# CHAPTER 7 : PRICES

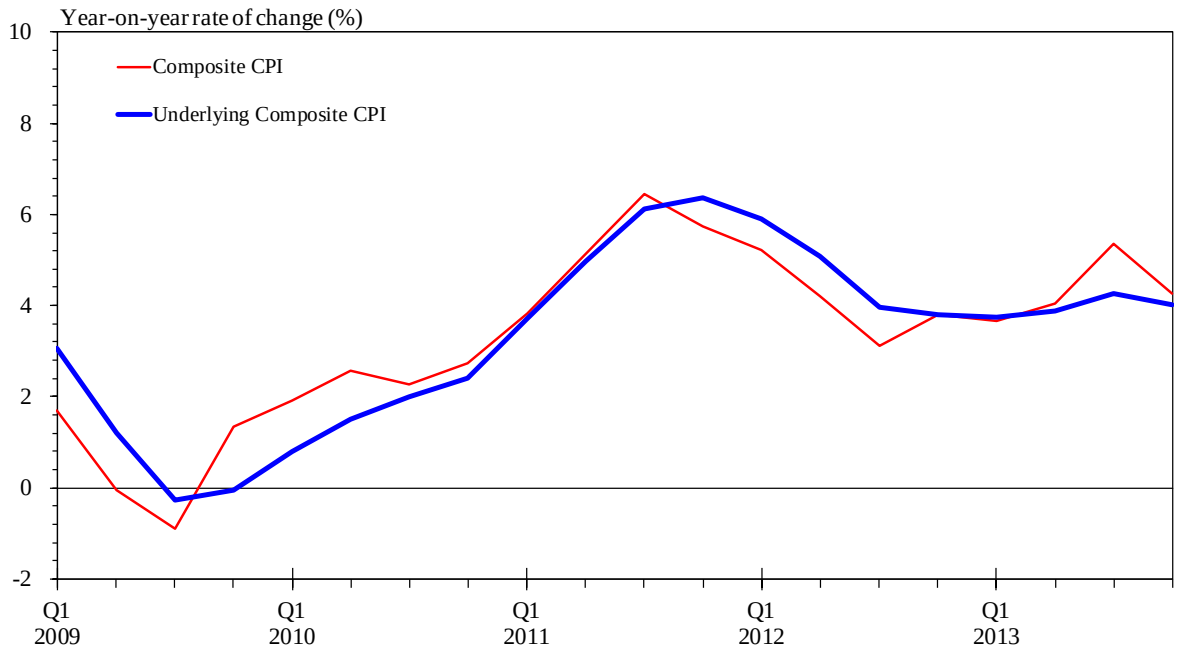
***Summary***

- *Inflation was broadly steady in 2013, as domestic cost pressures, most notably rental costs, tended to stabilise in the latter part of the year, while imported inflation stayed subdued. The increase in underlying Composite Consumer Price Index (Composite CPI)[(1)], which nets out the effects of the Government's one-off relief measures to more accurately reflect the underlying inflation trend, eased to 4.0% in 2013, from 4.7% in 2012.*
- *Domestic price pressures, the major driver of inflation over the recent past, showed increasingly affirming signs of stabilisation towards the end of 2013. In addition to the milder increases in fresh-letting private residential rentals during most of 2013 after the Government's latest round of demand-side management measures announced in February, the rises in other commercial rentals also softened as the year proceeded. The upward pressure on shop rentals receded progressively over the course of 2013, while that on office rentals also turned milder in the fourth quarter of the year. Meanwhile, labour costs maintained a steady increase on the back of a relatively tight labour market.*
- *External price pressures posed less of a threat to local inflation in 2013, as inflation in many of our major import sources stayed tame amid the broadly stable international commodity prices and slower global economic growth. The notable yen depreciation also helped reduce the import prices of goods from Japan during the year.*
- *In the near term, the upside risks to inflation should be limited, particularly if the current trends of moderated domestic rental increases and broadly steady international commodity prices continue. However, the potential threat of sharp swings in international commodity prices against the background of ample global liquidity remains. This, coupled with the effects of unanticipated weather conditions on food prices, still poses some uncertainty to Hong Kong's inflation outlook.*

## Consumer prices

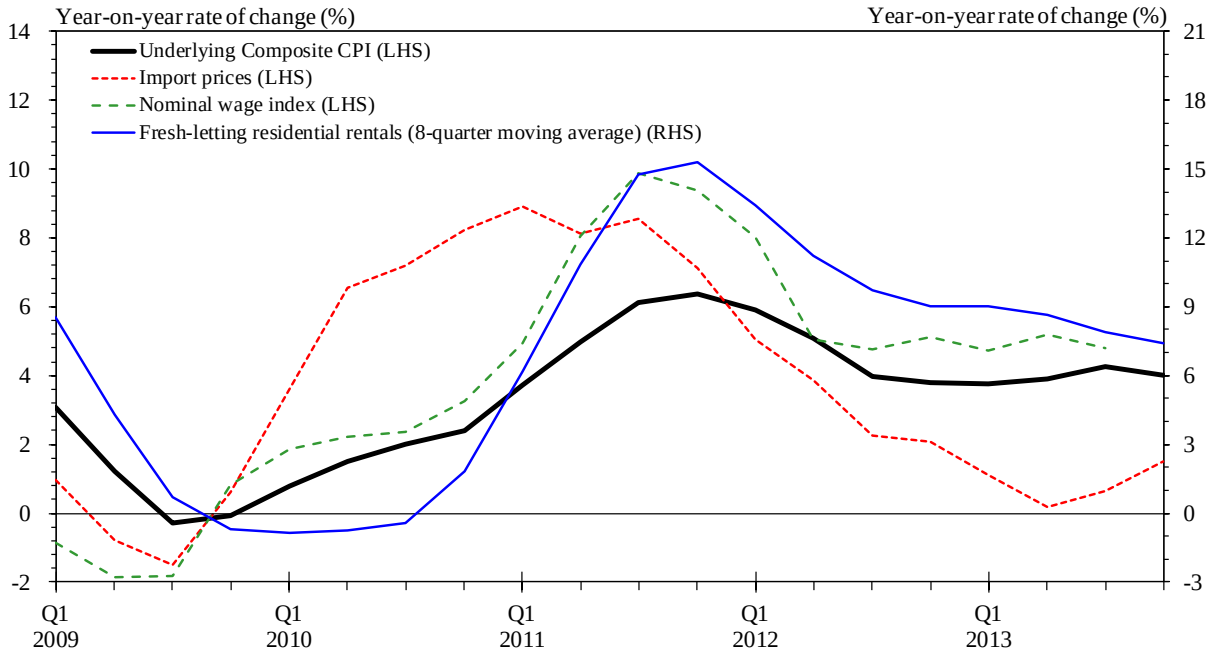
7.1 Underlying consumer price inflation held largely stable in 2013, hovering at around 4% except for a small rise in the third quarter partly because of the feed-through of higher residential rentals in 2012. Yet in the fourth quarter, the lagged effects of the milder rise in fresh-letting residential rentals since early 2013 began to set in, containing the increase in the private housing rental component of the CPI. The occasional spikes in food prices due to bad weather conditions also brought some mild fluctuations in the overall inflation rate, but food inflation was moderate for the year as a whole. Shop and office rental cost pressures also seemed to be abating in the latter part of 2013, particularly so for shop rentals alongside the somewhat moderated growth in retail sales. On the other hand, labour costs recorded further steady increases under the tight labour market conditions. Externally, the rise in import prices narrowed in 2013, thanks to the broadly steady international commodity prices and benign inflation in our major import sources[(2)]. Taken together, Hong Kong's underlying inflation eased further in 2013, representing a receding inflation trend for two years in a row.

