

CHAPTER 7 : PRICES

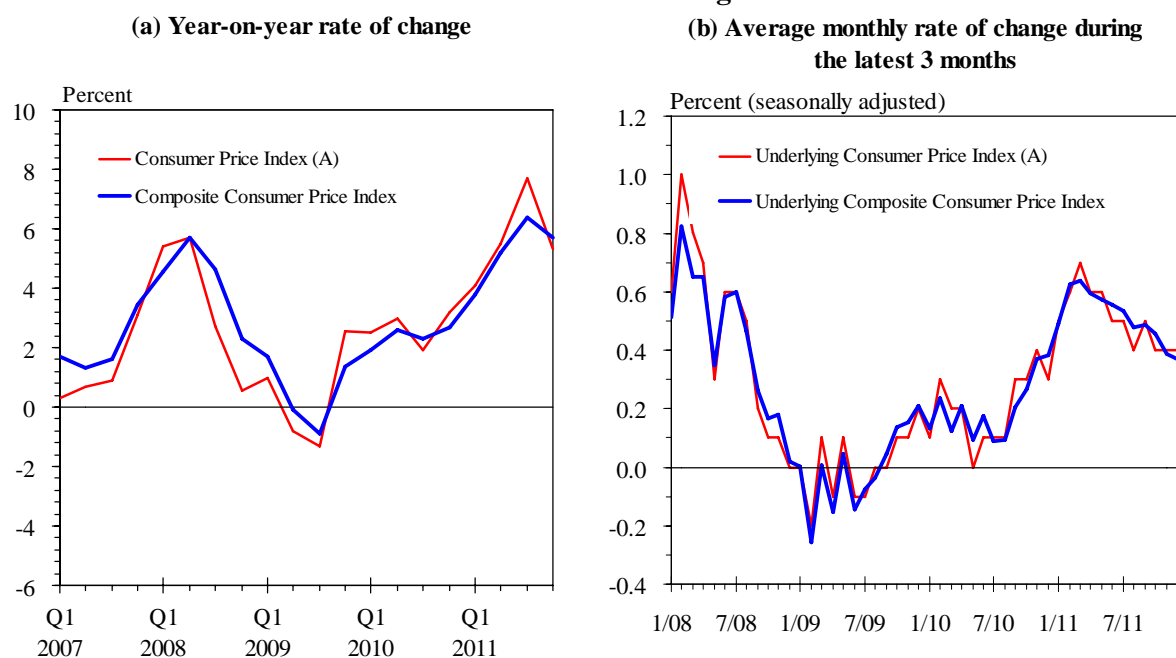
Summary

- *Inflationary pressures turned more evident in 2011, reflecting the feed-through of domestic cost pressures after six quarters of above-trend economic growth up till the second quarter, as well as higher imported inflation stemming from elevated world food prices and commodity prices. The one-off increase in wage cost upon the implementation of statutory minimum wage also added to inflation over the course of the year.*
- *Yet with the onset of slower economic growth and with imported inflation also easing somewhat towards the year-end, Hong Kong's inflation stabilized on entering the fourth quarter after an uninterrupted rise since October 2010.*
- *Inflation in many Asian and emerging economies, under the combined influence of strong economic growth and high global food prices, likewise saw a visible pick-up in inflation in most of 2011, followed by some signs of easing towards the year-end.*
- *For 2011 as a whole, the Composite Consumer Price Index⁽¹⁾ rose by 5.3%, up notably from the 2.4% increase in 2010. Netting out the effects of the Government's one-off relief measures to more accurately reflect the underlying inflation trend, the underlying Composite CPI also rose by 5.3% in 2011, after a 1.7% increase in 2010.*
- *Domestically, with the labour market in a state of full employment and also the one-off boost from statutory minimum wage, wages picked up visibly during 2011, recording their fastest growth since 1994. The wage cost pressures would have been even more marked if not for the hefty productivity growth over this period. Commercial rental costs continued their uptrend for most of the year, but softened somewhat alongside the cooling off of the property market in late 2011.*
- *Imported inflation also played a key role in Hong Kong's rising inflation in 2011. In the midst of soaring world food and commodity prices, as well as higher inflation in supply sources, import prices registered a sharp rise of 8.1% in 2011, the largest increase since 1984. External price pressures saw some tapering off towards the year-end, thanks to the retreat in world commodity prices and lower inflation in Mainland in the latter part of 2011.*

Consumer prices

7.1 Inflation was on a visible uptrend during most of 2011. Domestically, with the economy operating close to capacity and the labour market in a state of full employment, wages picked up markedly upon entering 2011, recording their fastest increase since 1994. Also relevant was the one-off effect from the implementation of statutory minimum wage in May 2011. Commercial rental costs surged on support of thriving retail business and generally sanguine business sentiment during most of the year. The notable increases in import prices, following the surges of international food and oil prices from late 2010 through early 2011, also played a significant role in driving up local inflation in 2011. Nevertheless, with global food and commodity prices generally easing back after the first quarter, and with the local economy also moderating in growth in the second half of the year, underlying inflation held stable in September to December. Indeed, the inflation situation in many Asian and emerging economies was broadly similar, with food-led inflation as a key feature, and similarly, some tapering in headline inflation towards the year-end⁽²⁾.

Diagram 7.1 : Upward price pressures built up progressively since late 2010, leading to notable rise in inflation during most of 2011



Note : The year-on-year rates of change of the Consumer Price Indices from the fourth quarter of 2010 onwards are computed from the 2009/10-based series, and those before that from the 2004/05-based series. Splicing has been applied to the indices to maintain continuity.

7.2 Underlying consumer price inflation, which nets out the effects of Government's one-off relief measures and is more indicative of the underlying inflation trend, went up visibly from 3.7% in the first quarter to 5.0% and 6.1% in the second and third quarters, and slightly further to 6.4% in the fourth quarter. For 2011 as a whole, underlying inflation averaged at 5.3%, up from 1.7% in 2010. Headline consumer price inflation, as measured by the year-on-year rate of change in the Composite Consumer Price Index (Composite CPI), also rose by an average of 5.3% in 2011, notably higher than the 2.4% increase in 2010.

7.3 The monthly profile indicates that underlying inflation kept rising until September, stabilising at 6.4% in September to December. The tapering in price pressures in the second half of 2011 was also evident from the seasonally adjusted quarter-to-quarter comparison, with increases of 1.8% and 1.7% in the first two quarters, followed by 1.5% and 1.2% respectively in the third and fourth quarters.

