

CHAPTER 7 : PRICES

Summary

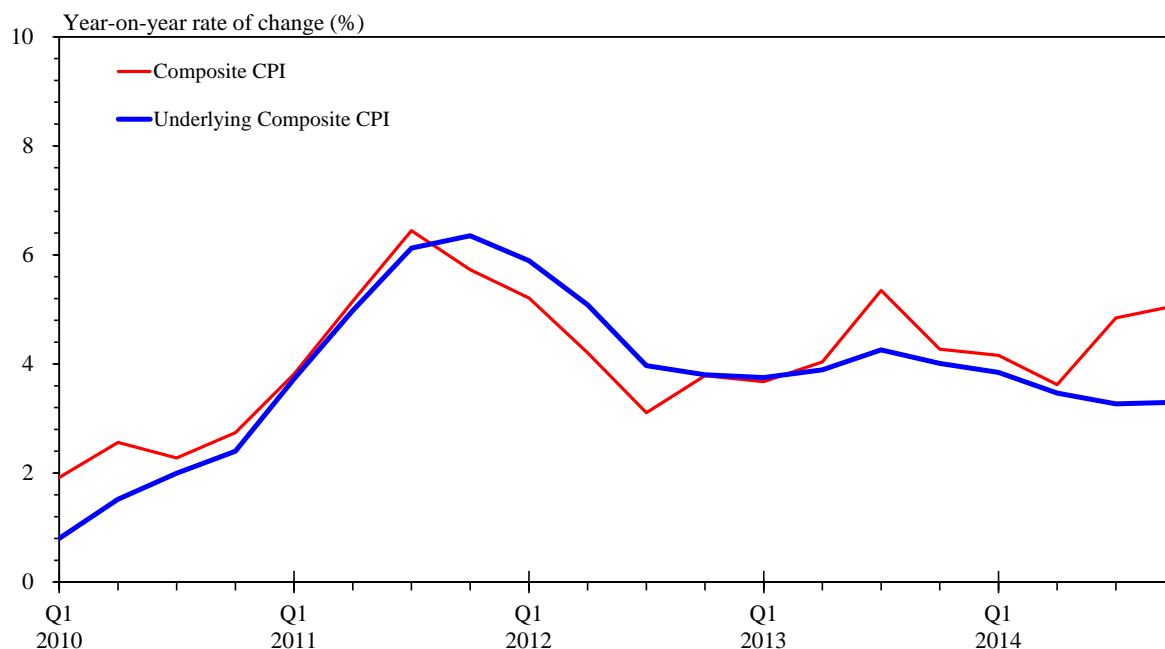
- *Underlying inflation followed an easing trend in 2014, as domestic cost pressures moderated, while imported inflation remained tame. The increase in underlying Composite Consumer Price Index (Composite CPI)⁽¹⁾, which nets out the effects of the Government's one-off relief measures to more accurately reflect the underlying inflation trend, eased to 3.5% in 2014, from 4.0% in 2013. Meanwhile, the headline Composite CPI rose by 4.4% in 2014, broadly the same as that in 2013.*
- *Domestic price pressures remained largely contained in 2014. The milder increases in fresh-letting private residential rentals since 2013 continued to feed through to the CPI. Meanwhile, the year-on-year rises in shop and office rentals were rather moderate during most of the year, and labour costs showed steady increases.*
- *External price pressures were tame in 2014, helping to contain local inflation, thanks to softer international food and commodity prices and the modest inflation in major import sources. Weaker-than-expected global economic recovery and the depreciations of some major currencies against the US dollar also contributed to alleviate external price pressures.*
- *In the near term, the upside risks to CPI inflation should be limited, as the lag effects from the earlier moderation in domestic rental increases feed through, and as international food and commodity prices are also likely to remain benign. Yet, potential risks of a rebound in international commodity prices arising from adverse supply shocks or changes in global economic and monetary conditions should not be ruled out.*

Consumer prices

7.1 Underlying consumer price inflation continued on an easing trend in 2014, reflecting moderate local cost pressures and benign imported inflation. Locally, the year-on-year increase in the private housing rental component of the Composite CPI tapered further as the milder increases in fresh-letting rentals in earlier quarters successively fed through. Meanwhile, the increases in shop and office rentals were still rather moderate, albeit picking up modestly in the latter part of 2014. This, together with largely steady labour costs, helped relieve some of the local business cost pressures. Externally, import prices rose at a modest pace this year, thanks to softer international energy and raw material prices. Lower inflation worldwide, including those in Hong