**Diagram 7.1 : Underlying inflation held largely stable over the course of 2013**




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.

**Diagram 7.2 : Domestic price pressures showed signs of easing on a broad front over the course of 2013**




7.2 Underlying consumer price inflation, which nets out the effects of the Government's one-off relief measures to more accurately reflect the underlying inflation trend, held largely stable at 3.8% and 3.9% respectively in the first two quarters of 2013, and then climbed modestly to 4.3% in the third quarter, before easing back to 4.0% in the last quarter. For 2013 as a whole, the underlying inflation averaged 4.0%, down from 5.3% and 4.7% respectively in 2011 and 2012. The headline consumer price inflation, as measured by the rate of change in the Composite CPI, averaged 4.3% in 2013, as compared to 5.3% and 4.1% respectively in 2011 and 2012. Headline inflation followed a similar trend as underlying inflation in 2013, but rose more visibly to 5.3% in the third quarter mainly because of a distinctly lower base of comparison resulted from the Government's payment of public housing rentals in July 2012.

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

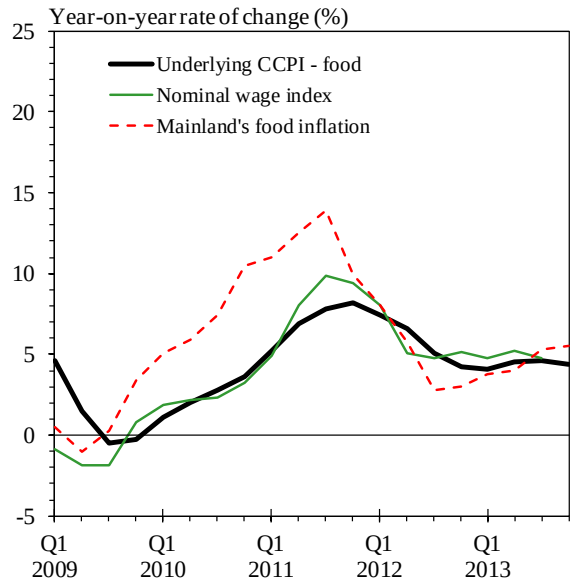
| | | Composite CPI | | CPI(A) | CPI(B) | CPI(C) |
|---|---|---|---|---|---|---|
| | | Underlying[(a)] | Headline | | | |
| 2012 | Annual | 4.7 | 4.1 | 3.6 | 4.3 | 4.1 |
| | H1 | 5.5 | 4.7 | 4.2 | 5.0 | 4.9 |
| | H2 | 3.9 | 3.5 | 3.1 | 3.7 | 3.4 |
| | Q1 | 5.9 | 5.2 | 4.6 | 5.5 | 5.4 |
| | Q2 | 5.1 | 4.2 | 3.7 | 4.5 | 4.4 |
| | Q3 | 4.0 | 3.1 | 1.9 | 3.7 | 3.4 |
| | Q4 | 3.8 | 3.8 | 4.2 | 3.6 | 3.3 |
| 2013 | Annual | 4.0 | 4.3 | 5.1 | 4.1 | 3.8 |
| | H1 | 3.8 | 3.9 | 4.4 | 3.6 | 3.5 |
| | H2 | 4.1 | 4.8 | 5.8 | 4.5 | 4.1 |
| | Q1 | 3.8 | 3.7 | 4.2 | 3.5 | 3.3 |
| | Q2 | 3.9 | 4.0 | 4.6 | 3.8 | 3.6 |
| | Q3 | 4.3 | 5.3 | 7.3 | 4.6 | 4.2 |
| | Q4 | 4.0 | 4.3 | 4.4 | 4.4 | 4.1 |
| | | **(seasonally adjusted quarter-to-quarter rate of change (%))** | | | | |
| 2012 | Q1 | 1.2 | 1.2 | 1.4 | 1.2 | 1.0 |
| | Q2 | 0.9 | 0.8 | 0.8 | 0.9 | 0.8 |
| | Q3 | 0.5 | -2.0 | -5.9 | -0.4 | 0.4 |
| | Q4 | 1.1 | 3.7 | 8.4 | 1.9 | 1.1 |
| 2013 | Q1 | 1.1 | 1.1 | 1.2 | 1.1 | 1.0 |
| | Q2 | 1.1 | 1.3 | 1.3 | 1.2 | 1.2 |
| | Q3 | 0.8 | -0.8 | -3.4 | 0.3 | 0.8 |
| | Q4 | 1.0 | 2.7 | 5.5 | 1.7 | 1.0 |

Note : (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.

7.3 Analysed by major component of the underlying Composite CPI, food and private housing rentals remained the key contributors to inflation, together accounting for almost three-quarters of the rise of the underlying Composite CPI in 2013. Local food inflation (including costs of dining out), except for the spikes in April and September triggered by bad weather conditions, was broadly stable on the whole and averaged 4.4% in 2013, easing from 5.8% in 2012. Meanwhile, the price rise in the private housing rental component moved up modestly in the first three quarters of 2013 but started to ease in the last two months, thanks to the milder increases in fresh-letting residential rentals during most of 2013. The private housing rental component on average increased by 6.0% in 2013, receding from 7.0% in 2012. At the same time, the prices of components with higher import contents such as clothing and footwear showed more moderate increases in 2013, and the secular decline in prices of durable goods enlarged during the year, in tandem with the soft import prices. On the other hand, the prices of electricity, gas and water saw a slightly faster rise in 2013, due mainly to higher fuel cost adjustment for Towngas alongside the price rise in naphtha in the third quarter.