7.4 Most of the major components in the underlying Composite CPI saw further price increases in 2011 over a year earlier, with food and housing being the two most prominent drivers behind rising inflation. Local food prices (including costs of dining out) went up progressively by 5.2%, 6.9%, 7.8% and 8.2% year-on-year in the four quarters of 2011 respectively, mainly driven by the earlier surges in international food prices as well as greater pricing power of local retailers and restaurants amid a buoyant domestic sector. At the same time, private housing rentals picked up successively, cumulating to an average increase of 7.1% for 2011 as a whole, as the lagged effects of the past increases in market rentals continued to filter through to the private housing component of the Composite CPI. Indeed, food prices and private housing rentals taken together accounted for over 70% of the underlying inflation in 2011. Price increases of many other components also saw varying degrees of acceleration, reflecting the combined effects of rising local costs and higher import prices. Yet, prices of durable goods continued their secular downtrend, thanks to market competition and improving technology.

Table 7.1 : Consumer Price Indices
(year-on-year rate of change (%))

		<u>Composite CPI</u>		<u>CPI(A)</u>	<u>CPI(B)</u>	<u>CPI(C)</u>
		<u>Underlying^(a)</u>	<u>Headline</u>			
2010	Annual	1.7 ^(b)	2.4 ^(b)	2.7 ^(b)	2.3 ^(b)	2.1 ^(b)
	H1	1.2	2.2	2.8	2.2	1.8
	H2	2.2 ^(b)	2.5 ^(b)	2.6 ^(b)	2.5 ^(b)	2.4 ^(b)
	Q1	0.8	1.9	2.5	1.9	1.4
	Q2	1.5	2.6	3.0	2.5	2.2
	Q3	2.0	2.3	1.9	2.6	2.3
	Q4	2.4	2.7	3.2	2.4	2.5
2011	Annual	5.3	5.3	5.6	5.2	5.1
	H1	4.4	4.5	4.8	4.4	4.3
	H2	6.2	6.1	6.5	6.0	5.9
	Q1	3.7	3.8	4.1	3.7	3.7
	Q2	5.0	5.2	5.5	5.1	4.8
	Q3	6.1	6.4	7.7	6.0	5.9
	Q4	6.4	5.7	5.3	6.0	6.0

(seasonally adjusted quarter-to-quarter rate of change (%))

2010	Q1	0.5	0.8	1.2	0.6	0.5
	Q2	0.5	0.5	0.4	0.4	0.8
	Q3	0.4	-2.2	-6.3	-0.5	0.2
	Q4	1.0	3.7	8.4	1.9	1.0
2011	Q1	1.8	1.8	2.0	1.8	1.7
	Q2	1.7	1.8	1.7	1.8	1.8
	Q3	1.5	-0.9	-4.3	0.4	1.2
	Q4	1.2	3.0	5.9	1.9	1.1

Notes : (a) Underlying consumer price inflation is calculated by netting out the effects of all relevant one-off measures introduced since 2007, including the waiver and Government's payment of public housing rentals, rates concession, suspension of Employees Retraining Levy, and subsidies for household electricity charges.

(b) The year-on-year rates of change of the CPIs from the fourth quarter of 2010 onwards are computed from the 2009/10-based series, and those before that from the 2004/05-based series. Splicing has been applied to the two sets of CPI series in order to obtain better estimates of the rates of change for the year 2010 and H2 of 2010.

7.5 On a seasonally adjusted 3-month to 3-month comparison, the underlying Composite CPI rose in tandem with food prices and private housing rentals, price pressures from both of which were particularly pronounced in early 2011. Yet they have shown some signs of tapering off in the latter part of 2011, upon the recent ease-backs in global food prices and the softening of market rentals amid a slowing economy.

Diagram 7.2 : The uptrend in CPI inflation slowed towards the end of 2011, thanks to some easing in price pressures in food and private housing rentals

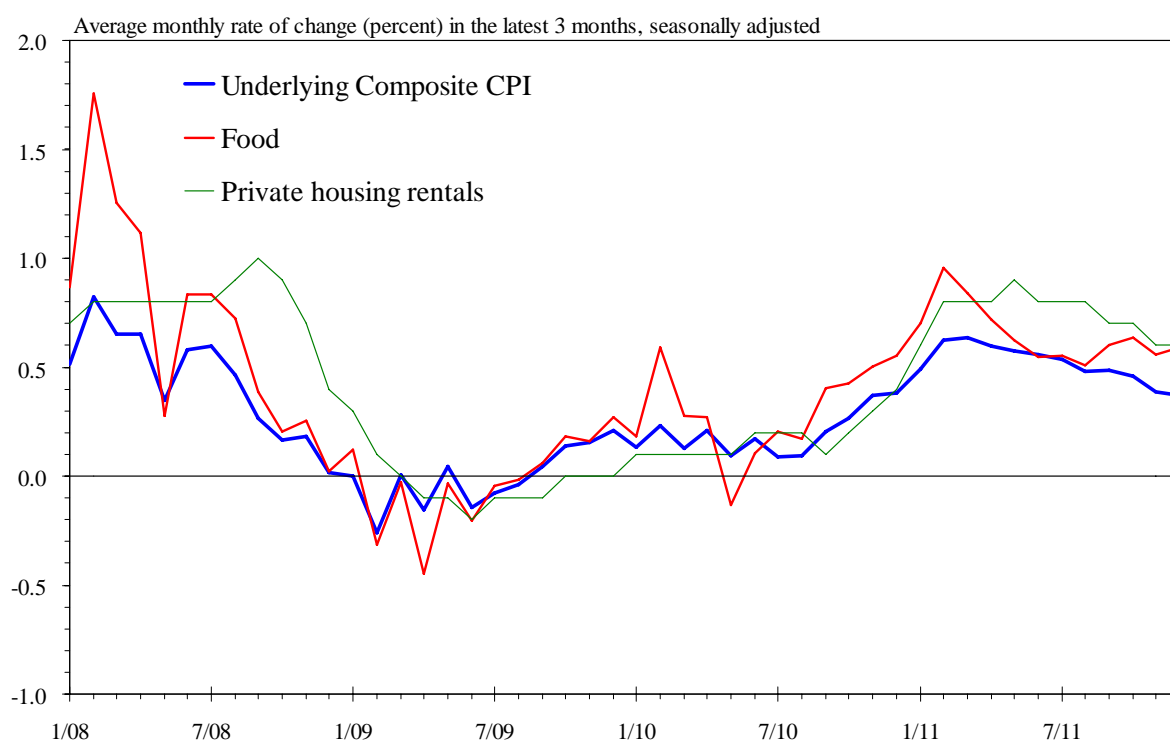


Diagram 7.3 (a) : The rising trend in food prices and housing costs largely stabilized during the fourth quarter of 2011

