CHAPTER 7 : PRICES

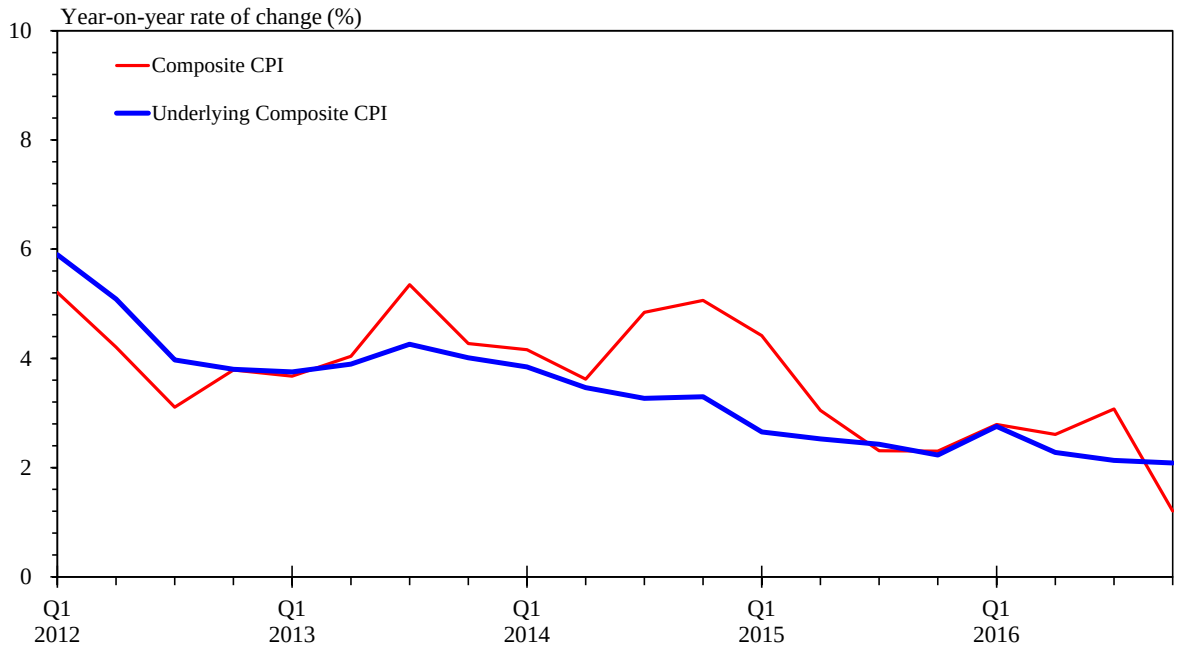
Summary

- *Inflationary pressures eased slightly further in 2016, thanks to the generally soft domestic and external price pressures during most of the period. 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, edged down to 2.3% in 2016 from 2.5% in 2015, extending the downtrend for five years in a row. In a similar vein, the headline Composite CPI inflation eased to 2.4% in 2016, down from 3.0% in 2015.*
- *Domestic cost pressures were largely kept at bay throughout 2016. The increases in labour costs were steady against the backdrop of a stable labour market. Rental inflation also moderated as the softer residential and commercial rentals gradually filtered through. The sluggishness in inbound tourism and slower local consumption growth also weighed on the pricing power of the retail segment.*
- *External price pressures were virtually absent in 2016, given the benign inflation in our major import sources and the strength of the US dollar. The lower international food and commodity prices as compared to their year-ago levels during most of 2016 were also relevant, notwithstanding clearer signs of stabilisation towards year-end.*
- *In the near term, the upside risks to CPI inflation should still be contained, given that economic growth, both locally and globally, is likely to stay moderate amid various external uncertainties, and that the softer rentals in 2016 should continue to feed through into the CPI components at least for some time into 2017. Nevertheless, international food and commodity prices could exhibit fluctuations this year amid the increasingly complicated global monetary and economic landscape, casting some uncertainty around the inflation outlook.*

Consumer prices

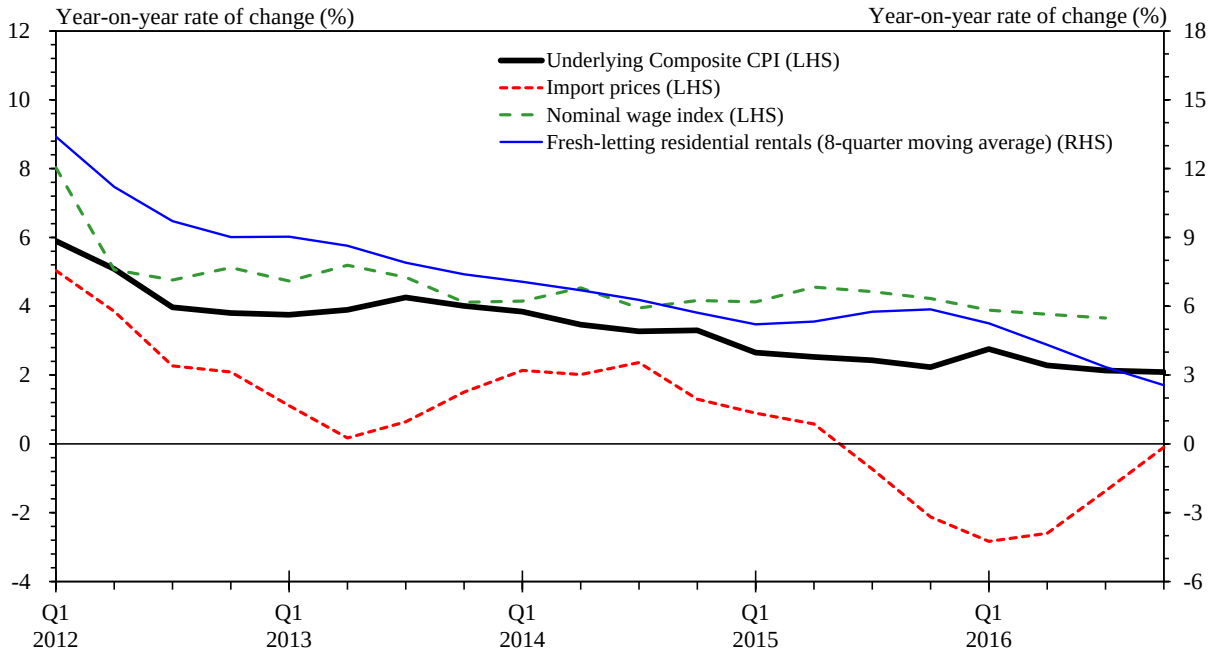
7.1 Underlying inflation continued its easing trend for the fifth consecutive year in 2016, thanks to the still benign price pressures from both domestic and external fronts during most of the period. Locally, the broadly stable labour market conditions have helped keep labour cost pressures in check over the course of the year. Rental inflation likewise eased further, due to the gradual feed-through of the earlier softening in fresh-letting residential and commercial rentals. The price-setting power of the retailers was also constrained by the slowdown in inbound tourism as well as the slower growth in local consumption. Externally, imported inflation was virtually absent in 2016, thanks to the relatively low inflation in our major trading partners(2) and the persisted strength of the US dollar. Also relevant were the muted international food and commodity price pressures during most of 2016, notwithstanding their emerging signs of stabilisation in the latter part of the year.

