

Taiwan Consumer Expectations and Policy Response Survey

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Since the onset of the pandemic, Taiwan has faced price pressures significantly higher than pre-pandemic levels, suggesting a potential structural shift. The average annual growth rate of the Consumer Price Index (CPI) rose from 0.94% during 2012-2019 to 2.41% during 2021-November 2024. Although the CPI growth rate briefly fell below 2% in September and October this year (1.82% and 1.69%, respectively), it rebounded to 2.08% in November. Factors contributing to rising prices include typhoon-induced surges in fruit and vegetable prices, as well as continued increases in dining-out costs and rent. The annual growth rate of rent rose from 2.45% in August 2024 to 2.66% in November, marking the highest increase since June 1996.

Recognizing that consumer expectations about prices are a key factor influencing current price levels, the Macroeconomic Forecast Team of the Academia Sinica Institute of Economics has conducted a biannual "Taiwan Consumer Expectations and Policy Response Survey" since October 2023. While CPI is commonly used as a measure of inflation, it may not fully reflect consumers' perceptions of price changes. This survey also examines consumer expectations regarding the cost of living.

In the policy response section, this survey focuses on rent subsidies. To alleviate the burden of renting, the government launched the "30 billion NTD Rent Subsidy Expansion Program" in July 2022, providing subsidies up to 500,000 households. On December 17, 2024, it was announced that the policy would be extended until 2026 and expanded to cover 750,000 households. Given the persistently high inflationary pressure on rents, this survey aims to understand tenants' willingness to apply for subsidies over the past three years and the factors influencing landlords' decisions to raise rents. The effectiveness of economic policies requires rigorous evaluation to determine their impact. This survey seeks to provide a preliminary and timely assessment as a reference for government policy adjustments.

The survey reveals that Taiwanese consumers expect the cost of living (overall regular expenses) to increase by an average of 11.3% over the next year, up from 9.3% the previous year. Respondents anticipate an average increase of 15.9% in "transportation and energy expenses" and 12.0% in "food (including dining out) expenses." Despite a recent easing of tensions in the Middle East and a drop in Brent crude oil futures since October, Taiwanese consumers still expect significant increases in transportation and energy costs. This could reflect the impact of electricity price hikes in April and October this year. Rising electricity costs are expected to gradually push

up prices for other goods and services, particularly dining out, leading consumers to predict continued increases in food expenses over the coming year.

Regarding expectations for changes in the CPI, 87% of consumers expect that the CPI will rise a year from now, an increase of 5 percentage points compared to 82% during the same period last year. The median expectation for a year-ahead CPI increase has also risen from 2.75% in last year's survey to 3.00%. Overall, the proportion of respondents expecting year-ahead CPI inflation to exceed 2% has grown from 71% in the same period last year to 78%. These figures indicate that inflationary pressures are less likely to ease in the coming year.

Regarding policy responses, only 17.1% of surveyed renters applied for rental subsidies over the past three years (2022-2024). Among those who did not apply, 35.3% were ineligible, and 26.9% were concerned that applying for subsidies might lead to rent increases. Among surveyed landlords, 24.3% raised rents in the past three years, with an average annual rent increase of 2.02%. Key reasons for rent hikes include higher maintenance costs due to rising prices and wages (76.2%), increases in property and housing taxes (33.7%), and tenants applying for rental subsidies (19.7%). Over the next one to two years, 29.4% of landlords plan to raise rents, with an average projected increase of 2.32%. These findings suggest that CPI inflation pressures related to rent may remain elevated in the near future. In addition to general price increases, rental subsidies and higher property tax rates have contributed to rising rents.

Detailed methodologies are available in the March 2024 issue of Taiwan Economic Forecast and Policy, published by the Academia Sinica Institute of Economics. The cost-of-living and price expectation survey employed dual-frame sampling, incorporating both landline and mobile phone interviews, with adjustments for residential region, gender, and age to ensure representative samples. The sampling error is ± 2.06 percentage points at a 95% confidence level. For the policy response survey, online questionnaires were also included alongside phone interviews to expand the sample size for landlords and renters, with 586 renters and 421 landlords surveyed in total.