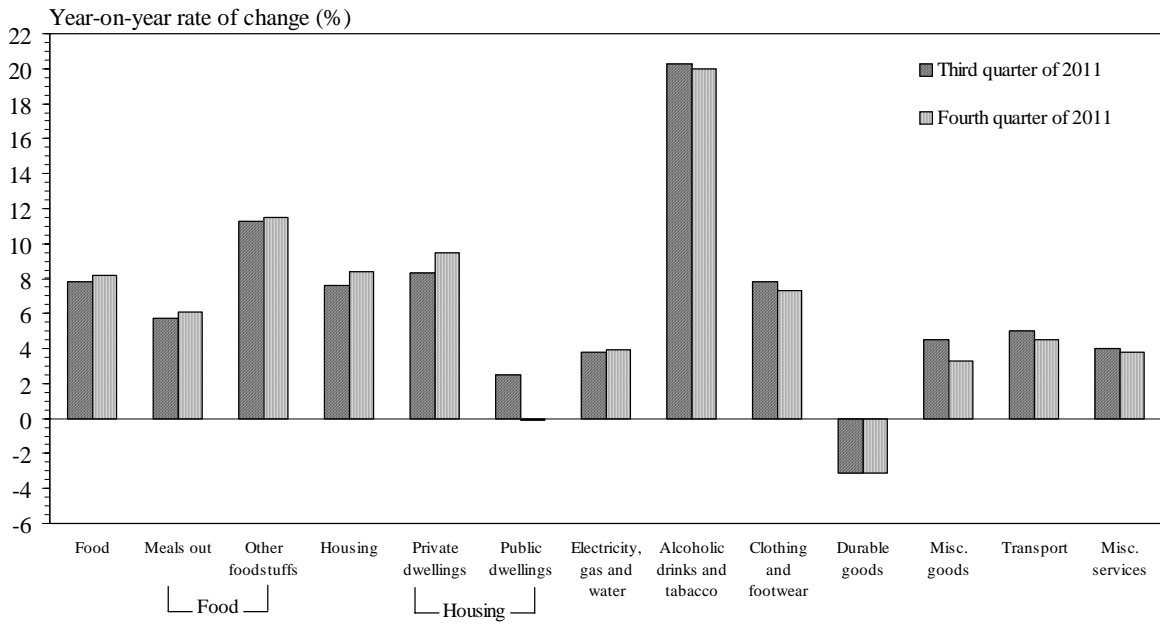
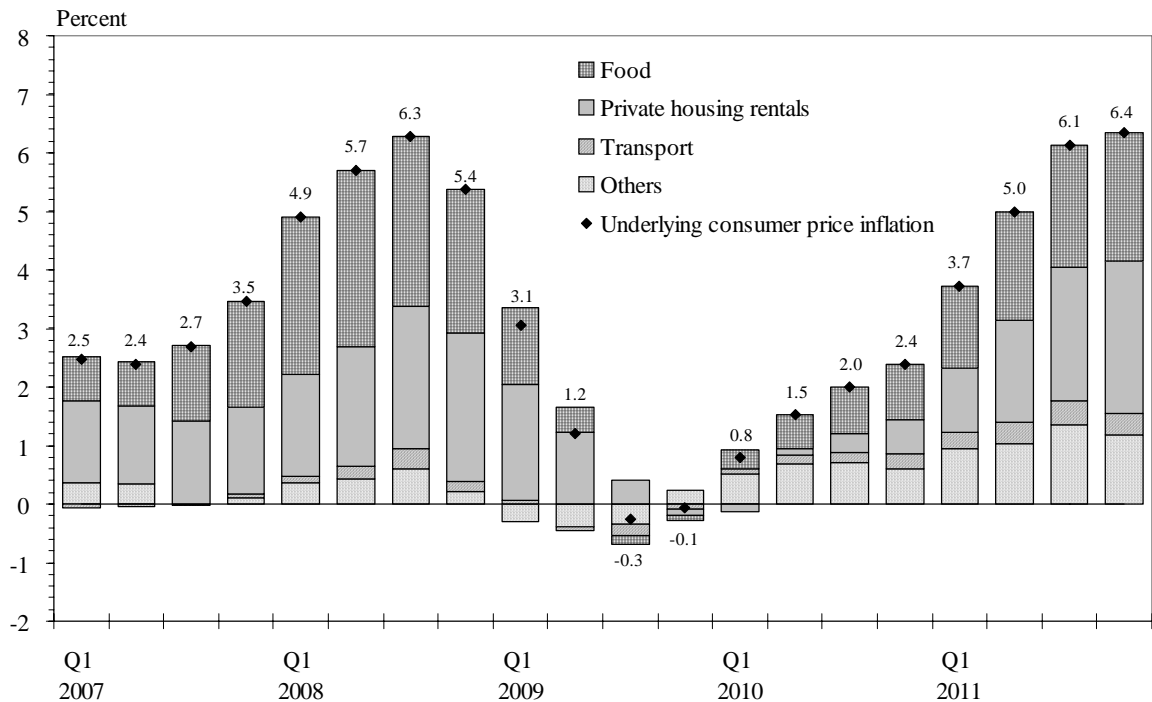


Diagram 7.3 (b) : Contribution to underlying consumer price inflation by major components



Note : The year-on-year rates of change of the Composite CPI from the fourth quarter of 2010 onwards are computed from the 2009/10-based series, and those before that from the 2004/05-based series.