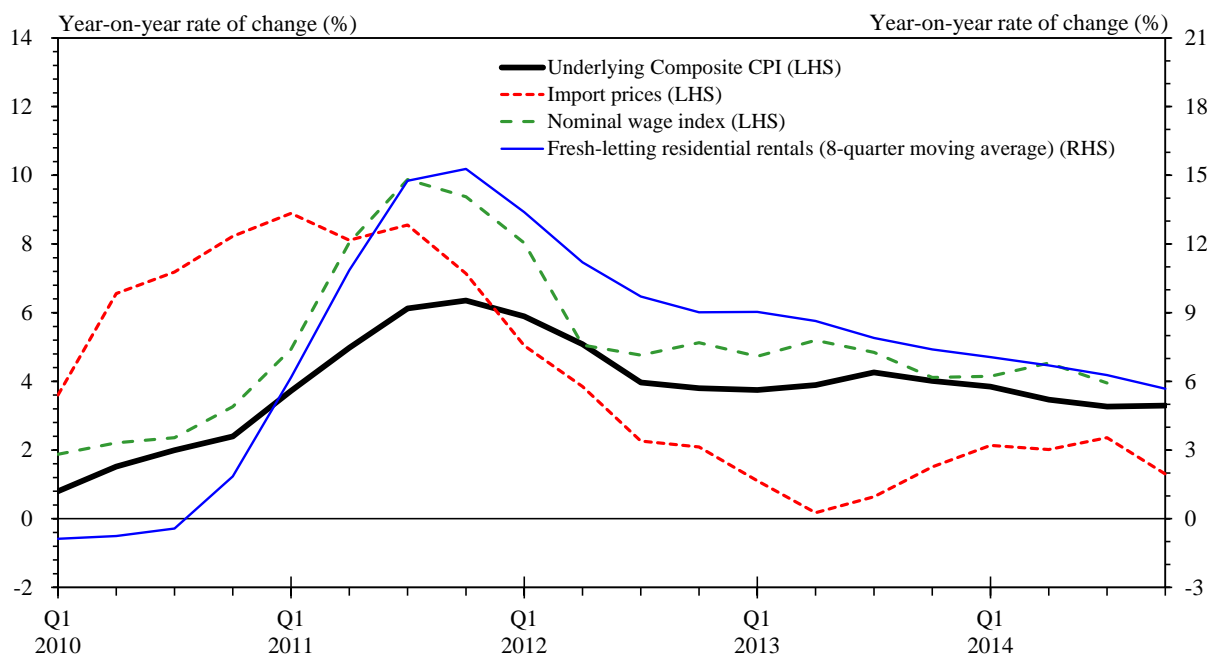
Kong's major import sources⁽²⁾, and to some extent, the strengthening of the US dollar against some major currencies also helped. Against this background, Hong Kong's underlying inflation trended lower for the third consecutive year in 2014.

Diagram 7.1 : Underlying inflation continued on an easing trend in 2014



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 cost pressures broadly eased and imported inflation remained benign



7.2 Underlying consumer price inflation, which nets out the effects of the Government's one-off relief measures to more genuinely reflect the underlying inflation trend, receded gradually over the course of 2014, from 3.8% in the first quarter to 3.5% in the second quarter, and slightly further to 3.3% in both the third and fourth quarters. For 2014 as a whole, the underlying inflation averaged 3.5%, down further from 4.0% in 2013. Headline consumer price inflation, as measured by the rate of change in the Composite CPI, averaged 4.4% in 2014, broadly the same as that in 2013. The more visible rebound since September was due in part to a temporary lower base of comparison resulting from the Government's payment of public housing rentals in September 2013, and in part to the ending of the Government's rates concession in October 2014. Also relevant was the gradual depletion of the Government's one-off electricity charge subsidy by some households during the period.

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>			
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
2014	Annual	3.5	4.4	5.6	4.2	3.5
	H1	3.7	3.9	4.0	4.0	3.7
	H2	3.3	5.0	7.1	4.4	3.4
	Q1	3.8	4.2	4.3	4.3	3.9
	Q2	3.5	3.6	3.8	3.8	3.5
	Q3	3.3	4.8	7.2	4.1	3.3
	Q4	3.3	5.1	7.0	4.6	3.4

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

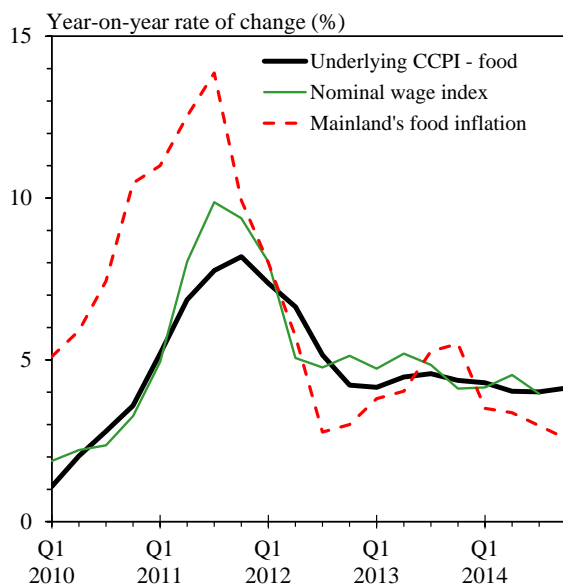
2013	Q1	1.1	1.0	1.1	1.0	1.0
	Q2	1.1	1.3	1.3	1.2	1.2
	Q3	0.9	-0.7	-3.4	0.4	0.9
	Q4	0.9	2.7	5.5	1.7	1.0
2014	Q1	0.9	0.9	1.1	0.9	0.8
	Q2	0.7	0.7	0.7	0.7	0.7
	Q3	0.7	0.5	-0.2	0.9	0.8
	Q4	0.9	2.9	5.4	2.0	1.1

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 and subsequent abolition of Employees Retraining Levy, and subsidies for household electricity charges.

7.3 On a year-on-year basis, the prices for most of the major components in the underlying Composite CPI recorded slower increases in 2014. Food and private housing rentals continued to be the main contributors to inflation, accounting for slightly more than three-quarters of the increase in the underlying Composite CPI in 2014. Local food inflation (including costs of dining out) stayed relatively steady amid retreating global food prices and slower inflation in the Mainland, and averaged 4.1% in 2014, slightly lower than 4.4% in 2013. The increase in the private housing rental component narrowed further, from 6.0% in 2013 to 5.2% in 2014, reflecting the progressive feed-through of slower increases in fresh-letting residential rentals during 2013. Meanwhile, the prices of many other components also registered milder increases in 2014 alongside slower economic growth and still-tame import prices. Yet, the prices of alcoholic drinks and tobacco saw visible year-on-year rises, upon the increases in cigarette prices following the announcement of the tobacco duty hike in the Budget in February 2014. On the other hand, the prices of durable goods continued their secular downtrend.