Diagram 7.1 : Underlying inflation extended its easing trend to 2016



Note : The year-on-year rates of change of the CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

Diagram 7.2 : External and domestic cost pressures were tame



Note : The year-on-year rates of change of the CPI from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

7.2 Underlying consumer price inflation, as measured by the year-on-year rate of change in the underlying Composite CPI, which nets out the effects of the Government's one-off relief measures to more genuinely reflect the underlying inflation trend, extended its moderating trend in 2016. Having picked up to 2.8% in the first quarter due mainly to an unexpected upsurge in food prices amid adverse weather conditions, underlying inflation then receded to 2.3% in the second quarter, and slightly further to 2.1% in both the third and fourth quarters. For 2016 as a whole, underlying inflation averaged 2.3%, abated slightly further from 2.5% in 2015. Headline consumer price inflation likewise eased from 3.0% in 2015 to 2.4% in 2016. The Government's rates concession temporarily lowered the headline inflation in the fourth quarter of 2016, which in turn also brought the annual headline rate more broadly on par with the annual underlying rate.

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

		Composite CPI		CPI(A)	CPI(B)	CPI(C)
		Underlying[a]	Headline			
2015	Annual	2.5[b]	3.0[b]	4.0[b]	2.9[b]	2.1[b]
	H1	2.6	3.7	5.3	3.3	2.3
	H2	2.3[b]	2.3[b]	2.7[b]	2.3[b]	1.9[b]
	Q1	2.7	4.4	6.5	3.9	2.6
	Q2	2.5	3.0	4.2	2.7	1.9
	Q3	2.4	2.3	2.8	2.3	1.8
	Q4	2.2	2.3	2.5	2.4	2.0
2016	Annual	2.3	2.4	2.8	2.3	2.1
	H1	2.5	2.7	2.9	2.7	2.5
	H2	2.1	2.1	2.8	1.9	1.7
	Q1	2.8	2.8	3.1	2.8	2.5
	Q2	2.3	2.6	2.7	2.7	2.4
	Q3	2.1	3.1	4.5	2.6	2.2
	Q4	2.1	1.2	1.1	1.2	1.3
		(seasonally adjusted quarter-to-quarter rate of change (%))				
2015	Q1	0.2	0.2	0.4	0.2	0.1
	Q2	0.7	-0.5	-1.1	-0.5	*
	Q3	0.5	-0.1	-1.1	0.5	0.4
	Q4	0.9	2.7	4.4	2.1	1.5
2016	Q1	0.7	0.7	0.9	0.6	0.6
	Q2	0.2	-0.6	-1.4	-0.5	-0.1
	Q3	0.5	0.4	0.6	0.5	0.2
	Q4	0.7	0.7	1.0	0.6	0.6

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

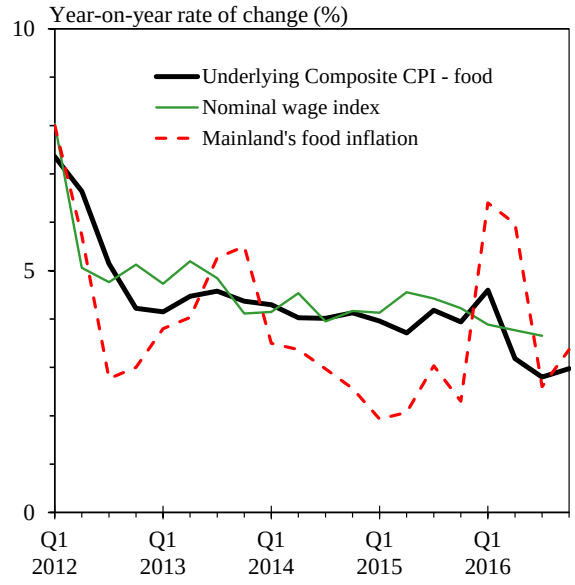
(b) The year-on-year rates of change of the CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series. Splicing has been applied to the indices in order to obtain better estimates of the rates of change for the year 2015 and H2 of 2015.

(*) Change within ±0.05%.