Table 7.2 : Composite Consumer Price Index by component
(year-on-year rate of change (%))

<u>Expenditure component</u>	<u>Weighting (%)</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>			
				<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Food	27.45	2.4	7.0	5.2	6.9	7.8	8.2
<i>Meals bought away from home</i>	17.07	1.7	5.2	4.1	5.1	5.7	6.1
<i>Other foodstuffs</i>	10.38	3.5	9.9	7.0	9.8	11.3	11.5
Housing ^(a)	31.66	0.4 (0.8)	7.2 (6.4)	3.8 (3.9)	5.9 (5.9)	11.0 (7.6)	8.4 (8.4)
<i>Private dwellings</i>	27.14	0.9 (0.8)	7.2 (7.1)	4.1 (4.1)	6.5 (6.4)	8.4 (8.3)	9.6 (9.5)
<i>Public dwellings</i>	2.05	-7.8 (1.2)	11.9 (2.5)	4.0 (3.8)	2.7 (3.9)	676.7 (2.5)	-1.5 (-0.1)
Electricity, gas and water	3.10	43.3 (5.1)	-4.2 (3.8)	7.3 (3.8)	8.0 (3.6)	-16.1 (3.8)	-16.1 (3.9)
Alcoholic drinks and tobacco	0.59	3.4	17.1	8.1	19.9	20.3	20.0
Clothing and footwear	3.45	1.8	6.8	5.6	6.3	7.8	7.3
Durable goods	5.27	-2.7	-3.8	-4.4	-4.3	-3.1	-3.1
Miscellaneous goods	4.17	2.4	3.8	3.1	4.2	4.5	3.3
Transport	8.44	2.0	4.4	3.3	4.7	5.0	4.5
Miscellaneous services	15.87	2.0 (2.3)	3.5 (3.5)	3.3 (3.4)	2.9 (2.9)	4.0 (4.0)	3.8 (3.8)
All items	100.00	2.4 (1.7)	5.3 (5.3)	3.8 (3.7)	5.2 (5.0)	6.4 (6.1)	5.7 (6.4)

Notes : The year-on-year rates of change in the Consumer Price Indices are computed from the 2009/10-based CPI series.

- (a) The housing component covers rents, rates, Government rent, maintenance costs and other housing charges. Its sub-components on private and public dwellings as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public dwellings is slightly less than the weighting of the entire housing component.
- (b) Figures in bracket represent the underlying rates of change after netting out the effect of Government's one-off relief measures.

Box 7.1

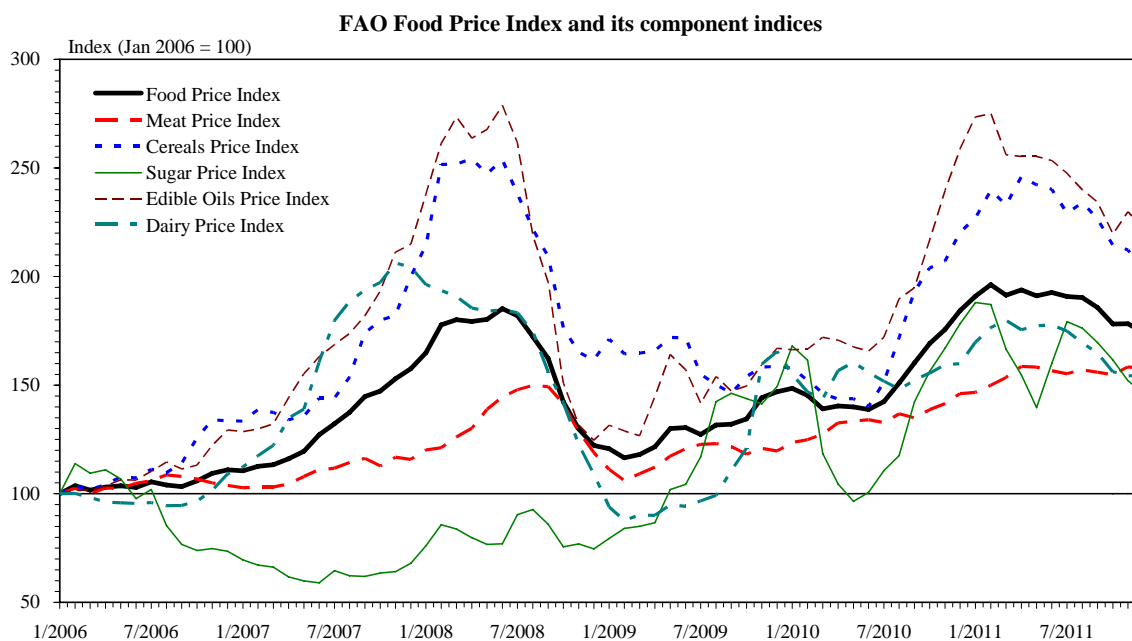
Recent movements of prices of food and oil in the international markets

International commodity prices are well-known to be volatile, as they are easily thrown off balance by such factors as the ebb and flow of world demand, abrupt disruptions to supply conditions, and global liquidity. Among the various commodity prices, those of food and, to a lesser extent, oil have the strongest direct bearing on Hong Kong's inflation. Indeed, the fluctuations of food and oil prices in the international markets have been highly notable in recent years.

Recent trend of global food prices

According to the Food Price Index compiled by the Food and Agriculture Organization (FAO) of the United Nations, global food prices embarked on a general uptrend between early 2006 and mid-2008 (**Chart 1**). After peaking out in June 2008, global food prices tumbled and drifted 37% lower by February 2009, as the global economy underwent a drastic downturn subsequent to the outbreak of the global financial tsunami. Yet alongside the worldwide economic recovery and the occurrence of a number of supply-side shocks, global food prices bounced back briskly thereafter by 68% to a historic peak in February 2011, before retreating more visibly in the latter part of 2011. Yet, for 2011 as a whole, global food prices were still on average 23% higher compared with 2010.

Chart 1: Global food prices tapered off more visibly in the latter part of 2011



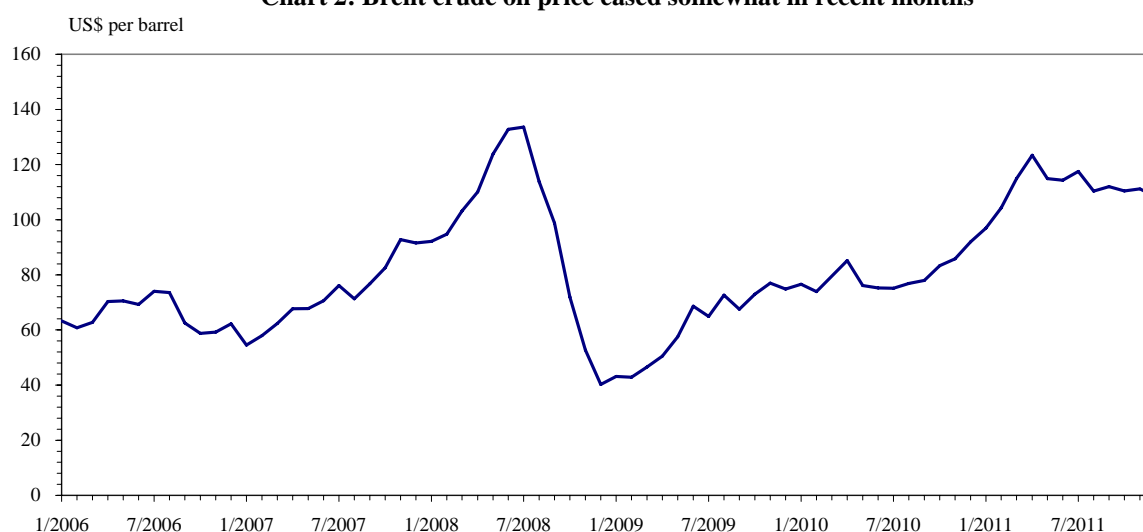
Based on the analysis of the FAO, in spite of improved production prospects and a slowing demand, the overall demand/supply balance of the agricultural commodity market remained tight up till late 2011. Looking ahead, the movements of global food prices will continue to hinge on the relative shifts of factors that affect the demand and supply situation. Apart from a highly uncertain global economic outlook, gyrations in the financial and equity markets, and fluctuations in exchange rates and in the energy markets would also add to sharp price swings in the agriculture markets.