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

(a) Food inflation held broadly steady in 2014



(b) Milder increases in fresh-letting rentals continued to feed through

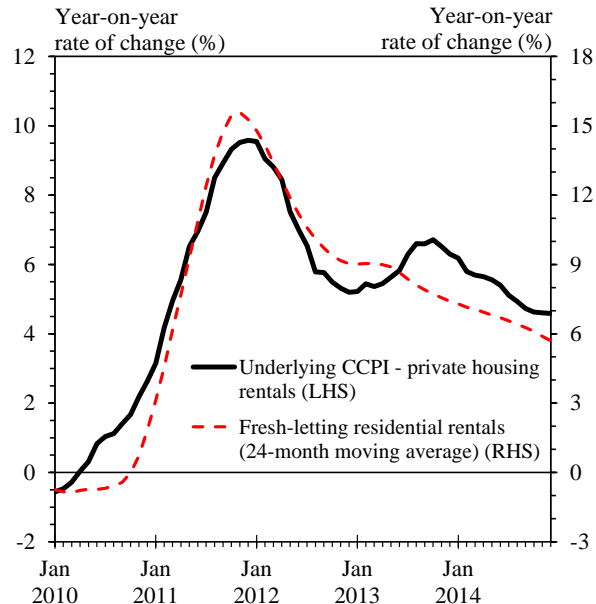


Diagram 7.4 (a) : The price increases in many major components in the underlying Composite CPI remained mild

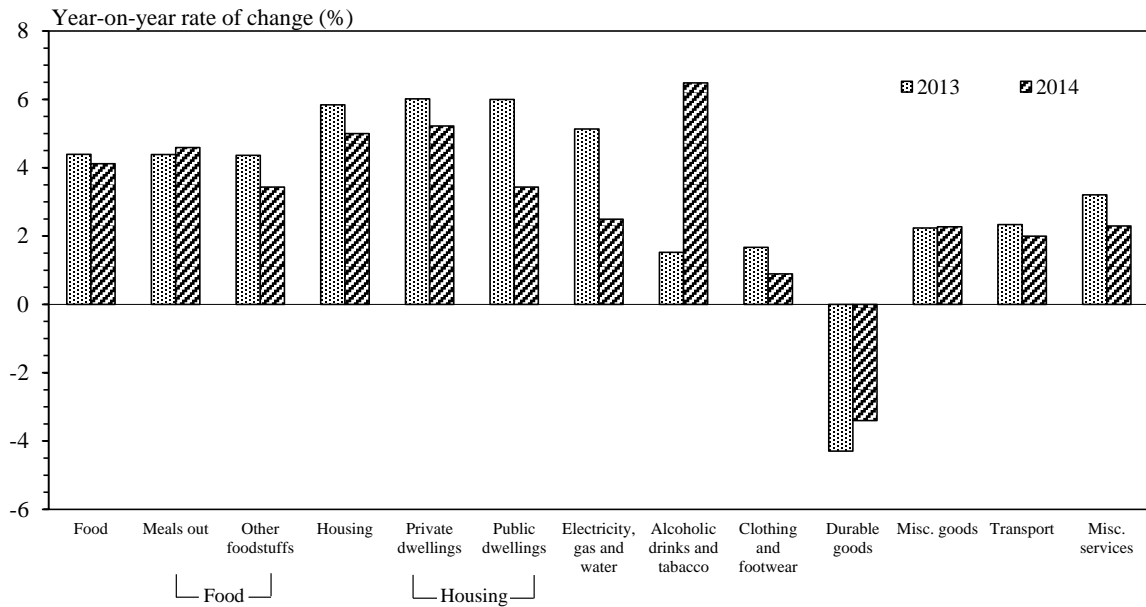
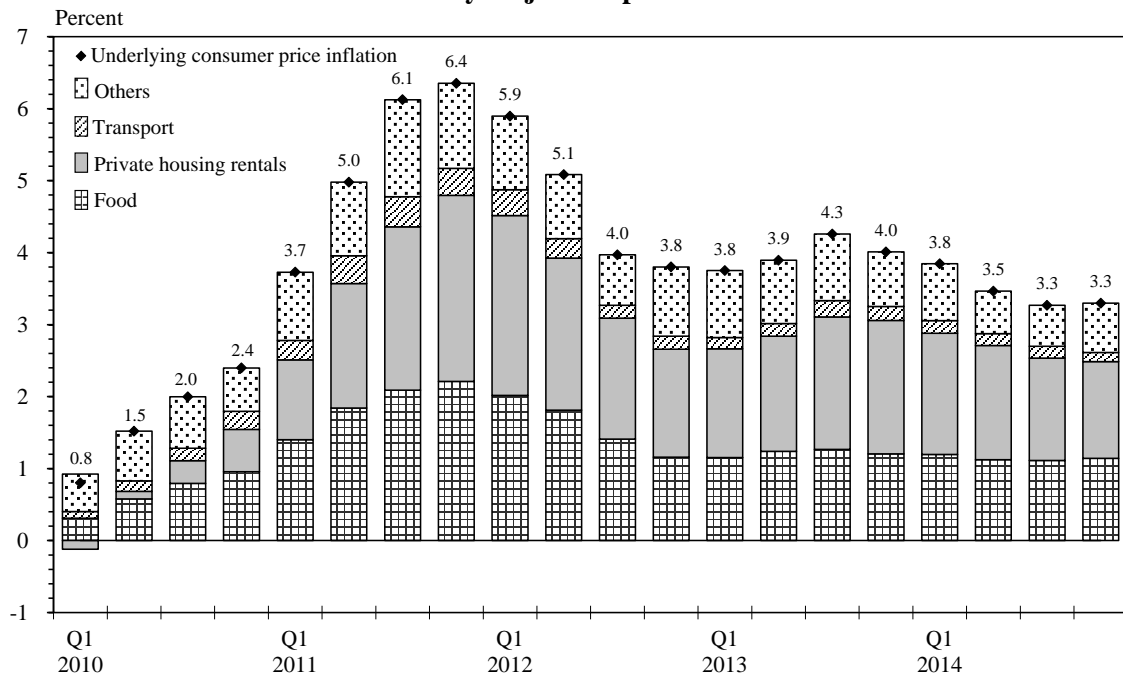


