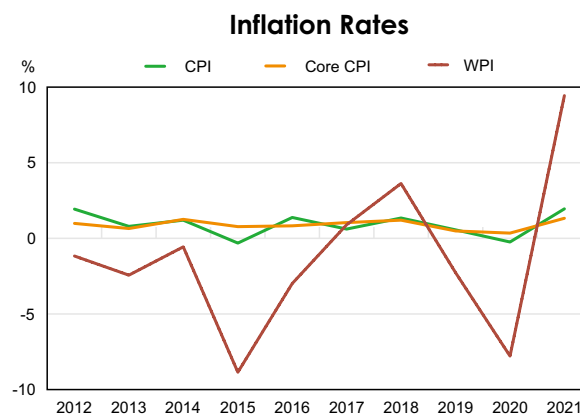


4. Prices

In 2021, Taiwan's WPI rose by 9.44%, mainly attributable to imbalances between demand and supply owing to a strong increase in global demand amid persistent supply chain bottlenecks and a rebound in international crude oil and other raw material prices from pandemic-induced price declines in 2020. Headline inflation, measured by the CPI, increased by 1.96% compared to the previous year's 0.23% decrease, mainly driven by supply side shocks such as rising prices of fuels and lubricants, transportation, and fruit and vegetables, as well as a lower base effect. The core CPI, which excludes fruit, vegetables, and energy, averaged 1.33%, representing a mild price uptrend.



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

Marked Increase in Wholesale Prices

The WPI went up by 9.44% in 2021, the highest level since 1981. The marked increase reflected rising global demand owing to a reopening of major economies led by progress on vaccinations against COVID-19, and lingering supply chain bottlenecks pushing up international goods prices, coupled with a lower base effect. In terms of monthly movements, the annual WPI inflation rate trended upwards from the beginning of the year and reached an all-year high of 15.21% in October because of higher import prices. Later, the increase in the annual WPI inflation rate abated and narrowed to 12.46% 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 ran up markedly in 2021 on account of soaring prices of international raw materials.

Import prices, weighted at 34.10% of the WPI, rose by 16.63% in US dollar terms in 2021. As the NT dollar appreciated against the US dollar over 2021, the annual growth rate of import prices eased to a 10.53% increase in NT dollar terms, which mitigated imported inflationary pressures at home. Among the components of import prices in terms of the NT dollar, prices of raw materials went up by 16.20% and accounted for 11.40 percentage points in the import price increase, mainly boosted by rising prices of mineral products, base metal products and chemical products. Nonetheless, prices of capital goods and consumer goods declined by 4.59% and 0.91%, respectively.

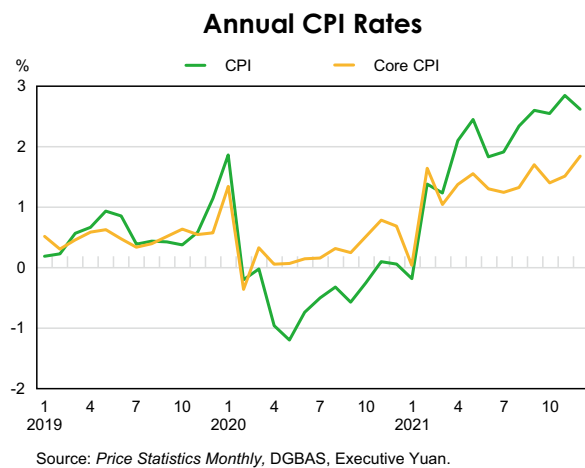
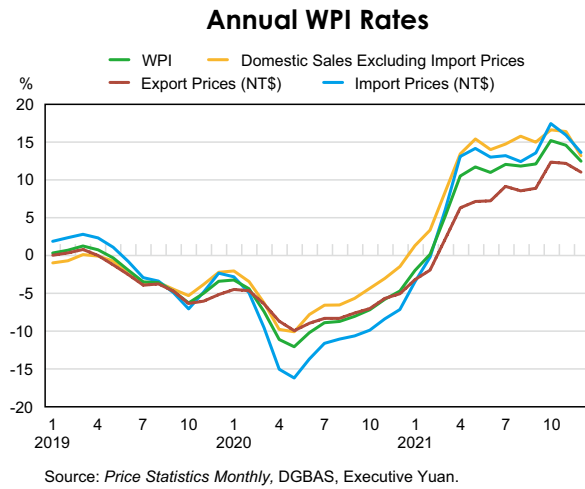
Export prices, weighted at 40.20% of the WPI, advanced by 12.40% in US dollar terms in 2021. Owing to the NT dollar appreciation against the US dollar, the annual change in export prices abated to a 6.54% increase in terms of the NT dollar. Among the components of export prices in NT dollar terms, prices of raw materials moved up by 7.88%, contributing 6.80 percentage points to the export price increase, primarily reflecting higher prices of mineral products, chemical products, as well as base metal products. Prices of consumer goods rose by 1.87%, while prices of capital goods dropped by 3.08%.