**Diagram 7.3 : Food and private housing rental components of the underlying CCPI**

**(a) Food inflation moderated in 2013**




**(b) The milder increases in fresh-letting rentals since early 2013 began to feed through**

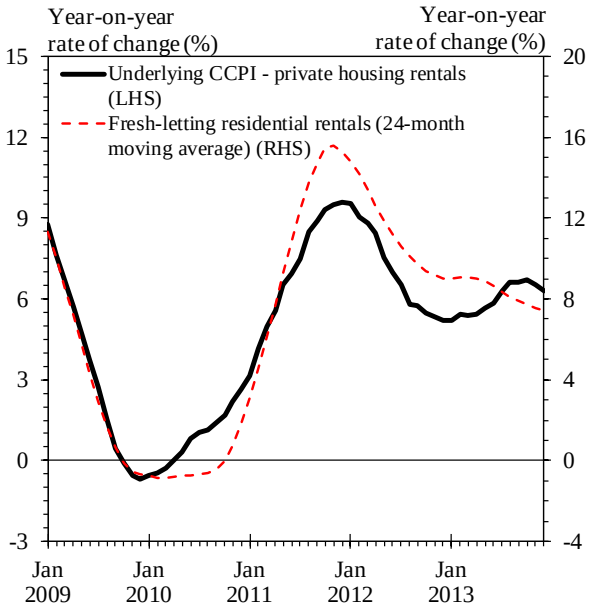


**Diagram 7.4 (a) : The price increases in many major components in the underlying Composite CPI remained moderate**

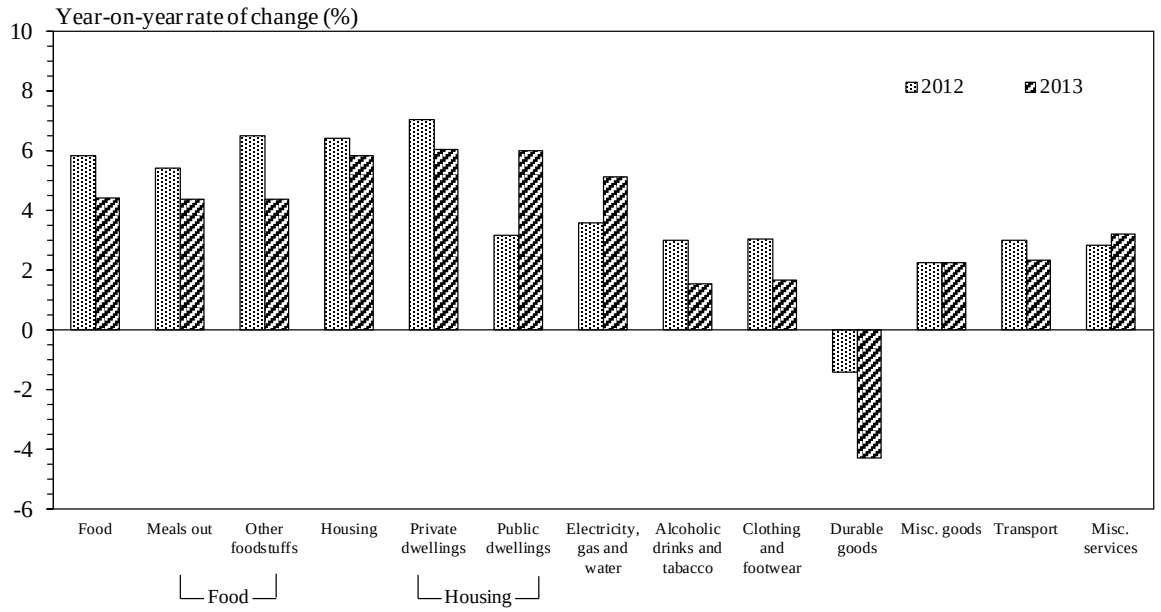
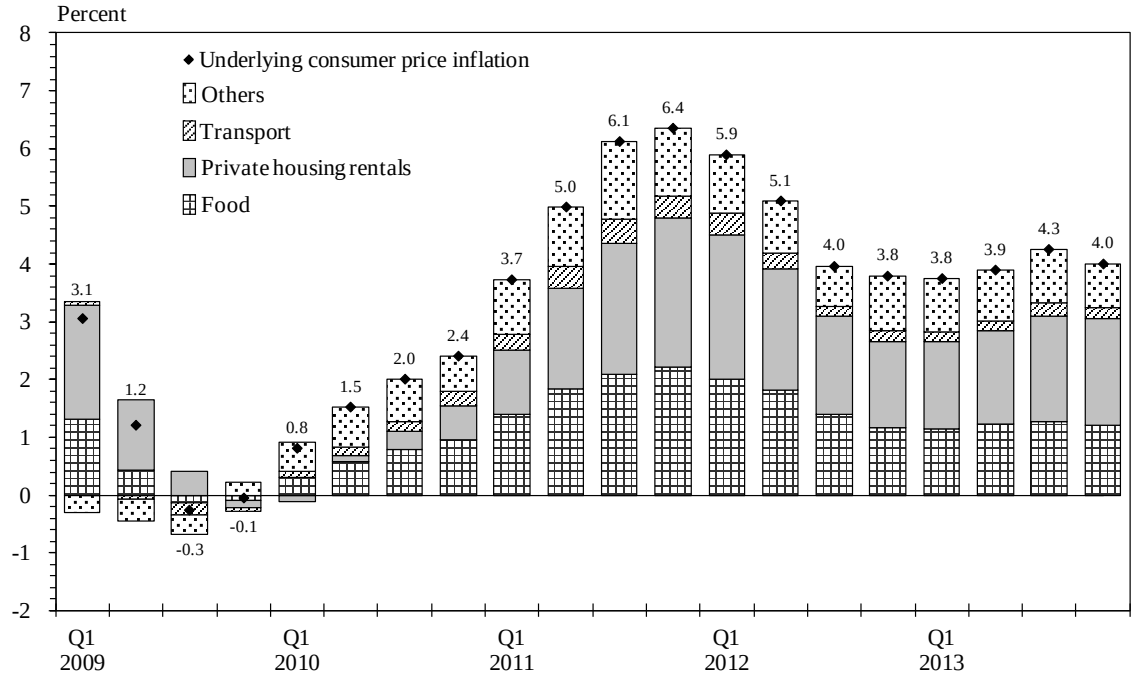