Diagram 7.4 (b) : Contribution to underlying consumer price inflation by major component



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 (%))**

<u>Expenditure component</u>	<u>Weighting (%)</u>	<u>2013</u>	<u>Annual</u>	<u>2014</u>			
				<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Food	27.45	4.4	4.1	4.3	4.0	4.0	4.1
<i>Meals bought away from home</i>	17.07	4.4	4.6	4.5	4.7	4.6	4.6
<i>Other foodstuffs</i>	10.38	4.4	3.4	4.0	3.1	3.1	3.5
Housing ^(a)	31.66	6.7 (5.8)	6.7 (5.0)	5.6 (5.3)	5.0 (5.0)	7.6 (4.8)	8.5 (5.0)
<i>Private dwellings</i>	27.14	6.3 (6.0)	6.0 (5.2)	6.4 (5.9)	5.6 (5.5)	4.9 (4.9)	7.1 (4.6)
<i>Public dwellings</i>	2.05	16.0 (6.0)	18.3 (3.4)	-1.8 (-0.1)	-0.9 (0.4)	101.4 (3.6)	29.0 (9.8)
Electricity, gas and water	3.10	6.9 (5.1)	14.9 (2.5)	5.5 (4.4)	3.4 (2.7)	24.9 (1.6)	25.5 (1.3)
Alcoholic drinks and tobacco	0.59	1.5	6.5	3.3	7.6	7.4	7.6
Clothing and footwear	3.45	1.7	0.9	2.1	2.2	0.8	-1.4
Durable goods	5.27	-4.3	-3.4	-3.3	-2.7	-3.3	-4.4
Miscellaneous goods	4.17	2.2	2.3	3.1	2.0	2.4	1.5
Transport	8.44	2.3	2.0	2.2	2.1	2.1	1.6
Miscellaneous services	15.87	3.7 (3.2)	3.0 (2.3)	4.4 (3.1)	3.2 (2.0)	2.3 (1.9)	2.1 (2.1)
All items	100.00	4.3 (4.0)	4.4 (3.5)	4.2 (3.8)	3.6 (3.5)	4.8 (3.3)	5.1 (3.3)

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.

() Figures in brackets represent the underlying rates of change after netting out the effect of Government's one-off relief measures.

Box 7.1

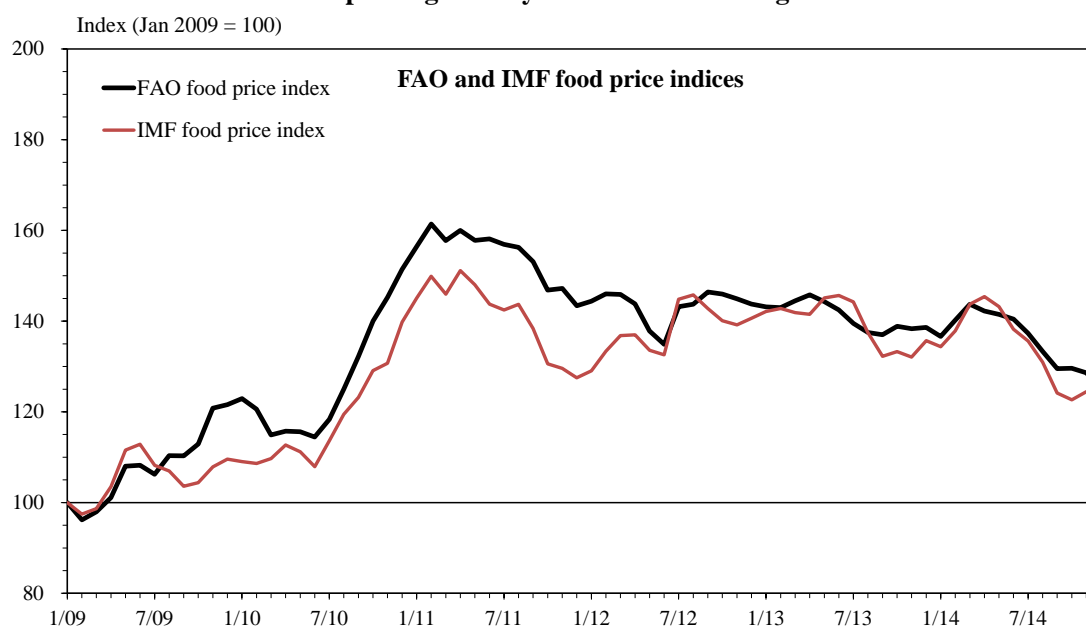
Recent movements of food and commodity prices in the international markets

International commodity prices are often subject to huge volatility, easily affected by a number of changing factors such as economic outlook, global monetary conditions, policy changes in the suppliers, weather conditions, and other factors influencing the demand-supply balance of the commodities. Among various commodity prices, those of food and, to a lesser extent, oil, can have a direct bearing on Hong Kong's inflation. This note describes the recent movements of global food and commodity prices, and discusses their possible implications for Hong Kong's imported inflation.

Recent trend of global food prices

According to the Food and Agriculture Organization of the United Nations (FAO) and the International Monetary Fund (IMF), global food prices were generally on a downward trend in 2013 but registered a jump on entering 2014, plausibly due to the extreme weather conditions in the US in the first quarter. Global food prices headed south again shortly afterwards, and continued to fall towards the end of 2014, as global food production was found to be abundant relative to demand given the rather disappointing global economic recovery (*Chart 1*). For 2014 as a whole, the FAO Food Price Index went down by an average of 3.8%.

