

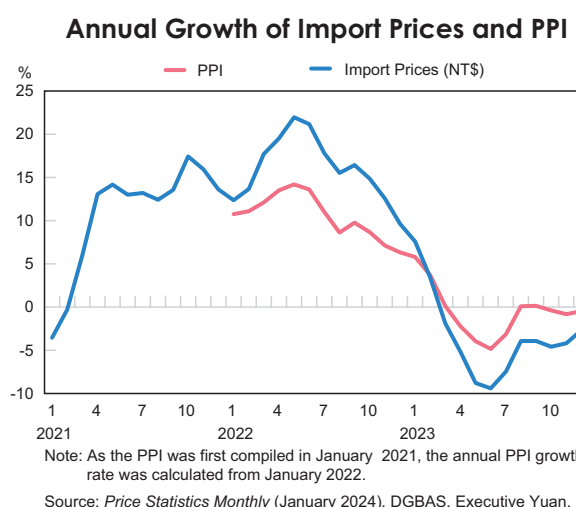
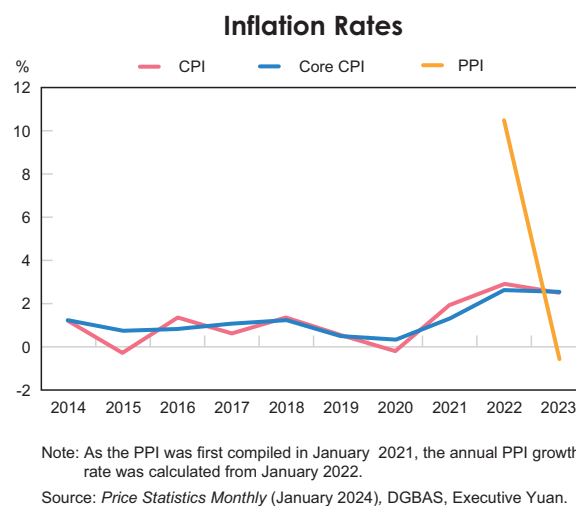
4. Prices

For the year 2023, with the easing of global supply chain bottlenecks, the impact from the Russia-Ukraine war waning, and major central banks' monetary tightening continuing to weigh on demand, the global economy experienced slower growth, pushing down import prices of international crude oil and other raw materials. As a result, Taiwan's Producer Price Index (PPI) decreased by 0.56% over the previous year. Headline inflation, measured by the CPI, increased by 2.49%, primarily driven by price rises in food and entertainment services, as well as higher residential rent. The core CPI, which excludes fruit, vegetables, and energy, stood at 2.58%.

Slight decline in Producer Prices

Taiwan's import prices dropped by 3.59% in 2023, receding from an increase of 16.07% in 2022. In terms of monthly movements, the annual growth rate of import prices in NT dollar terms trended downwards from the beginning of the year on account of international raw material prices coming down and reached an all-year low of -9.40% in June. Later, with increases in prices of transportation equipment and prices of optical, measuring, medical instruments, musical instruments, and parts thereof, the decrease in import prices abated and narrowed to 2.64% in December.

The PPI declined by 0.56% in 2023, down from an increase of 10.51% in 2022, indicating softening pressures of imported inflation. In terms of monthly movements, the annual PPI inflation rate went down from the beginning of the year and fell by 4.84% in June, the lowest level of the year. Subsequently, driven by price rises in parts of electronic products and transportation equipment, the annual PPI inflation rate posted a slower decline of 0.47% in December. Among the components of the



basic groups, prices of manufacturing products declined by 1.54%, contributing 1.38 percentage points to the PPI decrease, mainly attributable to price declines in four categories including chemical material, other chemical products, and pharmaceuticals, petroleum and coal products, base metal products, and fabricated metal products. However, prices of water, electricity, and gas supply, prices of agriculture, forestry, fishing, and animal husbandry products, and prices of quarrying and mining products went up by 10.39%, 4.77%, and 2.19%, respectively.

Broken down by the two major components of the PPI, prices of domestic sales excluding imports and prices of exports slid by 0.25% and 1.90% year on year, respectively, on account of falling prices of international raw materials.

As the downtrend in primary commodity prices amid slowing global demand helped alleviate cost pressures for importers, prices of domestic sales excluding imports slightly dropped by 0.25% in 2023. In terms of the basic groups, prices of manufacturing products declined by 2.34%, reflecting decreases in prices of chemical material, other chemical products, and pharmaceuticals, prices of base metal products, and prices of fabricated metal products. On the other hand, prices of water, electricity, and gas supply and prices of agriculture, forestry, fishing, and animal husbandry products rose by 10.40% and 5.39%, respectively. Prices of quarrying and mining products registered an increase of 2.19%.