**Diagram 7.4 (b) : Contribution to underlying consumer price inflation by major component**




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 (%))**

| Expenditure component | Weighting (%) | 2012 | 2013 | 2013 Q1 | 2013 Q2 | 2013 Q3 | 2013 Q4 |
|---|---|---|---|---|---|---|---|
| Food | 27.45 | 5.8 | 4.4 | 4.1 | 4.5 | 4.6 | 4.4 |
| *Meals bought away from home* | 17.07 | 5.4 | 4.4 | 4.4 | 4.3 | 4.3 | 4.5 |
| *Other foodstuffs* | 10.38 | 6.5 | 4.4 | 3.6 | 4.8 | 4.9 | 4.1 |
| Housing[(a)] | 31.66 | 5.6<br>(6.4) | 6.7<br>(5.8) | 5.2<br>(5.5) | 6.1<br>(5.8) | 9.4<br>(6.3) | 6.1<br>(5.8) |
| *Private dwellings* | 27.14 | 6.8<br>(7.0) | 6.3<br>(6.0) | 5.0<br>(5.4) | 6.1<br>(5.7) | 7.0<br>(6.5) | 7.0<br>(6.5) |
| *Public dwellings* | 2.05 | -7.1<br>(3.2) | 16.0<br>(6.0) | 9.7<br>(9.5) | 8.9<br>(9.2) | 777.6<br>(5.9) | -1.8<br>(-0.1) |
| Electricity, gas and water | 3.10 | -8.2<br>(3.6) | 6.9<br>(5.1) | 4.9<br>(3.6) | 5.9<br>(4.4) | 9.6<br>(7.2) | 7.1<br>(5.3) |
| Alcoholic drinks and tobacco | 0.59 | 3.0 | 1.5 | 1.6 | 1.9 | 1.4 | 1.1 |
| Clothing and footwear | 3.45 | 3.1 | 1.7 | 1.5 | 1.0 | 1.7 | 2.5 |
| Durable goods | 5.27 | -1.4 | -4.3 | -3.5 | -5.0 | -4.7 | -4.0 |
| Miscellaneous goods | 4.17 | 2.2 | 2.2 | 1.4 | 2.2 | 2.5 | 2.7 |
| Transport | 8.44 | 3.0 | 2.3 | 2.0 | 2.2 | 2.8 | 2.4 |
| Miscellaneous services | 15.87 | 2.8<br>(2.8) | 3.7<br>(3.2) | 3.5<br>(3.5) | 3.1<br>(3.1) | 3.9<br>(3.1) | 4.3<br>(3.1) |
| All items | 100.00 | 4.1<br>(4.7) | 4.3<br>(4.0) | 3.7<br>(3.8) | 4.0<br>(3.9) | 5.3<br>(4.3) | 4.3<br>(4.0) |

Notes : (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.

( ) Underlying rates of change after netting out the effect of Government's one-off relief measures.

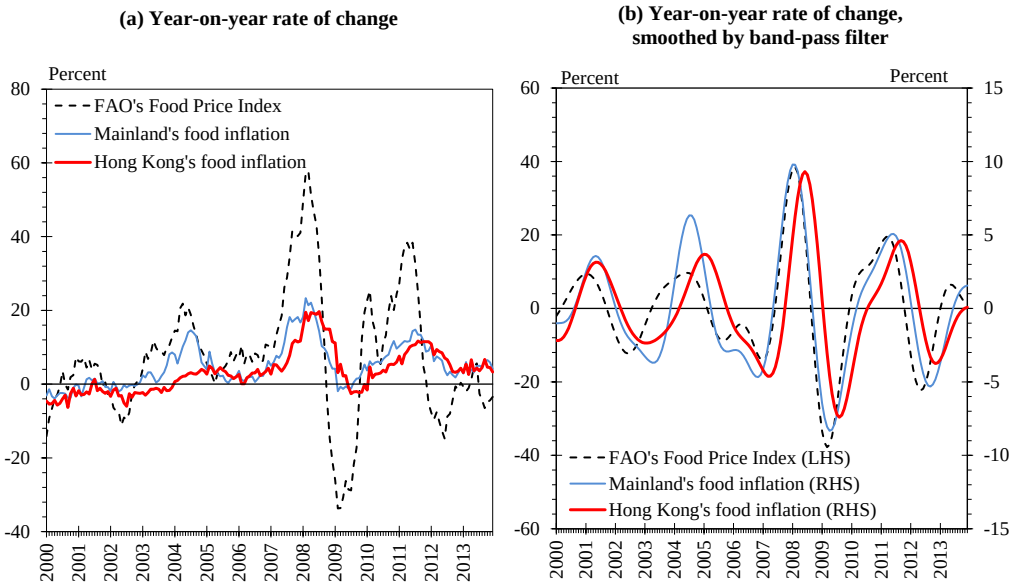
**Box 7.1**

## The relations among global, Mainland and local food inflation

Global food prices often have a direct bearing on local food inflation, given that Hong Kong relies almost exclusively on the Mainland and the rest of the world for the supply of basic foodstuffs. Therefore, global and Mainland food prices are likely to be good leading indicators of food inflation in Hong Kong. This note investigates the lead-lag relations among: (1) global food inflation (as measured by the Food Price Index compiled by the Food and Agriculture Organisation (FAO) of the United Nations), (2) the Mainland's food inflation (as measured by the food component of the Mainland's CPI), and (3) Hong Kong's food inflation (as measured by the food (excluding meals bought away from home) component of the Composite CPI). The possible implications on Hong Kong's short-term food inflation outlook will also be briefly discussed.

***Chart 1a*** shows the year-on-year rates of change in the FAO's Food Price Index, the Mainland's food inflation and Hong Kong's food inflation since January 2000. While it is obvious that they are highly correlated with each other, it is difficult to discern their lead-lag relations as the presence of significant short-term volatility obscures their cyclicality and turning points. To allow an easier identification of the lead-lag relations among them, a band-pass filter(1) is used to extract their lower-frequency components, so as to provide a clearer visualisation of their underlying cyclical trends. The smoothed data series (which have been re-scaled for easier comparison) are shown in ***Chart 1b***.

**Chart 1 : Movements of global, Mainland and local food inflation since 2000**




From ***Chart 1b***, global food inflation apparently leads the Mainland's food inflation, which in turn leads the food inflation in Hong Kong. More specifically, during the most recent food inflation cycle between 2010 and 2012, the smoothed global and Mainland food inflation series peaked in April 2011 and June 2011 respectively, suggesting that global food inflation tends to lead the Mainland's food inflation, by about 2 months. By similar reasoning, the global and Mainland food inflation apparently lead Hong Kong's food inflation by about 5 months and 3 months respectively (***Chart 2***).