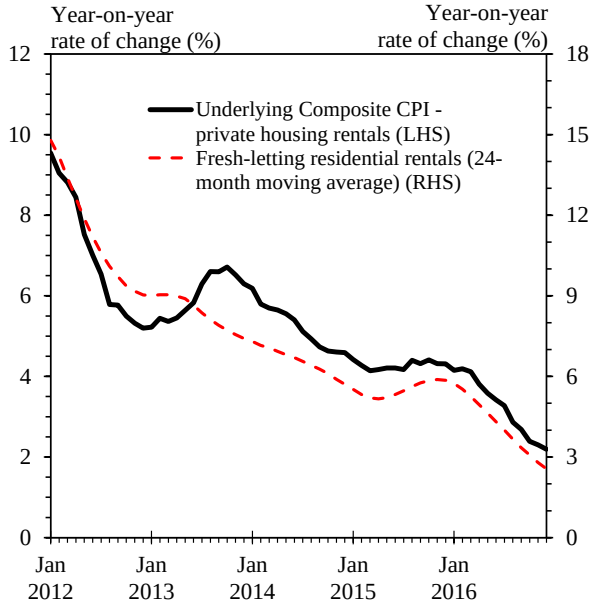
7.3 Analysed by the major components in the underlying Composite CPI, price pressures in 2016 receded on a broad front, including food and private housing rentals which remained as the two main contributors to the increase in the underlying Composite CPI. Notwithstanding the aforementioned upward spike in the first quarter of 2016, local food inflation (including costs of dining out) still eased to an average of 3.4% for 2016 as a whole, down from 4.0% in 2015, amid generally weak imported food prices and softer shop rentals. The annual increase in the private housing rental component also decelerated through the year, to an average of 3.2% in 2016 from 4.3% in 2015, thanks to the continued feed-through of the year-on-year declines in fresh-letting residential rentals in most of the 2016. Prices of clothing and footwear registered a widened decline in 2016, as the retail sector faced headwinds stemming from the protracted weakness in inbound tourism. Meanwhile, prices of durable goods stayed on the secular downtrend.

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

(a) Food inflation eased further in 2016



(b) Rental inflation likewise softened



Note : The year-on-year rates of change of the CPIs from October 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

Diagram 7.4 (a) : Abatement in price pressures was seen in many of the underlying Composite CPI components

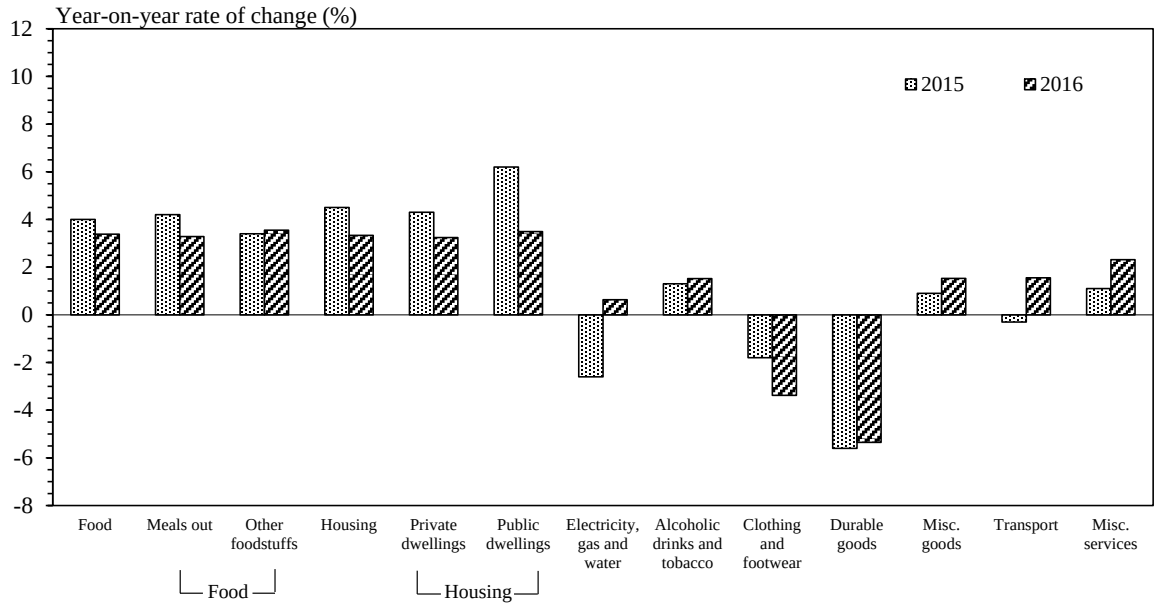
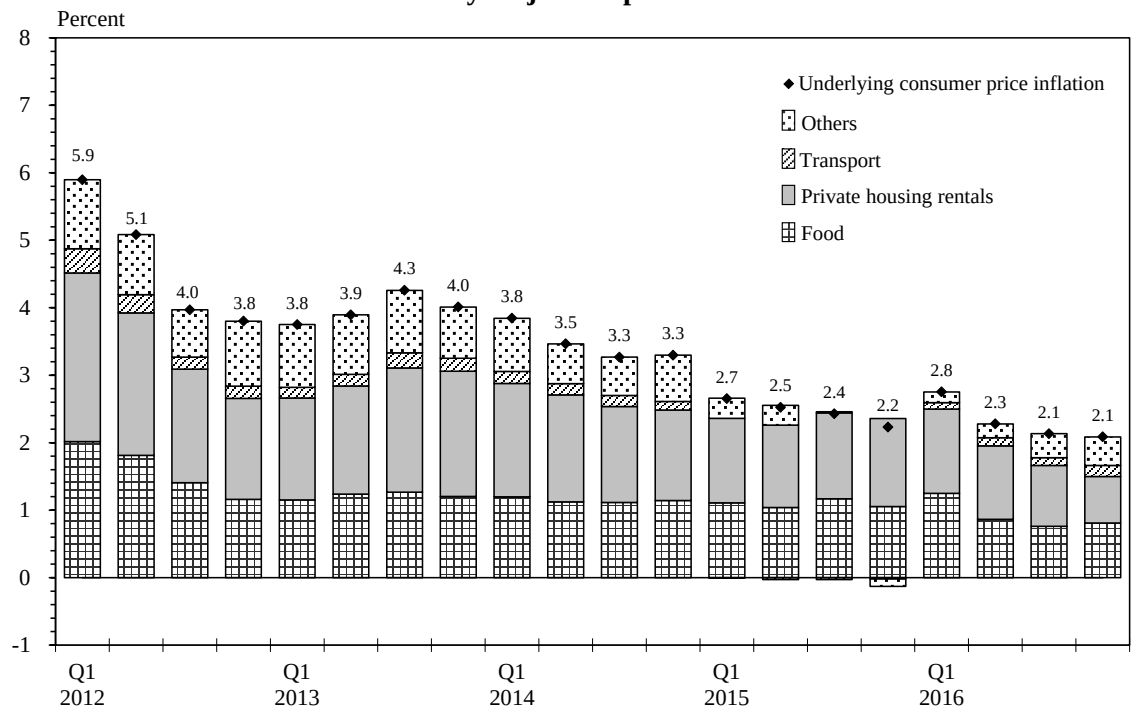