Chart 1 : Global food prices generally continued the easing trend in 2013 and 2014



According to the FAO's latest report on food outlook⁽¹⁾, despite the decline in overall food price index, the latest supply/demand conditions in different food markets still exhibit considerable variations. Specifically, global cereal supply/demand balance is forecast to further loosen alongside the visible increases in wheat and maize production, with inventories expected to reach a new record high. On the other hand, there could be some price pressure for rice, which is the main staple food in Hong Kong, due to slightly deteriorated crop prospects amid erratic weather conditions. The global meat supply is also projected to grow only modestly because of supply side constraints and trade restrictions, thereby providing some support to the meat price. As to sugar and fish, the global supply conditions are still favourable relative to demand.

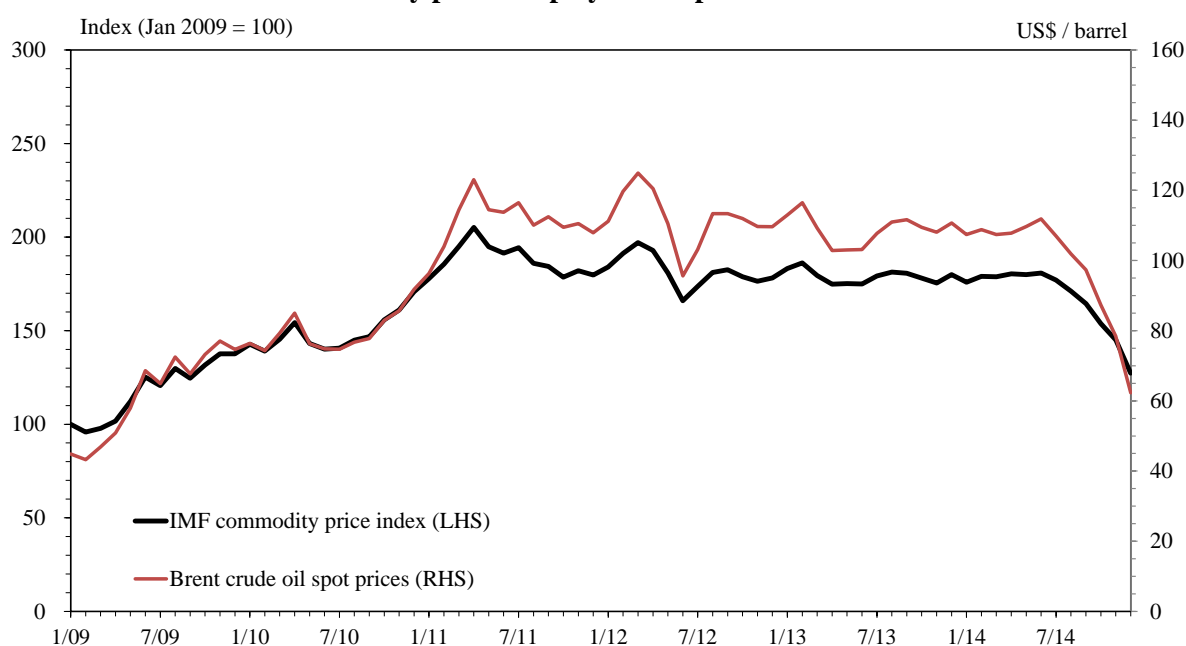
(1) Food Outlook, Biannual Report on Global Food Markets (October 2014 issue), FAO.

Box 7.1 (Cont'd)

Recent trend of international commodity prices

International commodity prices remained largely stable in first half of 2014 but exhibited significant gyrations on entering the second half of 2014. According to the IMF commodity price index, average commodity prices in December 2014 dropped significantly by a cumulative 28% from July 2014, which owed much to the recent plunge in international oil price (*Chart 2*).

Chart 2 : Global commodity prices displayed sharp decline in the second half of 2014



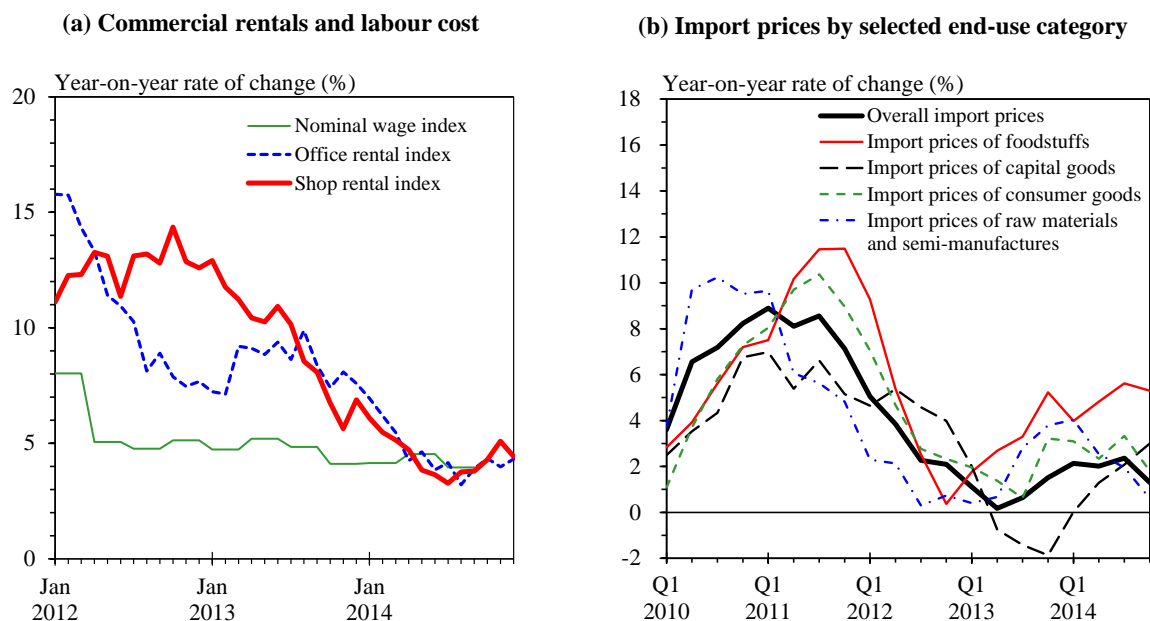
The sluggish global economic recovery together with the divergence in monetary policies by the major central banks in 2014 have conceivably contributed to the increasing volatility observed in commodity prices, in addition to other factors such as demand-supply dynamics. Looking ahead, with the world economy still operating in low gear, the sluggishness of demand for commodities might continue for an extended period. Also, a possible stronger US dollar might not be conducive to a rebound in global commodity prices.