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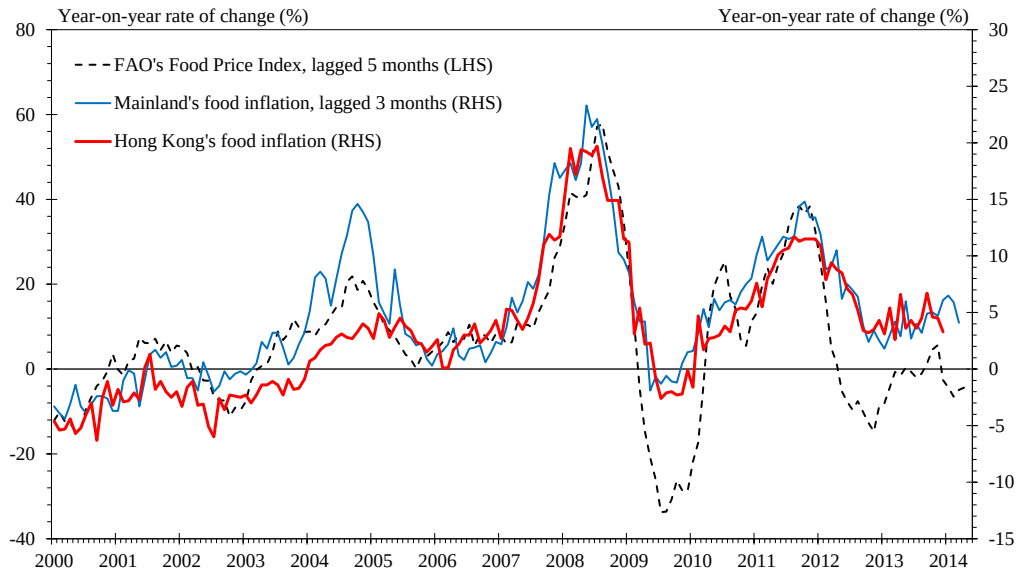
(1) Each of the three data series is smoothed by the full-sample asymmetric Christiano-Fitzgerald band-pass filter, with parameters specified to extract fluctuations in the range of 1.5 to 4 years.

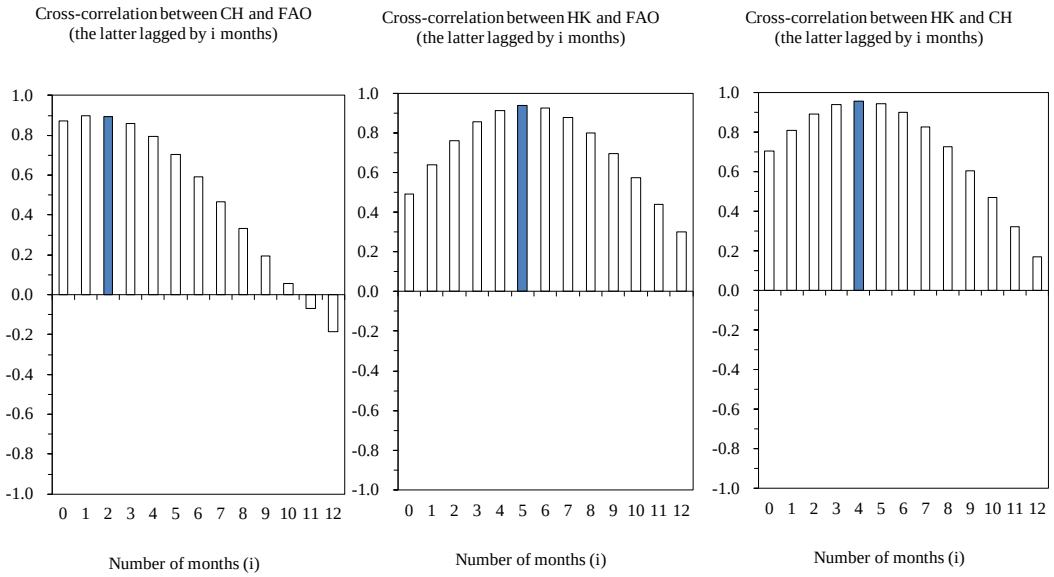
**Box 7.1 (Cont'd)**

**Chart 2 : Global and Mainland food inflation as leading indicators of local food inflation**




To confirm the results, the cross-correlograms among the three data series are also examined (***Chart 3***). The diagrams, indicating that global and Mainland's food inflation lead Hong Kong's food inflation by about 5 months and 4 months respectively, are in broad agreement with the observations in the preceding paragraph.

**Chart 3 : Cross-correlograms of global, Mainland and local food inflation**



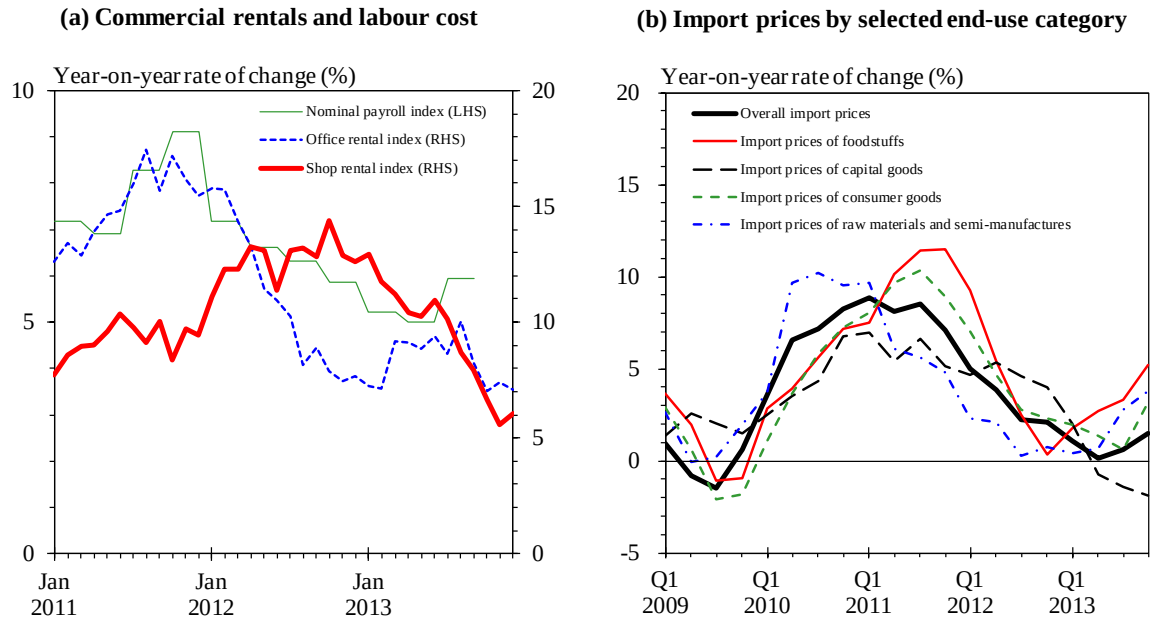

Notes : FAO – Global food inflation; CH – Mainland's food inflation; HK – Hong Kong's food inflation. The shaded bars correspond to the number of lag period (in months) such that the pairs of data series under consideration attain maximum cross correlation.