Diagram 7.4 (b) : Contribution to underlying consumer price inflation by major component



Note : The year-on-year rates of change of the Composite CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

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

Expenditure component	Weighting (%)	2015	2016 Annual	Q1	Q2	Q3	Q4
Food	27.29	4.0[(b)]	3.4	4.6	3.2	2.8	3.0
Meals bought away from home	17.74	4.2[(b)]	3.3	3.7	3.3	3.1	3.1
Other foodstuffs	9.55	3.4[(b)]	3.6	6.3	3.1	2.1	2.7
Housing[(a)]	34.29	4.5[(b)]	3.3	4.0	3.5	3.1	2.8
		(5.1)[(b)]	(3.7)	(4.0)	(4.6)	(6.0)	(0.4)
Private dwellings	29.92	4.3[(b)]	3.2	4.2	3.6	3.0	2.3
		(4.7)[(b)]	(3.4)	(4.2)	(4.8)	(4.1)	(0.6)
Public dwellings	1.94	6.2[(b)]	3.5	*	0.4	3.6	9.9
		(10.9)[(b)]	(7.2)	(*)	(0.5)	(51.3)	(-5.6)
Electricity, gas and water	2.67	-2.6[(b)]	0.6	-1.1	-1.6	4.0	1.4
		(8.4)[(b)]	(1.0)	(*)	(-1.1)	(4.1)	(1.4)
Alcoholic drinks and tobacco	0.54	1.3[(b)]	1.5	0.3	1.2	2.4	2.1
Clothing and footwear	3.21	-1.8[(b)]	-3.4	-3.3	-2.8	-4.5	-3.0
Durable goods	4.65	-5.6[(b)]	-5.4	-5.7	-5.4	-5.3	-5.0
Miscellaneous goods	3.56	0.9[(b)]	1.5	0.5	1.3	2.3	2.1
Transport	7.98	-0.3[(b)]	1.6	1.2	1.5	1.4	2.1
Miscellaneous services	15.81	1.1[(b)]	2.3	2.7	2.1	2.5	1.9
		(1.1)[(b)]	(2.3)	(2.7)	(2.1)	(2.5)	(1.9)
All items	100.00	2.5[(b)]	2.3	2.8	2.3	2.1	2.1
		(3.0)[(b)]	(2.4)	(2.8)	(2.6)	(3.1)	(1.2)

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.

(b) The year-on-year rates of change of the CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series. Splicing has been applied to the indices in order to obtain better estimates of the rates of change for the year 2015.

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

(*) Change within ±0.05%.

Box 7.1

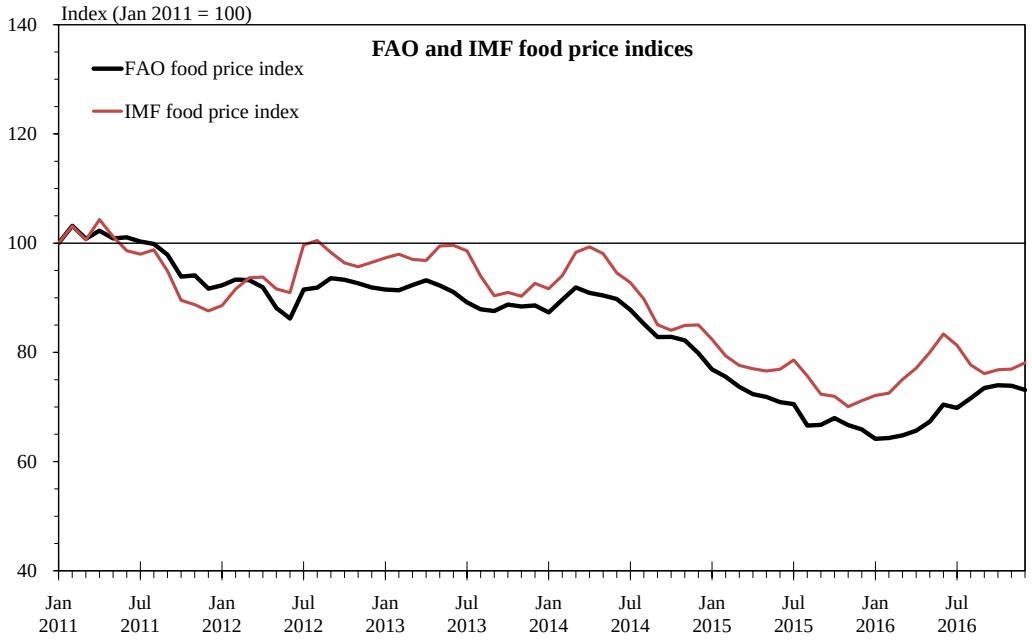
Recent movements of food and commodity prices in the international markets

International commodity prices have experienced visible ups and downs in the past few years. Besides the increasingly complicated global monetary and financial conditions under an uncertain global economic landscape, other supply-side factors, such as the policy changes in the suppliers, weather conditions, and geopolitical tensions, would also be relevant factors behind the wide price fluctuations. Among the various commodities, the prices of foodstuff and, to a lesser extent, fuels, could have a direct bearing on Hong Kong's consumer price inflation. This note describes the recent movements of global food and commodity prices, and discusses their possible implications for our consumer price 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 have been on a general downtrend in 2014 and 2015, but exhibited some signs of stabilisation over the course of 2016 amid a generally tighter demand/supply balance on the back of some improvement in global economic conditions, as well as the unfavourable weather conditions in a number of key producers like Brazil and Malaysia (***Chart 1***). For instance, the FAO Food Price Index has reverted to a year-on-year increase since August 2016, as a result of a broad-based increase in many of the food items against a very low base of comparison in 2015. For 2016 as a whole, the FAO Food Price Index edged down merely by 2%, narrowed visibly from the 19% plunge in 2015.

