 28.04% of the WPI, decreased by 2.40% in 2019. In terms of the basic groups, prices of manufacturing products recorded the largest decline at 3.34%, primarily attributable to a reduction in prices of chemical materials. On the other hand, prices of agriculture, forestry, fishing, and animal husbandry products rose by 3.32%, mostly because of price increases in vegetables and fruit.

Mild Increase in Consumer Prices

The CPI went up by 0.56% in 2019, lower than the 1.35% increase in the previous year. From the beginning of the year, owing to falling vegetable prices on the back of favorable weather conditions and decreased telecommunication rates, the annual growth rate of the CPI stayed low. From March onwards, the CPI grew at a faster pace that trended up to 0.93% in May because of an uptick in international oil prices and weather-induced vegetable price hikes at home. Subsequently, the CPI inflation rate moved down and eased to 0.37% in October as a consequence of reduced domestic fuel prices in reflection of the international oil price slump and a continued decrease in communication fees. Afterwards, the annual CPI inflation rate rebounded in November and climbed to an all-year high of 1.14% in December on account of the upswings in fruit and vegetable prices and a rebound in domestic fuel prices.

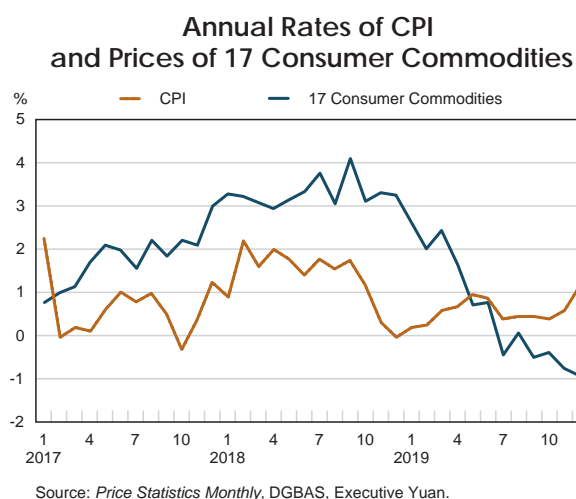
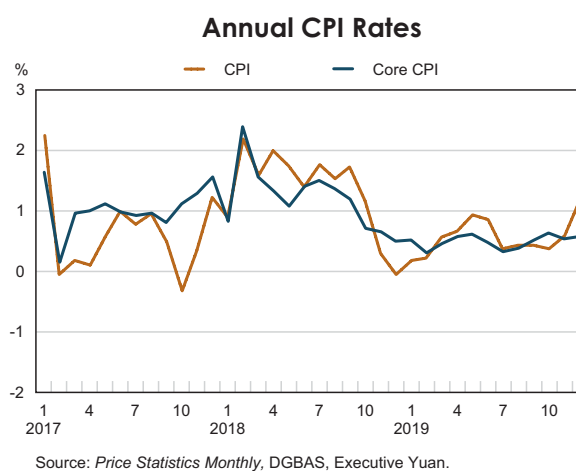


The core CPI inflation rate was 0.49% in 2019. Reflecting modest growth in the domestic economy, monthly figures of the core CPI inflation rate hovered between 0.30% and 0.63% throughout the year.

The Cabinet's task force on price stabilization has continued to closely monitor price movements of 17 consumer commodities which people buy more frequently. Since the beginning of 2019, prices of the aforesaid consumer commodities, weighted at 5.48% of the CPI, have displayed a substantial downtrend and the price increase averaged 0.58% year on year, far lower than the 3.29% of 2018. The slide was mostly attributed to lower prices of eggs and a smaller increase in prices of milk, with annual growth rates of -2.03% and 0.74%, respectively.

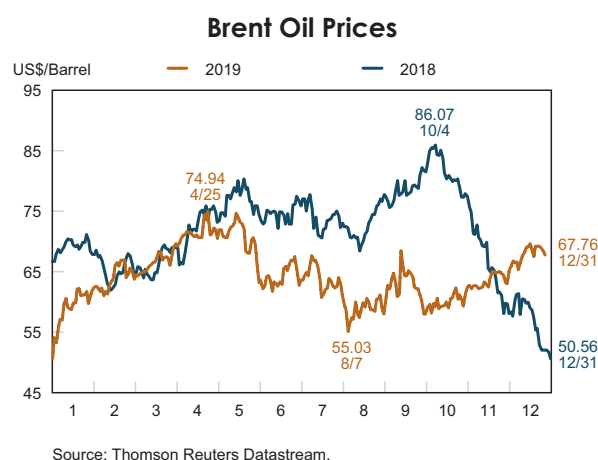
The main factors contributing to the rise of CPI inflation in 2019 were as follows:

- (1) Increased four group fees led prices of education and entertainment services to move up by 1.50%, contributing 0.14 percentage points to CPI inflation.
- (2) With the previous year's stable weather conditions resulting in a lower base effect, prices of vegetables and fruit surged by 7.94% and 4.10%, accounting for 0.13 and 0.09 percentage points in the CPI increase, respectively.
- (3) Prices of residential rent continued to rise at a mild pace and recorded a growth rate of 0.90%, contributing 0.13 percentage points to CPI inflation.
- (4) A minimum wage hike and higher raw food prices drove up prices of food away from home by 1.55%, accounting for 0.12 percentage points in the CPI inflation rate.
- (5) As elevated international gold prices brought prices of gold ornaments and jewelry higher, prices of personal effects climbed by 2.48%, contributing 0.05 percentage points to CPI inflation.



The main factors contributing to downward pressure on the CPI in 2019 were as follows:

- (1) Reflecting a decrease in access charges between home phones and mobile phones, communication fees slid by 4.68%, subtracting 0.12 percentage points from CPI inflation.
- (2) For the entire year, Brent oil prices averaged US\$64.37 per barrel, slipping by 9.40% from the previous year. As a result, the decline in imported costs of petroleum lowered domestic oil prices, which dropped by 3.16% and deducted 0.10 percentage points from the CPI inflation rate.
- (3) Discounted spring and summer clothing pushed down prices of garments by 1.29%, accounting for -0.04 percentage points in CPI inflation.



Percentage Changes in the Major Components of the CPI in 2019

Item	Annual Rate of Change (%)	Contribution to CPI Inflation Rate (Percentage Point)
CPI	0.56	0.56
Education & Entertainment Services	1.50	0.14
Vegetables	7.94	0.13
Residential Rent	0.90	0.13
Food Away from Home	1.55	0.12
Fruit	4.10	0.09
Personal Effects	2.48	0.05
Total		0.66
Communication Fees	-4.68	-0.12
Fuels & Lubricants	-3.16	-0.10
Garments	-1.29	-0.04
Total		-0.26
Others		0.16

Source: *Price Statistics Monthly*, DGBAS, Executive Yuan.