In view of the recent softening in global food prices (the FAO's Food Price Index fell by 4.4% year-on-year in the second half of 2013) and the easing food inflation in the Mainland near the end of 2013, Hong Kong's food inflation should remain contained in the near term, judging from the lead-lag relations in the recent periods. Yet, there might still be occasional food price hikes arising from higher volatility in global food and commodity prices and also from unforeseen adverse supply shocks in major food-exporting economies. The Government will continue to monitor the situation closely.

## Costs of factor inputs and import prices

7.4 Domestic cost pressures, while still visible on the whole, abated somewhat in the latter part of 2013, particularly so in certain segments. The increase in shop rentals, especially on a year-on-year comparison, narrowed considerably over the course of 2013 alongside the moderated growth in retail sales and tourist spending. The upward pressure on office rentals also softened somewhat in the latter half of the year, though the extent of deceleration was milder as compared to that of shop rentals. Specifically during the fourth quarter, shop and office rentals both actually fell, albeit only slightly, after posting nearly uninterrupted surges over the past few years. Meanwhile, labour costs increased rather steadily in the first three quarters of 2013, at a rate which was also modestly lower than in 2012. Nonetheless, wages for the lower-skilled workers still benefited from the extra boost from the upward adjustment of the Statutory Minimum Wage rate in May.

**Diagram 7.5 : Domestic cost pressures abated more visibly in the second half of 2013, while imported inflation remained tame on the whole**



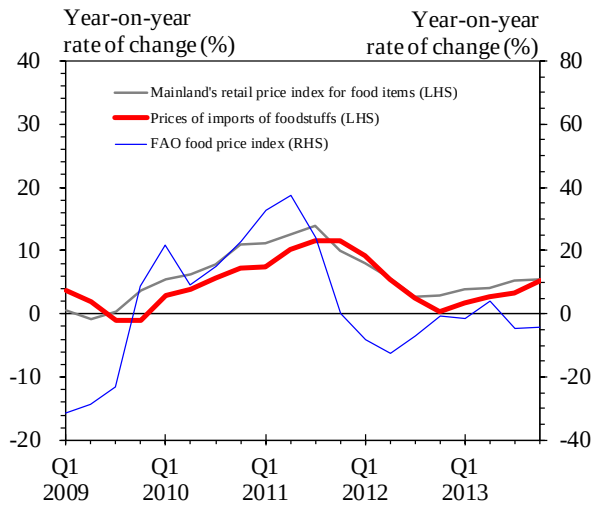
7.5 External price pressures were largely subdued in 2013. The year-on-year change in overall import prices remained soft during most of 2013 before rising back slightly in the fourth quarter. For 2013 as a whole, there was an average increase of merely 0.9% in 2013, down from 3.3% in 2012. Analysed by end-use category, import prices of foodstuffs rose only by 3.3% in 2013 despite the temporary jumps observed from time to time, down from 4.1% in 2012. Import prices of consumer goods and capital goods likewise moderated, reflecting the modest inflation in the major supply sources and possibly also the sharp depreciation of the yen. Import prices of fuels relapsed to a decline, in tandem with the lower international energy prices during the year. On the other hand, import prices of raw materials increased modestly by 2.0% in 2013, similar to the 1.4% gain in 2012, mirroring the broadly steady international commodity prices during the year.

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

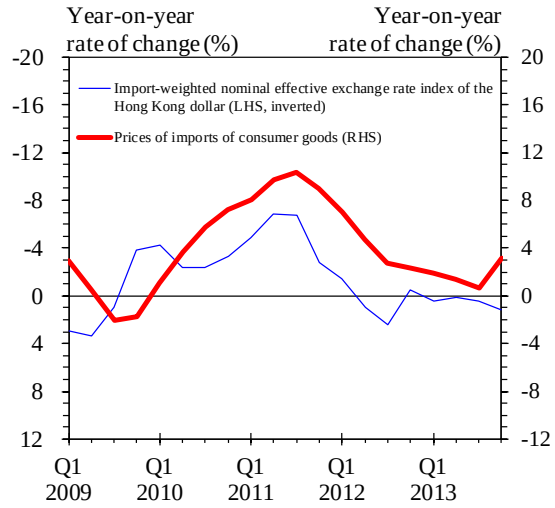
| | | Foodstuffs | Consumer goods | Raw materials and semi-manufactures | Fuels | Capital goods | All |
|---|---|---|---|---|---|---|---|
| 2012 | Annual | 4.1 | 4.1 | 1.4 | 2.6 | 4.7 | 3.3 |
| | H1 | 7.3 | 5.8 | 2.2 | 8.0 | 5.0 | 4.4 |
| | H2 | 1.3 | 2.6 | 0.5 | -2.3 | 4.3 | 2.2 |
| | Q1 | 9.3 | 7.1 | 2.3 | 16.5 | 4.6 | 5.0 |
| | Q2 | 5.4 | 4.7 | 2.1 | 0.8 | 5.4 | 3.9 |
| | Q3 | 2.5 | 2.8 | 0.3 | -2.6 | 4.6 | 2.3 |
| | Q4 | 0.4 | 2.3 | 0.7 | -2.0 | 4.0 | 2.1 |
| 2013 | Annual | 3.3 | 1.8 | 2.0 | -3.6 | -0.6 | 0.9 |
| | H1 | 2.2 | 1.7 | 0.5 | -5.4 | 0.6 | 0.6 |
| | H2 | 4.4 | 1.9 | 3.3 | -1.8 | -1.6 | 1.1 |
| | Q1 | 1.8 | 2.0 | 0.4 | -5.5 | 2.0 | 1.1 |
| | Q2 | 2.7 | 1.4 | 0.7 | -5.4 | -0.8 | 0.2 |
| | Q3 | 3.3 | 0.6 | 2.8 | -1.9 | -1.4 | 0.6 |
| | Q4 | 5.2 | 3.2 | 3.8 | -1.8 | -1.9 | 1.5 |

