

Box 6.1

Rebasing of the Consumer Price Indices

The Consumer Price Indices (CPIs) (A), (B) and (C) are compiled by reference to the average expenditure patterns for different groups of households as obtained from the Household Expenditure Survey. Then, by aggregating the expenditure patterns of all the households covered by the above three indices, a Composite CPI is compiled. On 29 April 2016, the Government released a new series of 2014/15-based CPIs to replace the old series of 2009/10-based CPIs. The expenditure ranges of the households covered in these two series are shown below:

	Approximate proportion of households covered (%)	Average monthly expenditure range during Oct 2009 to Sep 2010 (\$)	Average monthly expenditure range during Oct 2014 to Sep 2015 (\$)
CPI(A)	50	4,500 to 18,499	5,500 to 24,499
CPI(B)	30	18,500 to 32,499	24,500 to 44,499
CPI(C)	10	32,500 to 65,999	44,500 to 89,999

The increases in the expenditure brackets of household covered in all the CPIs reflected the consumer price increases that took place during the five-year period from 2009/10 to 2014/15, as well as the rise in household incomes.

Also, the weightings of the various components are updated as follows:

<i>Expenditure component</i>	<u>Composite CPI</u>		<u>CPI(A)</u>		<u>CPI(B)</u>		<u>CPI(C)</u>	
	<u>Old series</u> (%)	<u>New series</u> (%)	<u>Old series</u> (%)	<u>New series</u> (%)	<u>Old series</u> (%)	<u>New series</u> (%)	<u>Old series</u> (%)	<u>New series</u> (%)
Food	27.45	27.29	33.68	34.37	27.16	26.26	20.87	20.85
Meals bought away from home	(17.07)	(17.74)	(19.23)	(20.99)	(17.90)	(17.88)	(13.55)	(13.98)
Food (excluding meals bought away from home)	(10.38)	(9.55)	(14.45)	(13.38)	(9.26)	(8.38)	(7.32)	(6.87)
Housing	31.66	34.29	32.19	33.77	31.43	35.24	31.36	33.60
Electricity, gas and water	3.10	2.67	4.36	3.85	2.84	2.38	2.03	1.76
Alcoholic drinks and tobacco	0.59	0.54	0.91	0.75	0.56	0.57	0.29	0.26
Clothing and footwear	3.45	3.21	2.60	2.57	3.45	3.26	4.39	3.88
Durable goods	5.27	4.65	3.73	3.41	5.73	5.03	6.39	5.53
Miscellaneous goods	4.17	3.56	3.87	3.28	4.17	3.64	4.49	3.77
Transport	8.44	7.98	7.22	6.75	8.35	7.60	9.93	9.84
Miscellaneous services	15.87	15.81	11.44	11.25	16.31	16.02	20.25	20.51
Overall	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Box 6.1 (Cont'd)

The weightings are updated every five years to ensure that up-to-date expenditure patterns of households are adequately and accurately reflected in the compilation of the CPIs.

The monthly year-on-year rates of increase in CPIs from the 2014/15-based series are in general smaller than those from the 2009/10-based series. This result is consistent with those in previous rounds of CPI rebasing. Such phenomenon is attributable to the fact that when the prices of various goods and services change, households tend to buy more of the goods or services with smaller price increases (or larger price decreases) to substitute those with larger price increases (or smaller price decreases).

While the magnitudes of the year-on-year rate of change in the 2009/10-based and 2014/15-based CPIs are slightly different, the consumer price inflation based on all the four new CPI series stayed moderate between the fourth quarter of 2015 and the first quarter of 2016, consistent with the price movements as reflected in the old CPI series.