Export prices trended down by 6.22% in US dollar terms in 2023. Owing to NT dollar depreciation against the US dollar, the annual change in export prices recorded a smaller decrease of 1.90% in terms of the NT dollar. Among the components of export prices in NT dollar terms, prices of raw materials moved down by 2.42% with a contribution of -2.10 percentage points which primarily reflected lower prices of mineral products, plastics and rubber products, chemical products, as well as base metal products. Prices of consumer goods also decreased by 1.13%. In contrast, prices of capital goods rose by 3.64%.

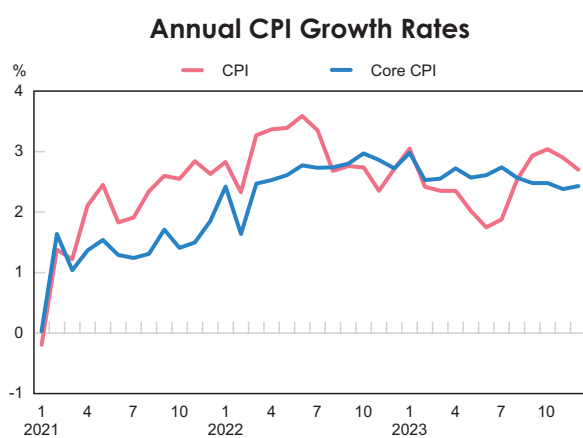
Softer Consumer Prices

The CPI rose by 2.49% in 2023, lower than 2.95% in 2022. From the beginning of the year, the annual CPI inflation rate edged down on account of milder increases in domestic prices of food such as vegetables and fruit and subdued fuel and lubricant fees, and slowed to 1.75% in June. Then, as supply shocks from weather events including successive strikes of typhoons and torrential rain pushed up the prices of vegetables and fruit, causing food inflation to gather steam, the annual CPI inflation rate trended upwards and reached 3.04% in October. Afterwards, the rate went down and posted 2.70% in December, mainly owing to falling prices of vegetables and slower growth in entertainment services prices.

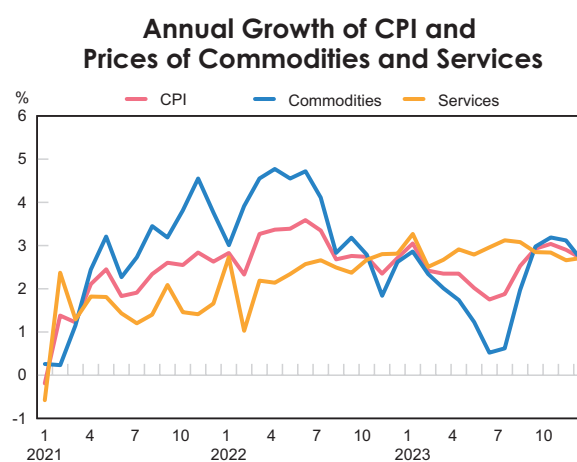
The core CPI grew at an average pace of 2.58% year on year in 2023, slightly lower than 2.61% of the previous year. In terms of monthly movements, as prices of food/beverage and travel/accommodation services were buttressed by booming demand and continued labor shortage in services industries amid the post-pandemic reopening period, the core CPI annual growth rate

abated rather slowly and reached 2.74% in July. Later, the annual core CPI inflation rate continued to fall gradually to 2.38% in November, the lowest since March 2022, as prices of entertainment services rose at a softer pace. The rate moved up to 2.43% in December, mainly owing to a larger increase in prices of garments.

By type of items, the annual growth rate in commodity prices slipped from 3.56% in 2022 to 2.11% in 2023 as prices of crude oil and other raw materials trended below the levels of 2022, bringing down related import prices for Taiwan. However, domestic services prices stayed elevated and went up by 2.87% in 2023, higher than 2.40% in 2022, owing to rising residential rent and demand-driven price rises in entertainment and food services.



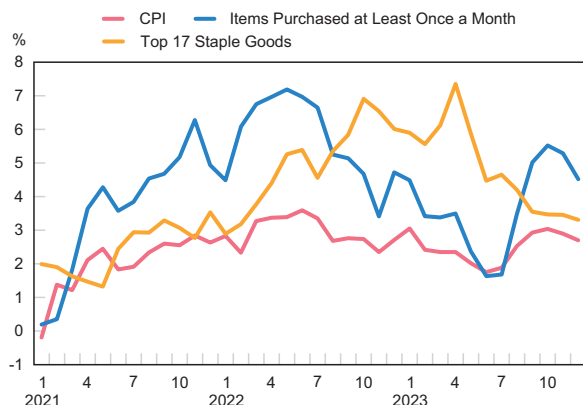
Source: Price Statistics Monthly (January 2024), DGBAS, Executive Yuan.



