

What price indices are currently compiled in Taiwan? How are they used?

Price indices currently compiled in Taiwan include Consumer Price Index, Producer Price Index, Services Producer Price Index, Import Price Index, Export Price Index, and Construction Cost Index. Applications of these indices are described as follows:

1. Consumer Price Index

(1) Purpose:

To measure the average changes of prices in consumption products (including goods and services) generally purchased by households.

(2) Uses:

- i. An important indicator for measuring inflation and for measuring real income or purchasing power.
- ii. As a reference for public and private agencies to adjust salaries and contract prices.
- iii. The basis for tax adjustment (ex. income tax, gift tax, land appreciation tax, inheritance tax).

2. Producer Price Index

(1) Purpose:

To measure the average changes of selling prices received by domestic producers for their output.

(2) Uses:

- i. For financial decision-making and academic researches.
- ii. As a reference for a deflator for GDP and I/O Tables.

3. Services Producer Price Index

(1) Purpose:

To measure the average changes of prices in service products received by domestic service producers for their output in Taiwan Area.

(2) Uses:

- i. For financial decision-making and academic researches.
- ii. As a reference for a deflator for GDP and I/O Tables.

4. Import/Export Price Index

(1) Purpose:

To measure prices changes in imported or exported products.

(2) Uses:

- i. For financial decision-making and academic researches.
- ii. As a reference for a deflator for GDP and I/O Tables.

- iii. Used to adjust the supply and demand of import and export commodities and the research and analysis of relevant agencies.

5. Construction Cost Index

(1) Purpose:

To measure average changes of prices for input materials and labors in construction.

(2) Uses:

- i. As a reference for adjustment of construction costs.
- ii. As a reference for governments in formulation of policies and administrative programs escalation.
- iii. As a reference for the private sector and the academic community in their researches and studies.

An illustration of the use of the Consumer Price Index: currency value adjustment

If NT\$1,000,000 in August 1967 is adjusted for purchasing power on the basis of the Consumer Price Index, what would the equivalent NT dollar value be in August 2022?

Answer: Consumer Price Index in August 1967: 14.94

Consumer Price Index in August 2022: 103.24

Consequently, the purchasing power of NT\$1,000,000 in August 1967 is approximately equivalent to NT\$6,910,308 in August 2022,

$\$1,000,000 \times 103.24/14.94 \doteq \$6,910,308.$