As a small and open economy, Hong Kong depends highly on imports from overseas to meet its internal demand for foodstuffs and fuels, and hence our city's imported inflation will inevitably be impacted by the vicissitudes of global food and commodity prices. While the recent noticeable retreat in both food and commodity prices should help keep Hong Kong's imported inflation at bay, this may also trigger bouts of volatility in the global financial markets in the midst of uncertain macroeconomic and monetary conditions. The Government will stay alert and continue to monitor the developments closely.

Costs of factor inputs and import prices

7.4 Domestic cost pressures were largely contained in 2014. Upward pressures on shop rentals lessened alongside the moderation in growth of retail sales, albeit with a slight pick-up in the fourth quarter. The year-on-year rises in office rentals were likewise moderate. Meanwhile, labour cost increases also went slightly slower, when compared to 2013.

Diagram 7.5 : Domestic cost pressures stayed contained in 2014, while import price pressures remained tame



7.5 On the external front, the year-on-year rises in import prices in overall terms were rather mild throughout 2014, in the range of 1.3–2.4% in the four quarters, on the back of softer international food and commodity prices, easing inflationary pressures in major import sources and, to a lesser extent, the weakening of some major currencies against the US dollar. For the year as a whole, overall import prices rose by 1.9%, modestly up from 0.9% in 2013. Import prices of foodstuffs registered the largest increase among the different end-use categories, rising by 4.9% in 2014, up from 3.3% in 2013, reflecting the faster increases of meat prices in the international markets. Import prices of consumer goods and capital goods also showed some pick-up, but the increases continued to be moderate. Import prices of raw materials and semi-manufactures eased gradually during the year and averaged 2.2% for 2014 as a whole, broadly similar to the 2.0% gain in 2013, generally reflecting soft international industrial materials and metals prices. Import prices of fuels continued to go lower and the decline was particularly prominent in the fourth quarter of 2014, in tandem with the decline in international energy prices during the year, which reflected the subdued global demand, the supply boom in the US, and the decision by the Organization of the Petroleum Exporting Countries to keep the output quota unchanged.

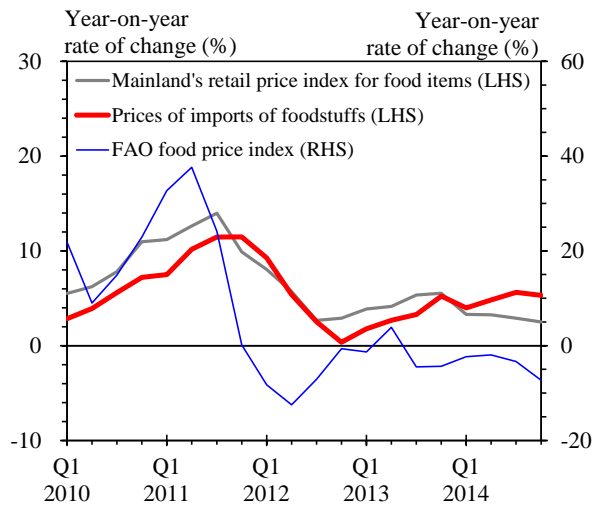
**Table 7.3 : Prices of imports by end-use category
(year-on-year rate of change (%))**

		<u>Foodstuffs</u>	<u>Consumer goods</u>	<u>Raw materials And semi-manufactures</u>	<u>Fuels</u>	<u>Capital goods</u>	<u>All</u>
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
2014	Annual	4.9	2.6	2.2	-6.1	1.7	1.9
	H1	4.4	2.7	3.2	-2.2	0.7	2.1
	H2	5.4	2.6	1.3	-9.9	2.5	1.8
	Q1	4.0	3.1	4.0	-3.1	*	2.1
	Q2	4.8	2.3	2.5	-1.2	1.3	2.0
	Q3	5.6	3.3	2.0	-1.4	2.1	2.4
	Q4	5.3	1.8	0.6	-17.4	3.0	1.3

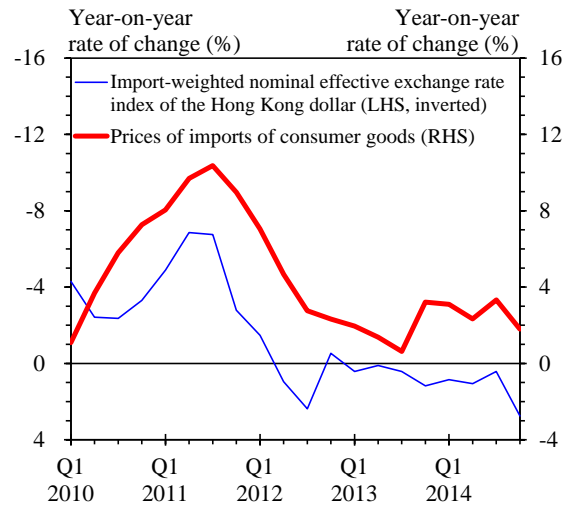
Note : (*) Change within $\pm 0.05\%$.