Chart 1 : Global food prices stabilised somewhat on entering 2016



According to the FAO's latest report on food outlook[(1)], the recent supply/demand conditions in different food markets were mixed. For the cereal market, the upward pressures on prices should remain limited as the supply is at record high level. Specifically, the production of rice, which is the staple food in Hong Kong, should conceivably benefit from the more benign weather conditions after the waning of the El Nino effect in mid-2016. The supply of wheat is also likely to be abundant, thanks to the good yield in major producers. Yet, the situations in non-cereal markets are more diverse. The global supply of meat is relatively tighter, while global consumer demand for fish is poised to remain strong.

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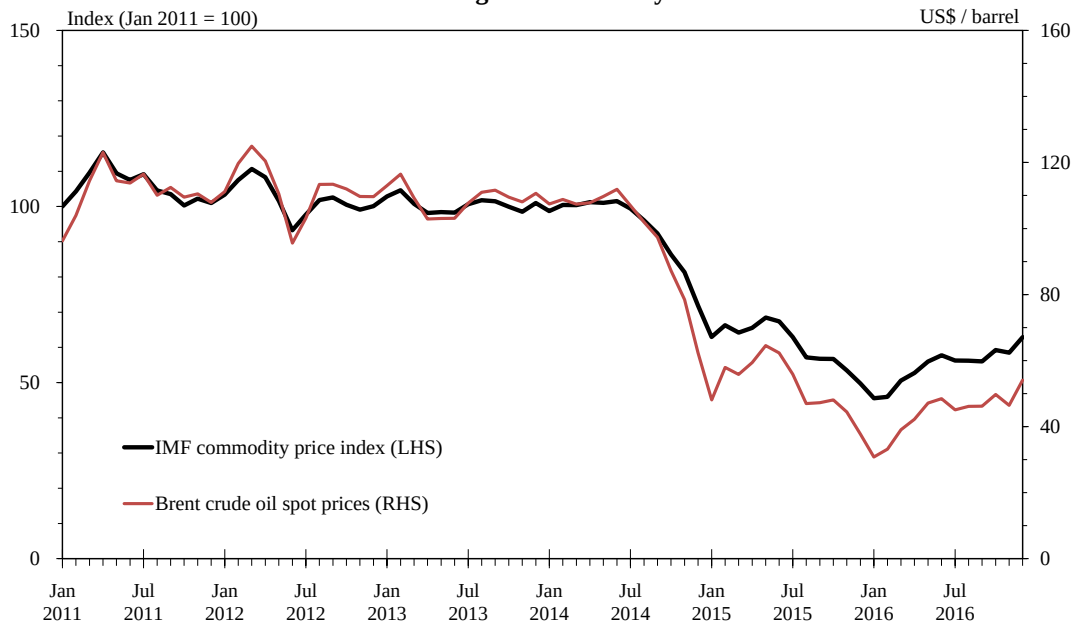
(1) Food Outlook, Biannual Report on Global Food Markets (October 2016 issue), FAO.

Box 7.1 (Cont'd)

Recent trend of international commodity prices

International commodity prices, likewise, underwent huge swings in the past two years. The IMF commodity price index was on a general downtrend since mid-2014. However, as the global economy gradually picked up in 2016, commodity prices also stabilised in the second half. Take the monthly average of North Sea Brent Oil spot price for illustration. After plummeting notably in the second half of 2014 and bouncing back somewhat in early 2015, it went on to another visible downward trend and nosedived to around US$31 per barrel on entering 2016, which was its 12-year low. The oil prices recovered some lost ground afterwards, conceivably due to the lower-than-expected oil inventory and supply tightness in some of the key refineries. The rebound of oil prices turned even more appreciable towards the end of the year, when OPEC formally announced that they had reached an agreement on their daily production targets, while some non-OPEC countries, including Russia, would also follow suit to reduce their oil production (***Chart 2***). In January 2017, the average spot price of Brent oil stood at US$55 per barrel, 78% higher than the year-ago level, but was still 15% lower than the recent monthly peak of US$65 reached in May 2015.

Chart 2 : Global commodity prices also recovered partially after hitting bottom in early 2016



Looking ahead, the outlook for food and commodity prices remains uncertain. The global economy is only expected to grow moderately in the near term, being clouded by such factors as the elevated policy uncertainties in various advanced economies, particularly in the US, and the ongoing Brexit and other political developments across Europe. How the notable monetary policy divergence among major central banks will affect the currency movements, such as the strength of the US dollar, is another factor worth monitoring. Needless to say, any further intensification of geopolitical tensions or sudden changes in weather conditions could disrupt the supply chains of food and commodities, adding further volatility to their prices.

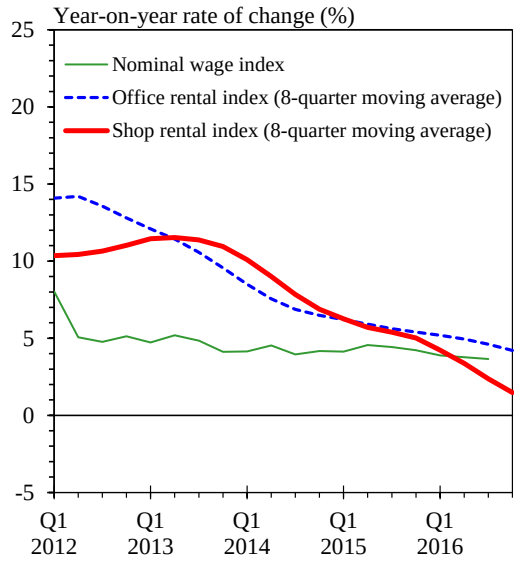
As a small and open economy, most of our demands have to be fulfilled by imports, and hence understandably, the fluctuations in global commodity and oil prices would inevitably impact on our local inflation. While the upside risks from external prices should still be rather safely contained at this juncture under a modest growth scenario, and domestic cost pressures are also expected to stay mild in the coming period, we still need to stay alert to the price fluctuations and their possible ramifications on the livelihood of the lower-income households.