## Diagram 7.6 : Import prices by end-use category

**(a) Imported food inflation stayed tame during most of 2013**

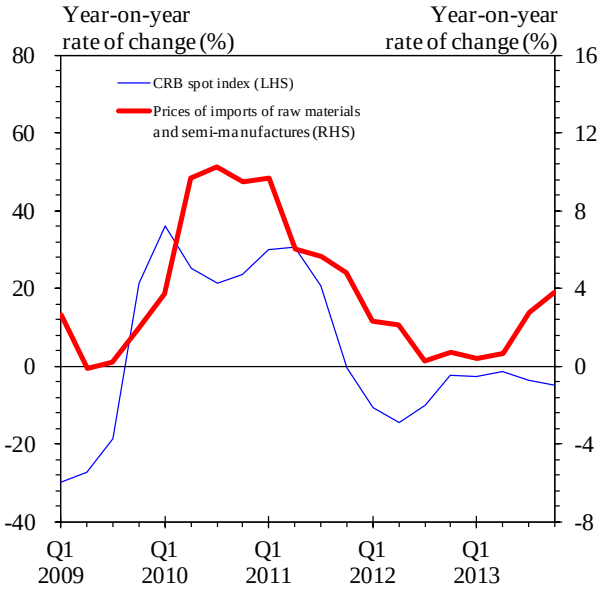



**(b) Import prices of consumer goods rose only mildly**

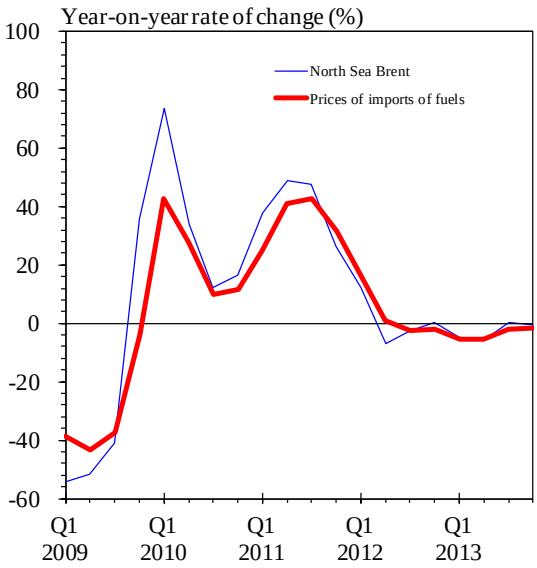



Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

**(c) Import prices of raw materials increased modestly alongside steady global commodity prices**




**(d) Import prices of fuels fell moderately**



## Output prices

7.6 Output prices, as measured by the *Producer Price Indices*[(3)], showed some mixed movements across sectors in the first three quarters of 2013. Output prices for the manufacturing sector fell modestly over a year earlier after a marginal rise in 2012, mainly dragged by the sharp fall in prices in the industry grouping of metal, computer, electronic and optical products, machinery and equipment. Among the service sectors, output prices for accommodation services saw further growth, albeit at a more moderate pace alongside the slower expansion in inbound tourism. Output prices for land and air transport posted mild year-on-year increases in the first three quarters as a whole amid the subdued trade flows, while those for water transport relapsed to a modest decline partly because of a higher base of comparison. On the other hand, output prices for courier services increased only moderately. Separately, output prices for telecommunications services stayed on a downtrend amid the continued adoption of cost-saving technologies and intense competition.

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

| | | 2012 | | | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| Industry group | Annual | Q1 | Q2 | Q3 | Q4 | Q1-Q3 | Q1 | Q2 | Q3 |
| Manufacturing | 0.1 | 3.6 | -0.6 | -1.4 | -1.0 | -2.3 | 0.6 | -2.4 | -5.2 |
| Selected services sectors[(a)] | | | | | | | | | |
| Accommodation services | 7.9 | 12.1 | 8.2 | 8.3 | 3.5 | 2.3 | 2.5 | 2.8 | 1.7 |
| Land transport | 1.5 | 2.1 | 1.8 | 1.3 | 0.7 | 1.4 | 0.6 | 1.0 | 2.4 |
| Water transport | 6.4 | -4.3 | 18.5 | 6.3 | 5.3 | -2.7 | 7.3 | -14.8 | 1.8 |
| Air transport | 0.6 | -3.3 | 1.2 | 1.0 | 3.5 | 0.5 | 4.0 | -2.4 | 0.1 |
| Telecommunications | -2.4 | -4.4 | -1.6 | -1.6 | -1.9 | -1.8 | -1.6 | -1.8 | -1.7 |
| Courier services | 2.1 | 3.1 | 2.0 | 1.2 | 2.3 | 3.0 | 2.7 | 3.1 | 3.3 |

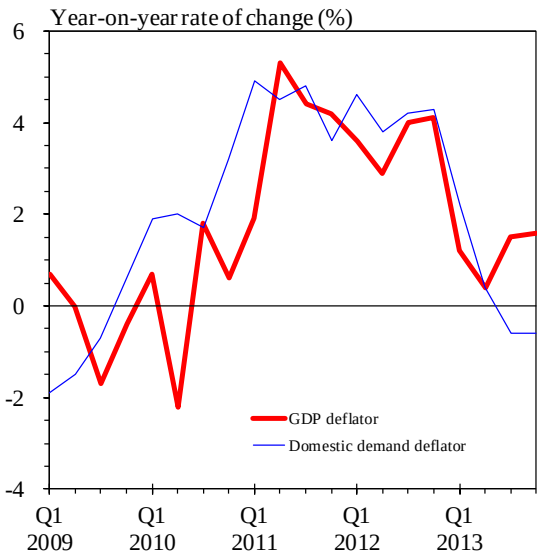
Note : (a) Producer Price Indices for other services sectors are not available, due to the difficulties involved in defining and delineating the various types of services and hence in measuring their respective price changes. This is particularly so for such sectors as banking and insurance, where the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

## GDP deflator

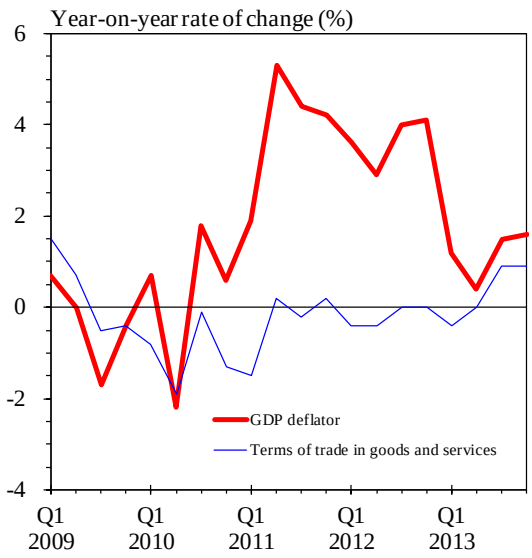
7.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*[4] rose by 1.2% in 2013, considerably down from a 3.7% increase in 2012. Within the GDP deflator, the *terms of trade*[5] resumed a marginal improvement of 0.4% in 2013, as import prices receded amid subdued global inflation and a much weaker yen. Taking out the external components, the domestic demand deflator rose by only 0.3% in 2013, also notably less than the 4.2% increase in 2012. Apart from the substantial decline in prices for machinery and equipment, again thanks to the yen depreciation, the moderated increases in flat prices and rentals were also relevant factors.