Diagram 7.6 : Import prices by end-use category

(a) Imported food inflation picked up somewhat in 2014

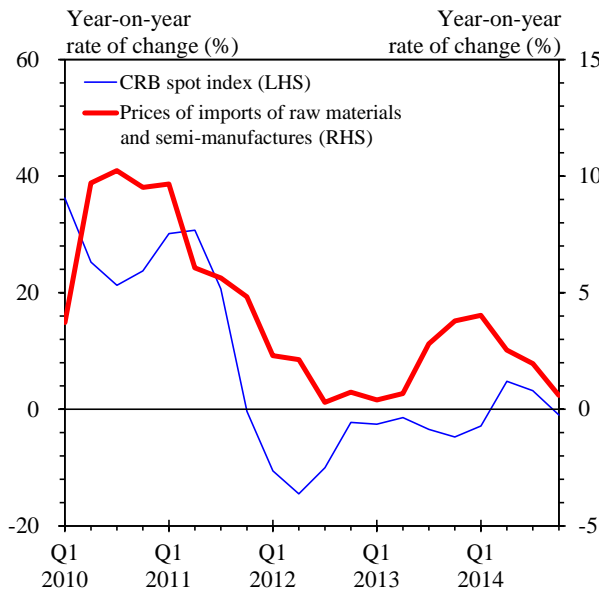


(b) Import prices of consumer goods rose slightly faster

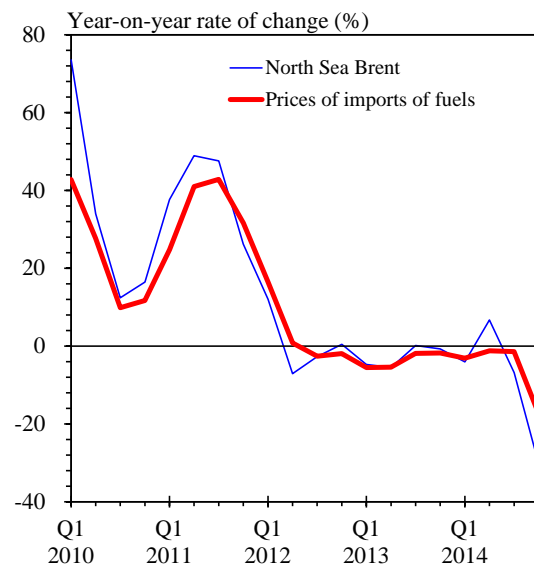


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) Import prices of raw materials decelerated alongside softer international commodity prices



(d) Import prices of fuels continued to decline



Output prices

7.6 Output prices, as measured by the *Producer Price Indices*⁽³⁾, displayed rather diverse movements across sectors in the first three quarters of 2014. Output prices for the manufacturing sector reverted to show a modest year-on-year increase in the third quarter of 2014, having declined since the second quarter of 2013. This was mainly attributable to higher output prices for “metal, computer, electronic and optical products, machinery and equipment”. Among the services sectors, output prices for accommodation services increased further amid fast increases in visitor arrivals. The year-on-year increases in output prices for land transport and courier services in the first three quarters were moderate, alongside some pick-up in trade flows during the second and third quarters. Output prices for air transport and water transport reverted back to increases in the third quarter, after declining in the first half of 2014. Separately, output prices for telecommunications services stayed on a downtrend, reflecting 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 (%))

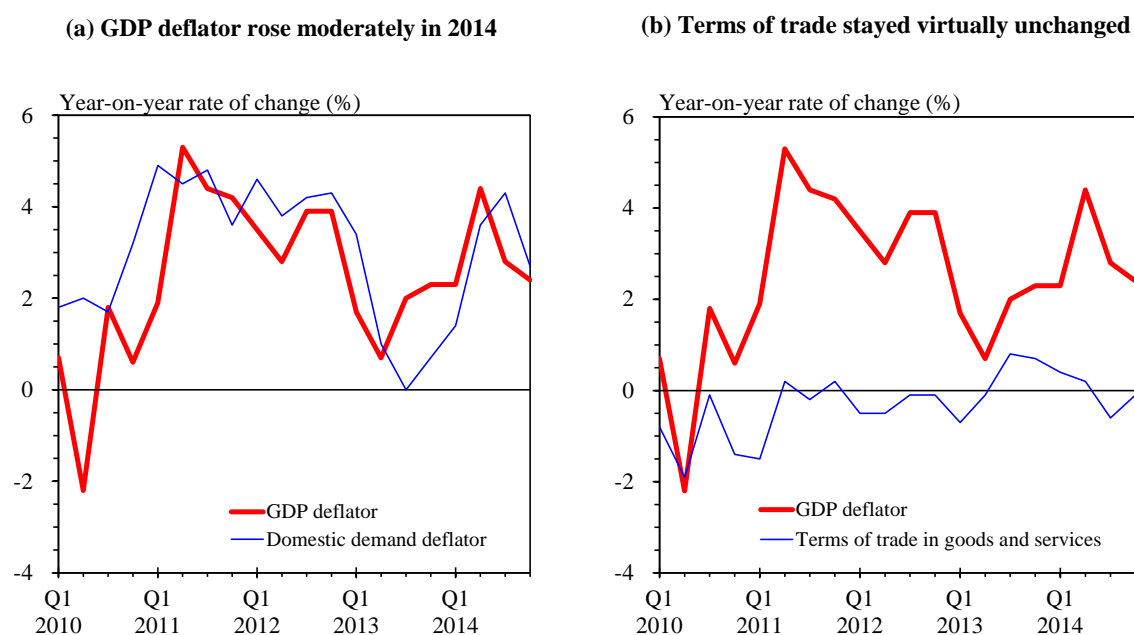
<u>Industry group</u>	<u>Annual</u>	<u>2013</u>					<u>2014</u>		
		<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1-Q3</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Manufacturing	-3.1	0.6	-2.4	-5.2	-5.5	-1.9	-6.2	-0.4	1.3
Selected services sectors ^(a)									
Accommodation services	2.4	2.5	2.8	1.7	2.6	3.3	2.2	3.9	4.0
Land transport	1.7	0.6	1.0	2.4	2.7	2.8	2.5	3.0	2.9
Water transport	-2.5	7.3	-14.8	1.8	-1.9	-0.4	-2.9	-0.6	2.5
Air transport	1.0	4.0	-2.4	0.1	2.5	-0.1	-0.6	-1.8	1.9
Telecommunications	-1.9	-1.6	-1.8	-1.7	-2.6	-3.5	-2.9	-3.4	-4.2
Courier services	2.7	2.7	3.1	3.3	1.8	1.4	1.9	1.4	0.9