Costs of factor inputs and import prices

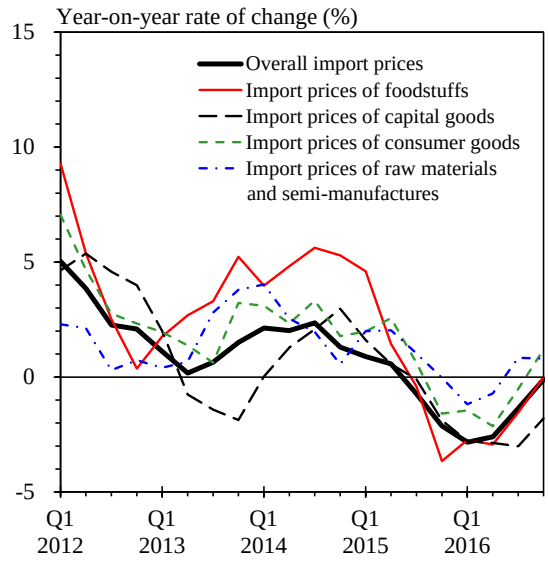
7.4 Domestic cost pressures were largely kept at bay in 2016, a natural consequence of a modestly-expanding local economy. On labour costs, wages and earnings posted steady growth in recent quarters in face of the broadly stable labour market conditions. Meanwhile, commercial rental costs only saw mild upward pressures, conceivably due to the less sanguine business sentiment amid the slowdown in inbound tourism and an uncertain external environment in 2016. The year-on-year increases in commercial rentals, when analysed on an eight-quarter moving-average basis, stayed on a moderating trend throughout the year.

Diagram 7.5 : Local cost pressures moderated, while external price pressures remained tame

(a) Commercial rentals and labour cost



(b) Import prices by selected end-use category



7.5 With the weaknesses in international food and commodity prices prevailing in most of the 2016, inflation in major import sources staying modest, and the US dollar strengthening against many major currencies, import price pressures were virtually absent throughout the year. Although overall import prices started to stabilise in the second half, it still declined by an average of 1.7% in 2016, widened from the 0.4% fall in 2015. The import price trends of individual end-use categories were broadly in line with the overall one, with most of them showing more visible pick-ups towards the end of the year. Yet, most of their annual averages were still lower than their respective levels in 2015. For 2016 as a whole, import prices of foodstuffs and fuels fell by 1.8% and 21.4% respectively. Import prices of capital goods and consumer goods also declined, by 2.6% and 0.7% respectively in 2016, while the import prices of raw materials and semi-manufactures held flat.

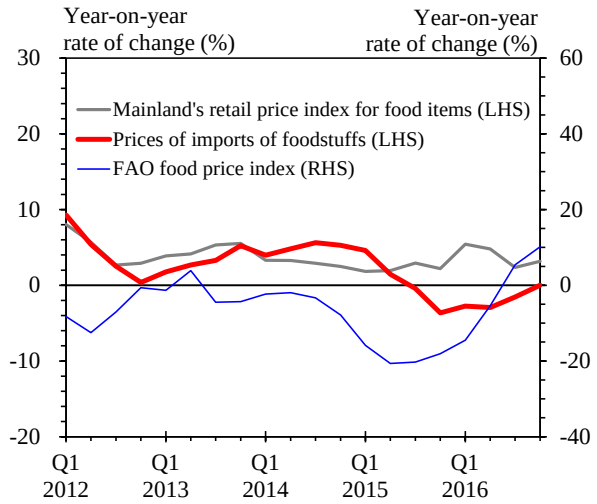
Table 7.3 : Prices of imports by end-use category
(year-on-year rate of change (%))

		Foodstuffs	Consumer goods	Raw materials and semi-manufactures	Fuels	Capital goods	All
2015	Annual	0.3	0.8	1.2	-34.8	-0.1	-0.4
	H1	3.0	2.3	2.0	-32.0	1.1	0.7
	H2	-2.2	-0.5	0.5	-38.0	-1.0	-1.4
	Q1	4.6	2.0	2.0	-32.8	1.6	0.9
	Q2	1.4	2.6	2.0	-31.2	0.6	0.6
	Q3	-0.4	0.6	1.0	-39.2	-0.1	-0.7
	Q4	-3.7	-1.6	*	-37.2	-1.9	-2.1
2016	Annual	-1.8	-0.7	*	-21.4	-2.6	-1.7
	H1	-2.9	-1.8	-0.9	-33.7	-2.8	-2.7
	H2	-0.7	0.3	0.8	-6.7	-2.4	-0.7
	Q1	-2.7	-1.4	-1.2	-39.2	-2.8	-2.8
	Q2	-2.9	-2.1	-0.7	-28.5	-2.9	-2.6
	Q3	-1.5	-0.5	0.8	-15.5	-3.0	-1.4
	Q4	*	1.2	0.8	3.1	-1.8	-0.1

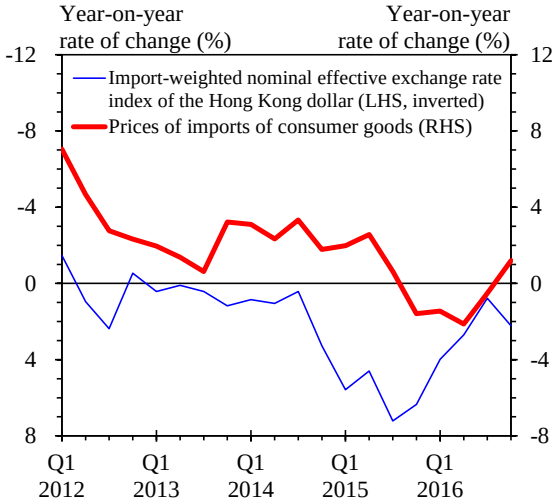
Note : (*) Change within ±0.05%.