Box 7.1 (Cont'd)

Recent trend of international oil prices

The movements of oil prices in the international markets have exhibited a similar pattern in recent years (**Chart 2**). Taking the monthly average of the spot price of North Sea Brent Oil as an indicator, the oil price hit an all-time monthly record high at US\$133.6 per barrel in July 2008, before plummeting by nearly 70% to US\$40.3 per barrel in December 2008. Against the backdrops of global economic rebound and liquidity glut, as well as a series of supply shocks stemming from the wide-spread political unrest in the Middle East and North Africa (MENA) region, the Brent crude oil price kicked off a renewed rally, hitting a recent monthly peak of US\$123.3 per barrel in April 2011, before easing somewhat to US\$108.3 per barrel in December 2011.

Chart 2: Brent crude oil price eased somewhat in recent months



According to the analysis of the International Energy Agency (IEA), the modest decline of crude oil prices recently could be partly attributed to the deepening eurozone sovereign debt crisis, rising output from Libya and recovery in North Sea supplies. However, the still-evolving political turmoil in the MENA region where many major oil exporting countries locate, if re-aggravated, could spur further price swings in the oil markets.

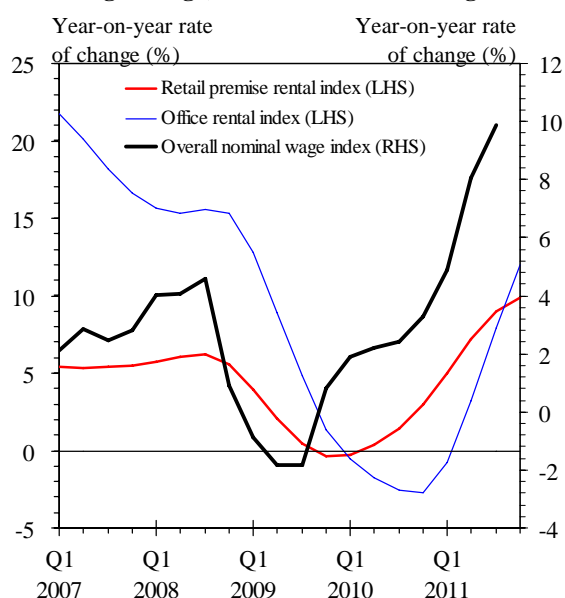
All in all, as the global economy is facing an unusually high level of uncertainty, and as the expected continuation of abundant global liquidity may add to financial and currency market gyrations, food and oil prices are more likely than not to observe pronounced fluctuations in the near future. As a small and open economy, Hong Kong is highly dependent on the imports from overseas, particularly foodstuffs and fuels, and is hence highly susceptible to the ups and downs of global food and oil prices. Indeed, the radical price swings of foodstuffs and oil products in the international markets have been one of the key ingredients in driving the rise and fall of inflation over the past few years in many economies across the globe, including the Mainland and many emerging Asian economies. Given all the uncertainties hanging over the food and oil markets, we will continue to closely monitor the movements of global food and oil prices, and their possible impacts on the inflation in Hong Kong.

Costs of factor inputs and import prices

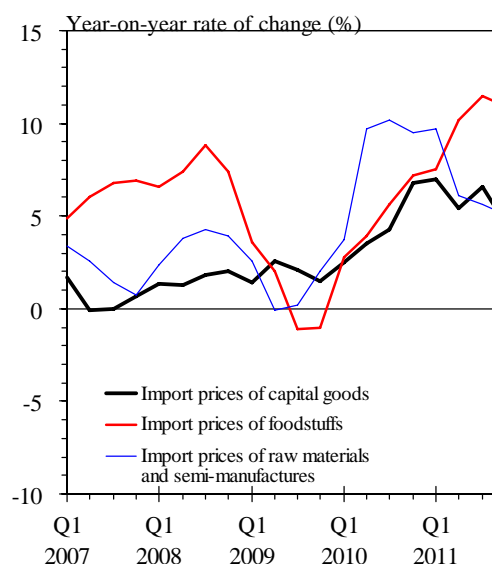
7.6 Domestic cost pressures went up visibly in 2011, consequential to the strong economic upswing in 2010 and early 2011. Market rentals for the new letting of retail premises and offices continued their uptrend during most of 2011, before tapering off in the more recent period amid a more uncertain local economic outlook. As for labour costs, with the economy in a state of full employment, coupled with the one-off effect from the implementation of statutory minimum wage, wages picked up visibly in the year, recording its fastest increase since 1994. The wage cost pressures on inflation would have been even more marked if not for the hefty rise in productivity in the year.