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 3.0% in 2014, up from a 1.7% increase in 2013. Within the GDP deflator, the *terms of trade*⁽⁵⁾ was virtually unchanged in 2014. Taking out the external components, the domestic demand deflator rose by 3.0% in 2014, up from the 1.2% increase in 2013, largely reflecting a much narrower decline in prices for machinery and equipment.

Diagram 7.7 : GDP deflator



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

	<u>2013</u>					<u>2014</u>				
	<u>Annual[#]</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	2.8	2.3	2.3	3.3	3.1	2.3	2.0	3.0	3.0	1.2
Government consumption expenditure	4.3	5.9	4.2	3.3	3.8	4.6	4.0	5.0	4.8	4.7
Gross domestic fixed capital formation	-3.7	5.0	-3.2	-8.5	-6.3	3.7	-2.2	3.6	7.3	5.3
Total exports of goods	-0.3	-0.5	-0.4	-0.3	0.1	0.6	-0.4	0.2	1.6	1.0
Imports of goods	-0.4	0.5	-0.4	-0.9	-0.6	0.8	-0.6	-0.1	2.2	1.4
Exports of services	0.6	1.2	-0.4	1.1	0.5	1.3	0.9	1.2	1.9	1.1
Imports of services	0.8	1.3	0.7	0.3	0.5	1.1	0.7	2.7	2.6	-1.4
Gross Domestic Product	1.7	1.7	0.7	2.0	2.3	3.0	2.3	4.4	2.8	2.4
		<-0.4>	<-0.5>	<2.3>	<0.8>		<-0.1>	<1.4>	<0.7>	<0.4>
Total final demand	0.3	0.9	0.1	*	0.3	1.5	0.4	1.4	2.5	1.6
Domestic demand	1.2	3.4	1.0	*	0.7	3.0	1.4	3.6	4.3	2.7
Terms of trade in goods and services	0.2	-0.7	-0.1	0.8	0.7	*	0.4	0.2	-0.6	-0.1

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 $\pm 0.05\%$.

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 <u>households covered</u> (%)	Average monthly expenditure range <u>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>	17.07	19.23	17.90	13.55
<i>Other foodstuffs</i>	10.38	14.45	9.26	7.32
Housing	31.66	32.19	31.43	31.36
<i>Private dwellings</i>	27.14	24.78	28.13	28.45
<i>Public dwellings</i>	2.05	5.49	0.72	--
<i>Maintenance costs and other housing charges</i>	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.

	<u>2013</u>					<u>2014</u>				
	<u>Annual</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>
Selected developed economies										
US	1.5	1.7	1.4	1.6	1.2	1.6	1.4	2.1	1.8	1.2
Canada	0.9	0.9	0.8	1.1	0.9	2.0	1.4	2.2	2.1	1.9
EU	1.5	2.0	1.6	1.5	1.0	0.6	0.8	0.7	0.5	0.2
Japan	0.4	-0.6	-0.3	0.9	1.4	2.7	1.5	3.6	3.3	2.5
Selected major emerging economies										
Mainland China	2.6	2.4	2.4	2.8	2.9	2.0	2.3	2.2	2.0	1.5
Russia	6.8	7.1	7.2	6.4	6.4	7.8	6.4	7.6	7.7	9.6
India	10.1	10.7	9.5	9.7	10.4	7.2	8.4	8.1	7.4	5.0
Brazil	6.2	6.4	6.6	6.1	5.8	6.3	5.8	6.4	6.6	6.5
Selected Asian economies										
Hong Kong	4.3	3.7	4.0	5.3	4.3	4.4	4.2	3.6	4.8	5.1
Singapore	2.4	4.0	1.6	1.8	2.0	1.0	1.0	2.4	0.9	-0.1
Taiwan	0.8	1.8	0.8	*	0.6	1.2	0.8	1.6	1.5	0.8
Korea	1.3	1.6	1.2	1.4	1.1	1.3	1.1	1.6	1.4	1.0
Malaysia	2.1	1.5	1.8	2.2	3.0	3.1	3.5	3.3	3.0	2.8
Thailand	2.2	3.1	2.3	1.7	1.7	1.9	2.0	2.5	2.0	1.1
Indonesia	6.4	4.5	5.1	8.0	8.0	6.4	7.8	7.1	4.4	6.5
Philippines	3.0	3.2	2.6	2.4	3.5	4.2	4.1	4.4	4.7	3.6
Vietnam	6.6	6.9	6.6	7.0	5.9	4.1	4.8	4.7	4.3	2.6
Macao	5.5	5.4	5.1	5.6	5.9	6.0	6.1	6.2	5.9	6.0

Note : (*) Change within $\pm 0.05\%$.

- (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.