Driven by rising import costs of primary commodities, prices of domestic sales excluding imports, weighted at 25.70% of the WPI, increased by 12.24% in 2021. In terms of the basic groups, prices of manufacturing products rose by 14.36%, mainly attributable to surging prices of base metal products and petroleum and coal products. Prices of agriculture, forestry, fishing, and animal husbandry products, and prices of water, electricity, and gas supply went up by 8.32% and 0.43%, respectively. In contrast, prices of quarrying and mining products registered a decrease of 2.59%.

Uptick in Consumer Prices

Compared with a slight decrease of 0.23% in the previous year, the CPI rose by 1.96% in 2021, the highest increase since 2009. The CPI inflation rate trended up from the beginning of the year and reached 2.62% in December, which marked the fifth consecutive month of an increase above 2%. The uptrend in CPI inflation was associated with an increase in domestic fuel prices amid international oil price upswings since the start of the year, a spike in fruit and vegetables prices caused by a lingering effect from the disruptions of a typhoon and torrential rain in August, and price hikes by some food and beverage service providers during the fourth quarter of the year.

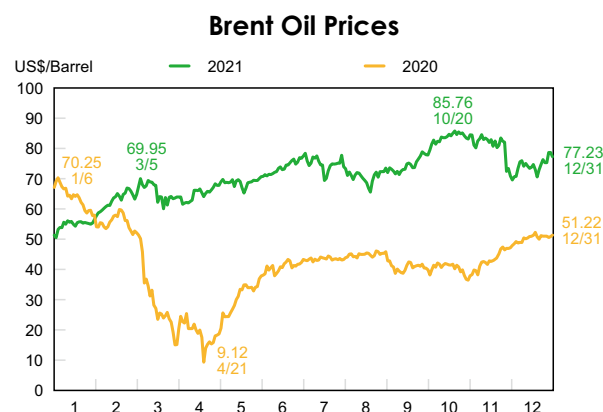
The core CPI inflation rate recorded mild year-on-year growth at an average pace of 1.33% in 2021. With the pandemic situation



under control at home, domestic demand gradually rebounded, leading the core inflation rate to trend up mildly and register 1.84% in December.

The main factors contributing to the rise of CPI inflation in 2021 were as follows:

- (1) For 2021, Brent oil prices averaged US\$70.75 per barrel, increasing by 69.50% from the previous year. As a result, higher import costs of petroleum nudged up domestic fuel and lubricant prices, which climbed by 22.06% and accounted for 0.49 percentage points in the CPI inflation rate.
- (2) As pandemic-related border controls and travel restrictions implemented around the world constrained flight seat capacity and thus sent airfares soaring, transportation fees went up by 11.86%, contributing 0.33 percentage points to CPI inflation.
- (3) Owing to crop damage caused by torrential rain and a typhoon in June and August, prices of vegetables and of fruit moved up by 14.01% and 4.56%, and accounted for 0.19 and 0.09 percentage points in the CPI inflation rate, respectively.
- (4) Prices of residential rent continued a mild uptrend and grew by 0.83%, contributing 0.12 percentage points to CPI inflation.
- (5) With imported beef prices surging because of global supply chain bottlenecks and prices of pork rallying on tighter domestic pig supplies as rising feed costs hit pig farmers' margins, prices of meat rose by 4.05%, contributing 0.09 percentage points to CPI inflation.
- (6) Less discounted clothing drove up prices of garments by 2.54%, accounting for 0.09 percentage points in the CPI inflation rate.
- (7) Price hikes by food and beverage service providers to reflect higher raw food costs pushed up prices of food away from home by 0.87%, contributing 0.09 percentage points to CPI inflation.
- (8) An increase in tour group fees on account of growing demand for travel amid the eased pandemic situation at home, as well as a lower base effect, caused prices of entertainment services to grow by 1.66%, accounting for 0.09 percentage points in the CPI inflation rate.
- (9) Reflecting an upswing in prices of raw material imports, prices of household appliances went up by 1.42%, contributing 0.06 percentage points to CPI inflation.



Source: Refinitiv Datastream.

The main factor contributing to downward pressure on the CPI in 2021 was the decline in prices of communication equipment. Dragged down by discount promotions for mobile phones, prices of communication equipment dropped by 8.25% year on year, subtracting 0.04 percentage points from CPI inflation.

Percentage Changes in the Major Components of the CPI in 2021

Item	Annual Rate of Change (%)	Contribution to CPI Inflation Rate (Percentage Point)
CPI	1.96	1.96
Fuels & Lubricants	22.06	0.49
Transportation Fees	11.86	0.33
Vegetables	14.01	0.19
Residential Rent	0.83	0.12
Fruit	4.56	0.09
Meats	4.05	0.09
Garments	2.54	0.09
Food Away from Home	0.87	0.09
Entertainment Services	1.66	0.09
Household Appliances	1.42	0.06
Total		1.64
Communication Equipment	-8.25	-0.04
Total		-0.04
Others		0.36

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