Diagram 7.4 : Both local and external cost pressures turned more evident in 2011

(a) Retail premise and office rental indices (8-quarter moving average) and overall nominal wage index



(b) Import prices by selected end-use categories



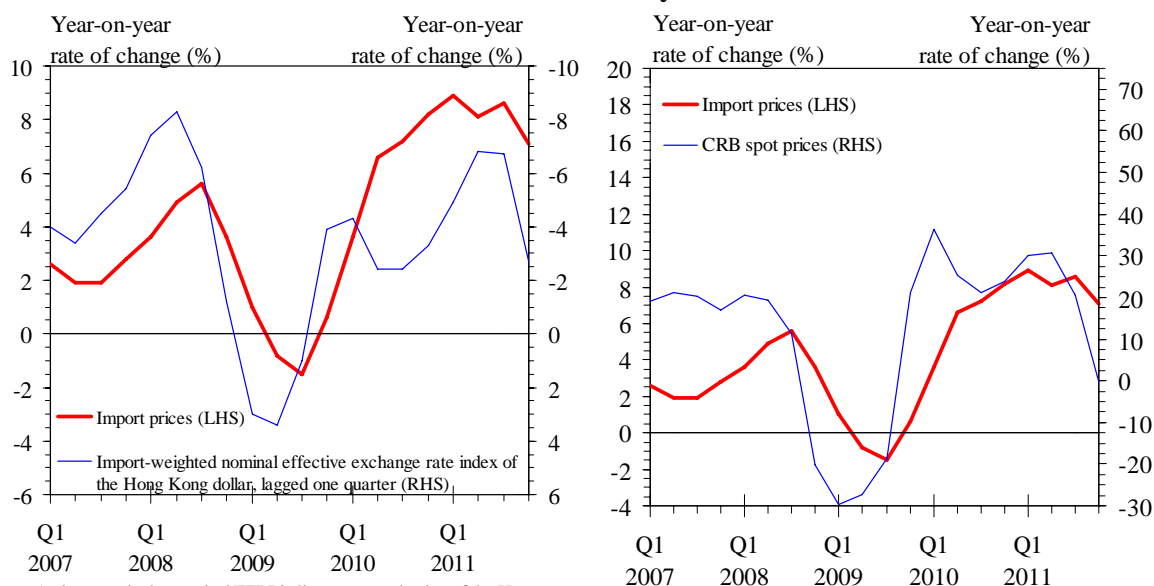
7.7 On the external front, import prices showed large increases in overall terms throughout 2011, though with slight easing towards the year-end. For the year as a whole, overall import prices went up sharply by 8.1%, further up from an increase of 6.4% in 2010. This was also the largest increase since 1984. Analyzed by major end-uses, fuel prices surged by 35.3% in 2011, as international oil prices remained notably higher than the level in 2010. The increases in import prices of foodstuffs and consumer goods were also marked, at 10.1% and 9.2% respectively, and understandably so, given the feed-through of surging world food and commodity prices with a time lag. Import prices of raw materials and capital goods generally eased off after the first quarter, but for 2011 as a whole, the average increases remained notable at 6.5% and 5.8% respectively.

**Table 7.3 : Prices of imports by end-use category
(year-on-year rate of change (%))**

		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
2010	Annual	5.0	4.6	8.3	20.8	4.3	6.4
	H1	3.4	2.4	7.0	35.0	3.0	5.2
	H2	6.6	6.5	9.8	10.6	5.5	7.7
	Q1	2.8	1.1	3.7	42.8	2.5	3.6
	Q2	3.9	3.7	9.7	27.7	3.5	6.6
	Q3	5.6	5.8	10.2	9.9	4.3	7.2
	Q4	7.2	7.3	9.5	11.7	6.8	8.2
2011	Annual [#]	10.1	9.2	6.5	35.3	5.8	8.1
	H1	8.9	8.9	7.6	33.1	6.1	8.4
	H2 [#]	11.1	9.7	5.4	37.3	5.6	7.8
	Q1	7.5	8.0	9.7	24.8	7.0	8.9
	Q2	10.2	9.7	6.1	41.0	5.4	8.1
	Q3	11.5	10.4	5.6	42.8	6.6	8.6
	Q4 [#]	10.9	9.0	5.1	32.0	4.6	7.1

Note : (#) Estimates compiled based on actual figures up to November 2011. Figures will be subject to revision when full-year data become available.

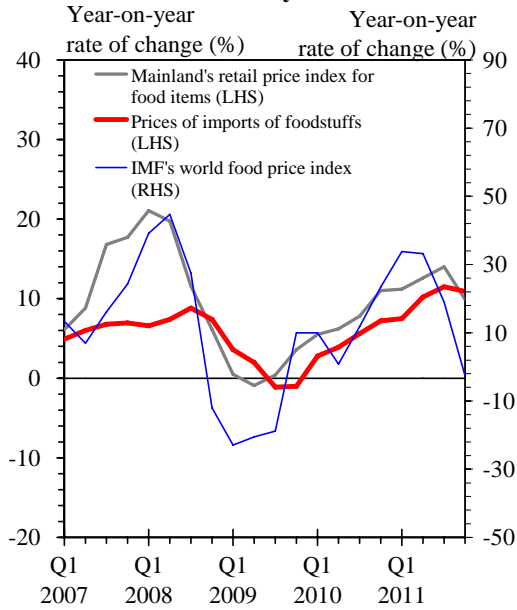
Diagram 7.5 : Import inflation stayed notable throughout 2011, yet saw some signs of stabilisation towards the year-end



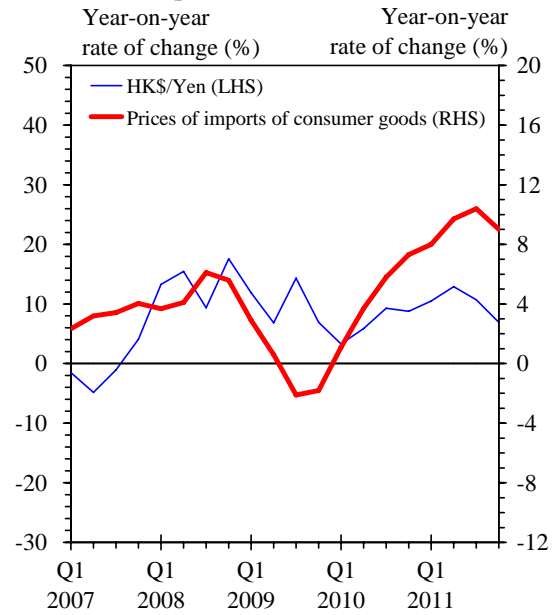
Note: An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

Diagram 7.6 : Import prices by end-use categories

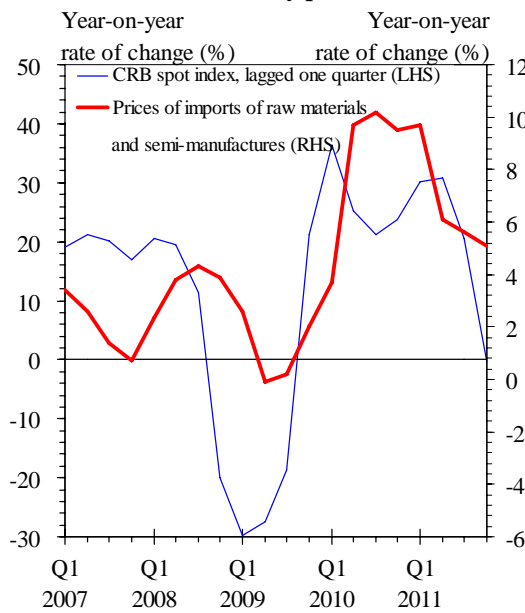
(a) Import prices of foodstuffs rose visibly further