Diagram 7.6 : Import prices by end-use category

(a) Import prices of food were generally soft throughout the year

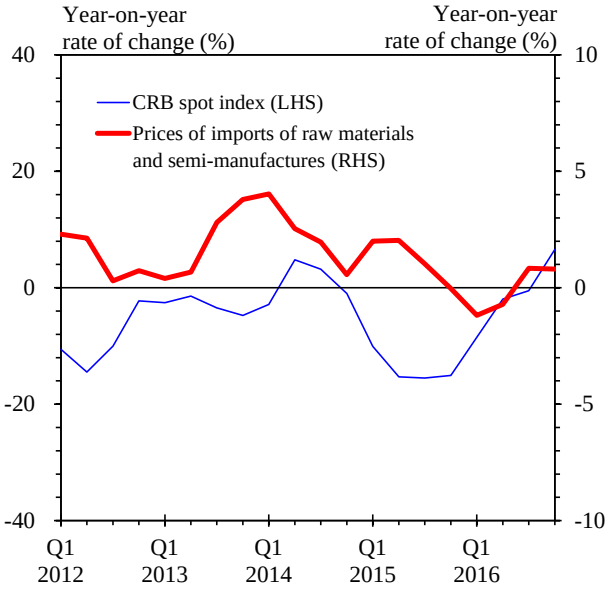


(b) Import prices of consumer goods declined for 2016 as a whole

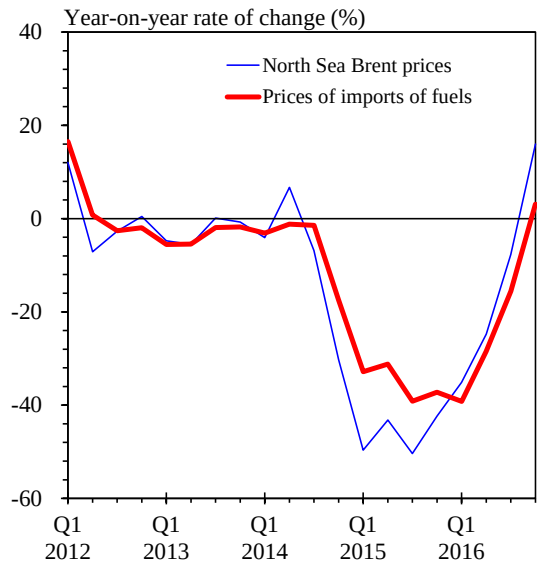


Note : An increase in the nominal EERI indicates strengthening of the Hong Kong dollar. The y-axis of nominal EERI in this graph is inverted for easier comprehension.

(c) Import prices of raw materials and semi-manufactures resumed mild increases in the second half of 2016



(d) Import prices of fuels resumed year-on-year increases in the fourth quarter



Output prices

7.6 Output prices, as measured by the *Producer Price Indices*[(3)], mostly stayed soft in the first three quarters of 2016. Specifically, while the year-on-year rise in output prices for the manufacturing sector picked up further in the third quarter of 2016, such increase was still rather moderate when taking the first three quarters of 2016 combined. Among the selected service sectors, the output prices for water and air transport in the first three quarters were visibly lower than a year ago amid the still-unsteady trading environment. The year-on-year increases in output prices for land transport and courier services remained modest. The output prices for accommodation services declined further in the first three quarters of 2016, reflecting the continued slowdown in inbound tourism with visitor arrivals declining during most of the year. Meanwhile, mirroring the keen competition in the sector, output prices for telecommunications continued the secular downtrend.

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

		2015				2016			
Industry group	Annual	Q1	Q2	Q3	Q4	Q1-Q3	Q1	Q2	Q3
Manufacturing	-2.7	-0.6	-2.8	-4.4	-3.2	0.5	-2.8	0.4	3.9
Selected service sectors[(a)]									
Accommodation services	-3.6	-1.6	-5.4	-4.8	-2.6	-2.9	-4.7	-1.9	-2.2
Land transport	2.3	2.9	2.3	2.1	2.0	1.8	2.6	2.1	0.9
Water transport	-7.0	-0.2	-3.5	-10.4	-13.5	-14.1	-15.8	-14.8	-11.6
Air transport	-7.8	-3.4	-7.9	-9.2	-10.8	-11.3	-12.1	-10.9	-10.9
Telecommunications	-4.3	-3.9	-4.4	-4.7	-4.2	-3.1	-3.6	-3.1	-2.3
Courier services	4.5	4.2	4.8	4.7	4.3	2.3	1.8	2.3	2.8

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

7.7 As a broad measure of the overall change in prices in the economy, the increase in *GDP deflator*[4] receded along with that in underlying Composite CPI, decelerating from an annual average of 3.7% in 2015 to 1.8% in 2016. The *terms of trade*[5], after improving in the first half of 2016, relapsed to a mild deterioration in the second half given a more visible stabilisation in import prices relative to export prices. Taking out the external trade components, the increase in the domestic demand deflator likewise abated from 2.2% in 2015 to 1.6% in 2016.

Diagram 7.7 : GDP deflator

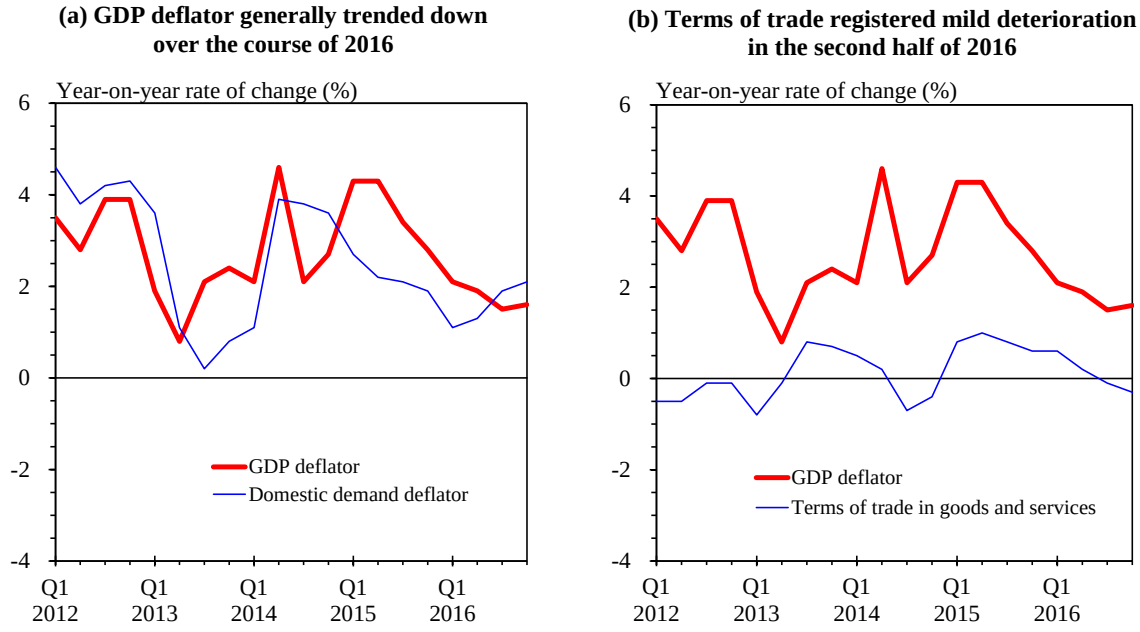


Table 7.5 : GDP deflator and the main expenditure component deflators
(year-on-year rate of change (%))