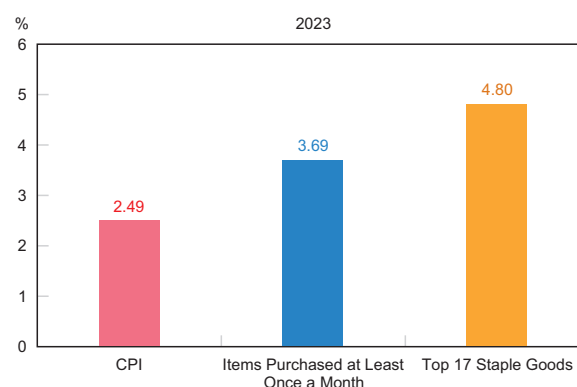
Source: Price Statistics Monthly (January 2024), DGBAS, Executive Yuan.

As prices of the items purchased at least once a month and of the top 17 staple goods rose by 3.69% and 4.80% in 2023, respectively, with both significantly outpacing the overall CPI inflation of 2.49%, consumers tended to be more conscious of the price uptrends.

Annual Growth of CPI, Prices of the Top 17 Staple Goods, and Prices of the Items Purchased at Least Once a Month



Source: Price Statistics Monthly (January 2024), DGBAS, Executive Yuan.



Source: Price Statistics Monthly (January 2024), DGBAS, Executive Yuan.

In 2023, Taiwan's CPI increased by 2.49%. Around 66% of this increase came from price rises in food and entertainment services, as well as higher residential rent, with a combined contribution of 1.65 percentage points in the annual CPI inflation rate.

The main factors contributing to the rise of CPI inflation in 2023 were as follows:

- (1) Prices of food went up by 4.03% and accounted for 1.05 percentage points in the annual CPI inflation rate. Among the components of the food group, the rise in wages and higher raw food costs brought up prices of food away from home by 4.28%, contributing 0.43 percentage points to CPI inflation. With rising feed and production costs, prices of meats, cereals and cereal products, and eggs rose by 6.12%, 4.04%, and 10.72%, and accounted for 0.15, 0.06, and 0.04 percentage points in CPI inflation, respectively. With supply restrained by unfavorable weather conditions in the second half of the year, prices of vegetables and fruit moved up by 3.90% and 1.22%, respectively, both contributing 0.05 percentage points to CPI inflation.
- (2) Reflecting the rise in housing prices, as well as higher prices of maintenance and repair of dwellings, prices of residential rent grew by 2.16%, contributing 0.33 percentage points to CPI inflation.
- (3) Increases in accommodation and group travel fees on account of robust post-pandemic demand for travel and entertainment services caused prices of entertainment services to go up further by 7.08%, accounting for 0.27 percentage points in CPI inflation.
- (4) As elevated international gold prices brought prices of gold ornaments and jewelry higher, prices of personal effects climbed by 4.45%, contributing 0.10 percentage points to CPI inflation.
- (5) Increased prices of vehicle parts and higher wages for vehicle maintenance workers drove up prices of vehicle parts and maintenance by 3.92%, accounting for 0.07 percentage points in CPI inflation.
- (6) The caregiver shortage and a resultant rise in their wages pushed up prices of services for nursery and nursing care by 5.19%, accounting for 0.07 percentage points in CPI inflation.
- (7) Affected by higher prices of herbal medicines, cold medicines, and other health food, prices of medicines and health food moved up by 2.91% and accounted for 0.05 percentage points in CPI inflation.
- (8) Owing to rising prices of cosmetic and hair appliances, bath products, and tooth pastes, prices of cosmetic items increased by 1.78%, contributing 0.05 percentage points to CPI inflation.

Percentage Changes in the Major Components of the CPI in 2023

Item	Annual Rate of Change (%)	Contribution to CPI Inflation Rate (Percentage Point)
CPI	2.49	2.49
Food	4.03	1.05
Food Away from Home	4.28	0.43
Meats	6.12	0.15
Cereals & Cereal Products	4.04	0.06
Vegetables	3.90	0.05
Fruit	1.22	0.05
Cooked Food	5.15	0.05
Eggs	10.72	0.04
Fish & Seafood	3.54	0.04
Residential Rent	2.16	0.33
Entertainment Services	7.08	0.27
Personal Effects	4.45	0.10
Vehicle Parts & Maintenance	3.92	0.07
Services for Nursery & Nursing Care	5.19	0.07
Medicines & Health Food	2.91	0.05
Cosmetic Items	1.78	0.05
Maintenance & Repair of Dwellings	3.20	0.04
Vehicles	0.91	0.04
Medical Care Services	1.98	0.04
Total		2.11
Others		0.38

Source: *Price Statistics Monthly* (January 2024), DGBAS, Executive Yuan.