**Diagram 7.7 : GDP deflator**

**(a) GDP deflator rose only modestly in 2013**




**(b) Terms of trade resumed growth**



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

| | | 2012 | | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Annual# | Q1# | Q2# | Q3# | Q4# | Annual+ | Q1# | Q2# | Q3# | Q4+ |
| Private consumption expenditure | 3.2 | 4.3 | 3.3 | 2.6 | 2.6 | 2.4 | 2.0 | 2.2 | 2.9 | 2.3 |
| Government consumption expenditure | 6.2 | 6.3 | 5.9 | 6.3 | 6.4 | 4.3 | 5.9 | 4.2 | 3.6 | 3.4 |
| Gross domestic fixed capital formation | 6.4 | 4.4 | 4.9 | 7.3 | 8.4 | -6.0 | 2.1 | -5.3 | -10.0 | -8.9 |
| Total exports of goods | 3.1 | 5.8 | 4.8 | 1.3 | 1.0 | -0.4 | -0.5 | -0.5 | -0.4 | -0.2 |
| Imports of goods | 3.8 | 6.8 | 5.9 | 1.8 | 1.2 | -0.7 | 0.1 | -0.5 | -1.3 | -1.2 |
| Exports of services | 4.3 | 6.6 | 5.6 | 3.0 | 2.5 | 0.4 | 1.0 | -0.2 | 0.5 | 0.3 |
| Imports of services | 1.9 | 3.5 | 1.1 | 0.5 | 2.5 | 0.6 | 1.0 | 0.5 | 0.3 | 0.6 |
| **Gross Domestic Product** | **3.7** | **3.6 <1.2>** | **2.9 <0.9>** | **4.0 <1.0>** | **4.1 <0.4>** | **1.2** | **1.2 <-1.0>** | **0.4 <0.2>** | **1.5 <1.7>** | **1.6 <0.6>** |
| Total final demand | 3.6 | 5.6 | 4.6 | 2.4 | 2.2 | -0.1 | 0.5 | -0.1 | -0.3 | -0.2 |
| Domestic demand | 4.2 | 4.6 | 3.8 | 4.2 | 4.3 | 0.3 | 2.2 | 0.4 | -0.6 | -0.6 |
| Terms of trade in goods and services | -0.2 | -0.4 | -0.4 | * | * | 0.4 | -0.4 | * | 0.9 | 0.9 |

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.

(+) Preliminary figures.

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

(*) Change within ±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:

| | Approximate proportion of households covered (%) | Average monthly expenditure range during Oct 2009 to Sep 2010 ($) |
|---|---|---|
| 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:

| Expenditure component | Composite CPI (%) | CPI(A) (%) | CPI(B) (%) | CPI(C) (%) |
|---|---|---|---|---|
| Food | 27.45 | 33.68 | 27.16 | 20.87 |
| *Meals bought away from home* | *17.07* | *19.23* | *17.90* | *13.55* |
| *Other foodstuffs* | *10.38* | *14.45* | *9.26* | *7.32* |
| Housing | 31.66 | 32.19 | 31.43 | 31.36 |
| *Private dwellings* | *27.14* | *24.78* | *28.13* | *28.45* |
| *Public dwellings* | *2.05* | *5.49* | *0.72* | -- |
| *Maintenance costs and other housing charges* | *2.47* | *1.92* | *2.58* | *2.91* |
| 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.

| | 2012 | | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Annual | Q1 | Q2 | Q3 | Q4 | Annual | Q1 | Q2 | Q3 | Q4 |
| Selected developed economies | | | | | | | | | | |
| US | 2.1 | 2.8 | 1.9 | 1.7 | 1.9 | 1.5 | 1.7 | 1.4 | 1.6 | 1.2 |
| Canada | 1.5 | 2.3 | 1.6 | 1.2 | 0.9 | 0.9 | 0.9 | 0.8 | 1.1 | 0.9 |
| EU | 2.6 | 2.9 | 2.6 | 2.7 | 2.5 | 1.5 | 2.0 | 1.6 | 1.5 | 1.0 |
| Japan | * | 0.3 | 0.2 | -0.4 | -0.2 | 0.4 | -0.6 | -0.3 | 0.9 | 1.4 |
| Major emerging economies | | | | | | | | | | |
| Mainland China | 2.6 | 3.8 | 2.9 | 1.9 | 2.1 | 2.6 | 2.4 | 2.4 | 2.8 | 2.9 |
| Russia | 5.1 | 3.9 | 3.8 | 6.0 | 6.5 | 6.8 | 7.1 | 7.2 | 6.4 | 6.4 |
| India | 9.7 | 8.6 | 10.2 | 9.9 | 10.1 | 10.1 | 10.7 | 9.5 | 9.7 | 10.4 |
| Brazil | 5.4 | 5.8 | 5.0 | 5.2 | 5.6 | 6.2 | 6.4 | 6.6 | 6.1 | 5.8 |
| Selected Asian economies | | | | | | | | | | |
| Hong Kong | 4.1 | 5.2 | 4.2 | 3.1 | 3.8 | 4.3 | 3.7 | 4.0 | 5.3 | 4.3 |
| Singapore | 4.6 | 4.9 | 5.3 | 4.2 | 4.0 | 2.4 | 4.0 | 1.6 | 1.8 | 2.0 |
| Taiwan | 1.9 | 1.3 | 1.6 | 2.9 | 1.8 | 0.8 | 1.8 | 0.8 | * | 0.6 |
| Korea | 2.2 | 3.0 | 2.4 | 1.6 | 1.7 | 1.3 | 1.6 | 1.2 | 1.4 | 1.1 |
| Malaysia | 1.7 | 2.3 | 1.7 | 1.4 | 1.3 | 2.1 | 1.5 | 1.8 | 2.2 | 3.0 |
| Thailand | 3.0 | 3.4 | 2.5 | 2.9 | 3.2 | 2.2 | 3.1 | 2.3 | 1.7 | 1.7 |
| Indonesia | 4.3 | 3.7 | 4.5 | 4.5 | 4.4 | 7.0 | 5.3 | 5.6 | 8.6 | 8.4 |
| Philippines | 3.2 | 3.1 | 3.0 | 3.6 | 3.0 | 2.9 | 3.2 | 2.6 | 2.4 | 3.5 |
| Vietnam | 9.1 | 15.9 | 8.6 | 5.6 | 7.0 | 6.6 | 6.9 | 6.6 | 7.0 | 5.9 |
| Macao | 6.1 | 6.3 | 6.6 | 6.0 | 5.6 | 5.5 | 5.4 | 5.1 | 5.6 | 5.9 |

Note : (*) Change within ±0.05%.

(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.