

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

Price indices currently compiled in Taiwan include Consumer Price Index, Wholesale 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 changes of prices in consumption products (including goods and services) generally purchased by households.

##### **(2) Uses:**

- i. A macro economic indicator which widely used as a measure of inflation.
- ii. To escalate wages and contracted prices.
- iii. As a deflator for time series data of economic indicators.
- iv. Indexation of benefits, pensions and taxes.

#### **2. Wholesale Price Index**

##### **(1) Purpose:**

To measure the changes of selling prices received by producers for their outputs, such as raw materials, semi-finished products and finished products.

##### **(2) Uses:**

- i. A deflator for GDP and I/O Tables.
- ii. The basis for the revaluation and appraisal of assets.

#### **3. Import/Export Price Index**

##### **(1) Purpose:**

To measure prices changes in imported or exported products.

##### **(2) Uses:**

References for management of foreign exchange market and deflators for GDP.

#### **4. Construction Cost Index**

##### **(1) Purpose:**

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

##### **(2) Uses:**

As the basis for contract escalation.

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

If NT\$1,000,000 in April 1963 is adjusted for purchasing power on the basis of the Consumer Price Index, what would the equivalent NT dollar value be in April 2012?

Answer: Consumer Price Index in April 1963: 15.66

Consumer Price Index in April 2012: 100.99

Consequently, the purchasing power of NT\$1,000,000 in April 1963 is approximately equivalent to NT\$6,448,914 in April 2012,

$\$1,000,000 \times 100.99 / 15.66 \doteq \$6,448,914.$