		2015					2016			
	Annual[#]	Q1[#]	Q2[#]	Q3[#]	Q4[#]	Annual[+]	Q1[#]	Q2[#]	Q3[#]	Q4[+]
Private consumption expenditure	1.2	1.9	1.2	0.6	1.0	1.7	1.1	1.6	2.1	2.0
Government consumption expenditure	4.3	4.7	4.3	4.5	4.0	3.8	3.8	3.9	3.9	3.8
Gross domestic fixed capital formation	4.5	4.7	4.6	5.6	3.6	0.2	-0.2	-0.7	-0.2	1.7
Total exports of goods[&]	-0.7	0.8	0.3	-1.2	-2.4	-1.4	-2.8	-2.3	-1.2	0.2
Imports of goods[&]	-1.4	0.1	-0.7	-2.1	-2.8	-1.8	-3.5	-2.8	-1.3	0.3
Exports of services[&]	-2.7	-1.3	-2.3	-4.2	-3.1	-2.5	-3.8	-2.8	-1.8	-1.7
Imports of services[&]	-4.7	-4.4	-3.8	-5.4	-5.1	-1.2	-3.3	-1.5	0.2	-0.3
Gross Domestic Product	**3.7**	**4.3 <1.2>**	**4.3 <1.0>**	**3.4 <0.3>**	**2.8 <0.4>**	**1.8**	**2.1 <0.5>**	**1.9 <0.6>**	**1.5 <0.1>**	**1.6 <0.5>**
Total final demand[&]	*	1.1	0.6	-0.5	-1.1	-0.5	-1.5	-1.1	-0.2	0.7
Domestic demand	2.2	2.7	2.2	2.1	1.9	1.6	1.1	1.3	1.9	2.1
Terms of trade in goods and services[&]	0.8	0.8	1.0	0.8	0.6	0.1	0.6	0.2	-0.1	-0.3

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.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts 2008*.

(#) 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 2014/15-based CPIs are shown below:

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

The weightings of the various components in the 2014/15-based CPIs are as follows:

Expenditure component	Composite CPI (%)	CPI(A) (%)	CPI(B) (%)	CPI(C) (%)
Food	27.29	34.37	26.26	20.85
Meals bought away from home	*17.74*	*20.99*	*17.88*	*13.98*
Other foodstuffs	*9.55*	*13.38*	*8.38*	*6.87*
Housing	34.29	33.77	35.24	33.60
Private dwellings	*29.92*	*26.51*	*32.15*	*30.72*
Public dwellings	*1.94*	*5.44*	*0.49*	--
Maintenance costs and other housing charges	*2.43*	*1.82*	*2.60*	*2.88*
Electricity, gas and water	2.67	3.85	2.38	1.76
Alcoholic drinks and tobacco	0.54	0.75	0.57	0.26
Clothing and footwear	3.21	2.57	3.26	3.88
Durable goods	4.65	3.41	5.03	5.53
Miscellaneous goods	3.56	3.28	3.64	3.77
Transport	7.98	6.75	7.60	9.84
Miscellaneous services	15.81	11.25	16.02	20.51
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.

	2015					2016				
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4
Selected developed economies										
US	0.1	-0.1	*	0.1	0.5	1.3	1.1	1.0	1.1	1.8
Canada	1.1	1.1	0.9	1.2	1.3	1.4	1.5	1.6	1.2	1.4
EU	*	-0.3	0.1	*	0.1	0.3	*	-0.1	0.3	0.8
Japan	0.8	2.3	0.5	0.1	0.2	-0.1	*	-0.3	-0.5	0.3
Selected major emerging economies										
Mainland China	1.4	1.2	1.4	1.7	1.5	2.0	2.1	2.1	1.7	2.2
Russia	15.5	16.2	15.8	15.7	14.5	7.1	8.3	7.4	6.8	5.8
India	4.9	5.3	5.1	3.9	5.3	4.9	5.3	5.7	5.2	3.7
Brazil	9.0	7.7	8.5	9.5	10.4	8.7	10.1	9.1	8.7	7.0
Selected Asian economies										
Hong Kong	3.0^	4.4	3.0	2.3	2.3^	2.4^	2.8^	2.6^	3.1^	1.2^
Singapore	-0.5	-0.3	-0.4	-0.6	-0.7	-0.5	-0.8	-0.9	-0.4	*
Taiwan	-0.3	-0.6	-0.7	-0.3	0.3	1.4	1.7	1.3	0.7	1.8
Korea	0.7	0.7	0.6	0.6	0.9	1.0	0.9	0.8	0.7	1.5
Malaysia	2.1	0.7	2.2	3.0	2.6	2.1	3.4	1.9	1.3	1.7
Thailand	-0.9	-0.5	-1.1	-1.1	-0.9	0.2	-0.5	0.3	0.3	0.7
Indonesia	6.4	6.5	7.1	7.1	4.8	3.5	4.3	3.5	3.0	3.3
Philippines	1.4	2.4	1.7	0.6	1.0	1.8	1.1	1.5	2.0	2.5
Vietnam	0.6	0.7	1.0	0.5	0.3	2.7	1.3	2.2	2.8	4.4
Macao	4.6	5.1	4.8	4.5	3.9	2.4	3.7	2.6	1.8	1.4

Notes : (*) Change within ±0.05%.
(^) By reference to the new 2014/15-based CPI series.

(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.