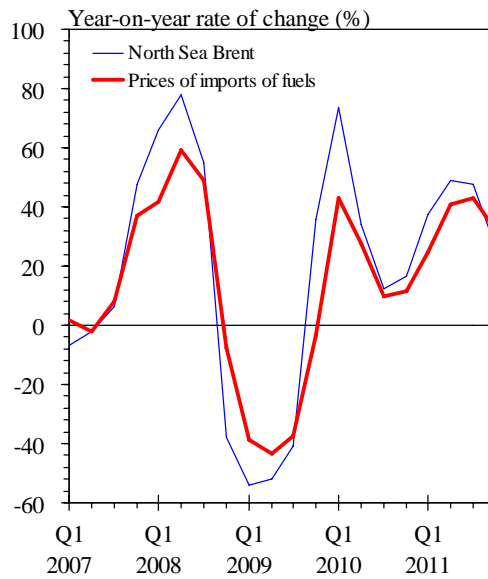
(b) Import prices of consumer goods also posted a notable increase



(c) Increase in import prices of raw materials continued to moderate alongside the retreat in world commodity prices



(d) Oil prices, though eased somewhat in the second half of 2011, stayed elevated throughout the year



Output prices

7.8 Output prices, as measured by the *Producer Price Indices*⁽³⁾, exhibited diverse trends across different sectors in the first three quarters of 2011. Output prices for the manufacturing sector posted faster increases across a wide range of products, reflecting the continued pass-through of higher material costs. Among the service sectors, output prices for accommodation services picked up to a double-digit increase, on the back of thriving inbound tourism. Increases in output prices for courier services and land transport were nevertheless more moderate. On the other hand, output prices for water transport reverted to a marked decline, while those for air transport also fell in the third quarter after some notable increases in the first half, conceivably reflecting the slower global trade flows. Separately, the perennial downtrend in output prices for telecommunications services continued under an environment of technological advancement and keen competition.

Table 7.4 : Producer Price Indices for the local manufacturing sector and selected service sectors
(year-on-year rate of change (%))

<u>Industry group</u>	<u>Annual</u>	<u>Q1</u>	<u>2010</u>			<u>2011</u>		
			<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Manufacturing	6.0	4.0	6.0	6.4	7.6	8.2	9.0	9.5
Selected services sector ^(a)								
Accommodation services	8.9	4.4	6.8	9.1	15.0	12.7	13.3	12.8
Land transport	1.3	0.1	0.9	2.2	1.9	1.6	2.0	2.2
Water transport	27.4	13.0	43.7	41.4	15.0	-2.3	-12.6	-21.1
Air transport	16.5	13.9	17.4	23.5	12.0	8.8	5.5	-2.1
Telecommunications	-1.5	-2.3	-2.1	-1.3	-0.1	-0.6	-2.9	-2.6
Courier services	2.2	1.6	2.3	2.3	2.4	2.2	2.6	3.4

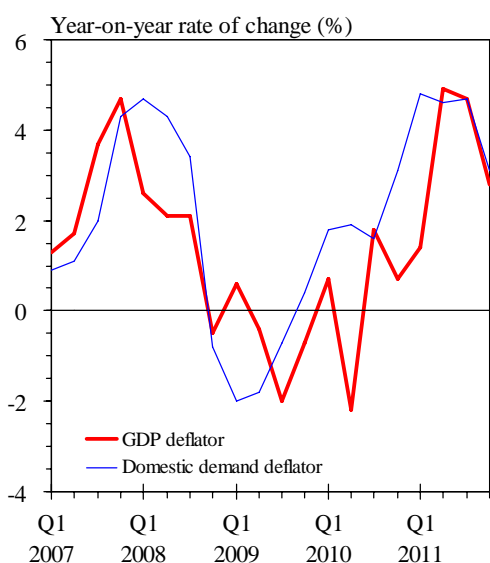
Note : (a) Producer Price Indices for other service sectors are not available, due to the difficulties involved in defining and delineating the various types of services and hence in measuring their respective price changes. This is particularly so for such sectors as banking and insurance, where the producers often do not charge their customers explicitly.

GDP deflator

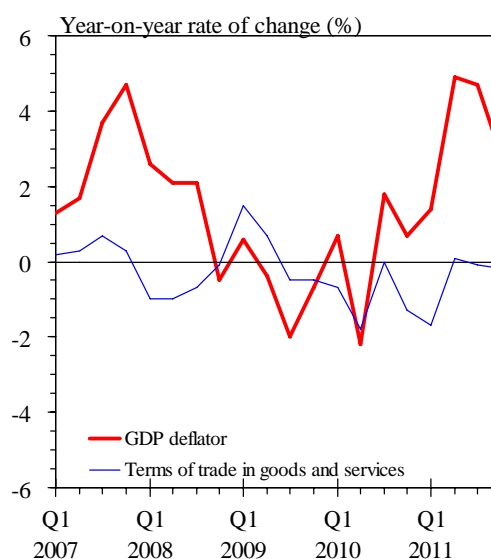
7.9 As a broad measure of the overall change in prices in the economy, the *GDP deflator*⁽⁴⁾ rose by 3.4% in 2011, following an increase of 0.3% in 2010. The *terms of trade*⁽⁵⁾ saw a mild deterioration in 2011, since import prices rose slightly faster than export prices. Taking out the external components, the domestic demand deflator went up by 4.3% in 2011, notably faster than the 2.1% increase in 2010.

