

## Box 6.1

### Impact of the Government's special relief measures on the Consumer Price Indices

The analysis below covers those special relief measures granted by the Government since 1998, including mainly rates rebate, waiver of public housing rentals, and waiver of water and sewage charges, which have a direct impact on the CPI.

In 1998 and 1999, the Government granted a rates rebate to households, to help them tide over the economic difficulties brought about by the Asian financial crisis. This had the effect of lowering the Composite CPI by 0.4 and 0.2 of a percentage point respectively in those two years. In 2001, public housing rentals were waived for the month of December. Consequently, the Composite CPI was dampened by 0.2 of a percentage point in that year. In 2002, further relief measures, including a rates rebate and a waiver of water and sewage charges, were implemented. These pulled down the Composite CPI by 1.1 percentage points in that year.

The special relief measures accorded so far in this year were intended to alleviate the adverse impact of SARS. The measures relevant to the CPI comprised mainly a rates rebate for the third quarter of 2003 up to a maximum of \$1,250 per tenement, and a waiver of water and sewage charges for August - November 2003 with respective caps at \$267 and \$67 per domestic household. These measures taken together were estimated to dampen the Composite CPI by around 0.3 of a percentage point for the whole year.

#### Impact of the Government's special relief measures on the Composite CPI

*Of which:*

	Year-on-year change in the Composite CPI (%)	Attributed to the Government's special relief measures (% points)
1998	2.8	-0.4
1999	-4.0	-0.2
2000	-3.8	NA
2001	-1.6	-0.2
2002	-3.0	-1.1
2003	-2.7*	-0.4 <sup>#</sup>

Notes : (\*) Broad forecast for the year.

(#) Including also the residual impact of the waiver of water and sewage charges granted for the financial year April 2002 - March 2003.

NA Not applicable.

Also noteworthy is the fact that, since Government fees and charges constitute a larger share in the total expenditure of lower to middle income households, as against the share in the total expenditure of higher income household, the special relief measures tend to affect the CPI(A) and CPI(B) more than the CPI(C). Taking the waiver of public housing rentals for the month of December 2001 as an example, this measure has lowered both the CPI(A) and CPI(B) in the respective period, but has had no effect on the CPI(C) where public housing rentals carry zero weighting.