Diagram 7.7 : GDP deflator

(a) Domestic demand deflator picked up notably in 2011



(b) Terms of trade worsened slightly for 2011 as a whole



**Table 7.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))**

	<u>Annual[#]</u>	<u>2010</u>				<u>2011</u>				
		<u>Q1[#]</u>	<u>Q2[#]</u>	<u>Q3[#]</u>	<u>Q4[#]</u>	<u>Annual⁺</u>	<u>Q1[#]</u>	<u>Q2[#]</u>	<u>Q3[#]</u>	<u>Q4⁺</u>
Private consumption expenditure	1.0	0.6	0.3	0.7	2.2	4.1	3.2	4.7	5.0	3.7
Government consumption expenditure	0.3	-0.5	0.4	0.6	0.7	4.9	1.8	5.7	6.1	6.0
Gross domestic fixed capital formation	6.6	6.9	7.0	4.5	8.3	4.2	9.7	4.1	3.2	0.9
Total exports of goods	4.6	2.8	4.1	5.6	5.8	7.5	6.4	7.6	8.7	7.4
Imports of goods	6.3	3.8	7.2	6.4	7.8	8.1	8.5	7.5	8.8	7.8
Exports of services	7.4	4.9	10.0	8.2	7.1	7.3	6.9	8.1	7.8	6.7
Imports of services	5.1	7.2	4.8	4.1	4.9	6.4	6.7	8.5	6.9	4.0
Gross Domestic Product	0.3	0.7	-2.2	1.8	0.7	3.4	1.4	4.9	4.7	2.8
		<0.9>	<-2.4>	<2.4>	<-0.1>		<1.3>	<1.4>	<1.9>	<-1.7>
Total final demand	4.3	2.9	4.1	4.8	5.2	6.5	6.0	6.7	7.3	6.0
Domestic demand	2.1	1.8	1.9	1.6	3.1	4.3	4.8	4.6	4.7	3.1
Terms of trade in goods and services	-0.9	-0.7	-1.8	*	-1.3	-0.4	-1.7	0.1	-0.1	-0.2

Notes : Figures are derived based on the series of chain volume measures of GDP. They are subject to revision later on as more data become available.

(#) Revised figures.

(+) Advance preliminary figures.

< > Seasonally adjusted quarter-to-quarter rate of change.

(*) Change of less than 0.05%.

Notes :

- (1) The Consumer Price Indices (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.

The expenditure ranges of the households covered in the 2009/10-based CPIs are shown below:

	<u>Approximate proportion of households covered</u> (%)	<u>Average monthly expenditure range during Oct 2009 to Sep 2010</u> (\$)
CPI(A)	50	4,500 to 18,499
CPI(B)	30	18,500 to 32,499
CPI(C)	10	32,500 to 65,999

The weightings of the various components in the 2009/10-based CPIs are as follows:

<u>Expenditure component</u>	<u>Composite CPI</u> (%)	<u>CPI(A)</u> (%)	<u>CPI(B)</u> (%)	<u>CPI(C)</u> (%)
Food	27.45	33.68	27.16	20.87
<i>Meals bought away from home</i>	<i>17.07</i>	<i>19.23</i>	<i>17.90</i>	<i>13.55</i>
<i>Other foodstuffs</i>	<i>10.38</i>	<i>14.45</i>	<i>9.26</i>	<i>7.32</i>
Housing	31.66	32.19	31.43	31.36
<i>Private dwellings</i>	<i>27.14</i>	<i>24.78</i>	<i>28.13</i>	<i>28.45</i>
<i>Public dwellings</i>	<i>2.05</i>	<i>5.49</i>	<i>0.72</i>	<i>--</i>
<i>Maintenance costs and other housing charges</i>	<i>2.47</i>	<i>1.92</i>	<i>2.58</i>	<i>2.91</i>
Electricity, gas and water	3.10	4.36	2.84	2.03
Alcoholic drinks and tobacco	0.59	0.91	0.56	0.29
Clothing and footwear	3.45	2.60	3.45	4.39
Durable goods	5.27	3.73	5.73	6.39
Miscellaneous goods	4.17	3.87	4.17	4.49
Transport	8.44	7.22	8.35	9.93
Miscellaneous services	15.87	11.44	16.31	20.25
All items	100.00	100.00	100.00	100.00

- (2) The table below presents the year-on-year rates (%) of consumer price inflation in selected economies.

	<u>2009</u>	<u>2010</u>	<u>2011</u>				
	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Selected developed economies							
US	-0.4	1.6	3.2	2.1	3.4	3.8	3.3
Canada	0.3	1.8	3.0 ⁺	2.6	3.4	3.0	2.9 [^]
EU	1.0	2.1	3.1	2.9	3.2	3.1	3.2
Japan	-1.4	-0.7	-0.3 ⁺	-0.5	-0.4	0.1	-0.3 [^]
Major emerging economies							
Mainland China	-0.7	3.3	5.4	5.0	5.7	6.3	4.6
Russia	11.7	6.9	8.4	9.5	9.5	8.1	6.7
India	10.9	12.0	9.1 ⁺	9.0	8.9	9.2	9.4 [^]
Brazil	4.9	5.0	6.6	6.1	6.6	7.1	6.7
Selected Asian economies							
Hong Kong	0.5	2.4	5.3	3.8	5.2	6.4	5.7
Singapore	0.6	2.8	5.2 ⁺	5.2	4.7	5.5	5.5 [^]
Taiwan	-0.9	1.0	1.4	1.3	1.6	1.3	1.4
South Korea	2.8	2.9	4.0	3.8	4.0	4.3	4.0
Malaysia	0.6	1.7	3.2	2.8	3.3	3.4	3.2
Thailand	-0.8	3.3	3.8	3.0	4.1	4.1	4.0
Indonesia	4.8	5.1	5.4	6.8	5.9	4.7	4.1
Philippines	4.1	3.8	4.8	4.5	5.0	4.9	4.7
Vietnam	6.7	9.2	18.7 ⁺	12.8	19.4	22.5	20.7 [^]
Macao	1.2	2.8	5.7 ⁺	5.0	5.2	6.2	6.7 [^]

Notes : (+) Based on data for the first eleven months of 2011.

(^) Based on data for October and November 2011.

- (3) The Producer Price Index is designed to reflect changes in the prices of goods and services received by local producers. Producer prices refer to the transacted prices, net of any discounts or rebates allowed to the buyers. Transportation and other incidental charges are not included.
- (4) The implicit price deflators of GDP and its main expenditure components are derived by dividing GDP at current prices by the corresponding chained-dollar figures. The rate of change in the GDP deflator may differ substantially from that in the Composite CPI over the same time span. The Composite CPI covers consumer price inflation in particular. Yet the GDP deflator is a much broader measure of inflation for the entire economy, and takes into account all the price changes related to consumption, investment, exports and imports. Also, the rate of change in the GDP deflator may differ appreciably from that in the total final demand deflator, depending on the movement in the prices of final demand and imports. Likewise, the rate of change in the GDP deflator may differ appreciably from that in the domestic demand deflator, depending on the movement in the prices of imports and exports.
- (5) The terms of trade is defined as the ratio of the prices of total exports to the prices of total imports.