

Box 6.1**Rebasing of the Consumer Price Indices**

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. On 28 April 2011, a new series of 2009/10-based CPIs was released to replace the old series of 2004/2005-based CPIs. The expenditure ranges of the households covered in these two series are shown below:

	Approximate proportion of households covered (%)	Average monthly expenditure range during Oct 2004 to Sep 2005 (\$)	Average monthly expenditure range during Oct 2009 to Sep 2010 (\$)
CPI(A)	50	4,000 to 15,499	4,500 to 18,499
CPI(B)	30	15,500 to 27,499	18,500 to 32,499
CPI(C)	10	27,500 to 59,999	32,500 to 65,999

The increases in the expenditure brackets of household covered in all the CPIs reflected the consumer price increases that took place during most of the five-year period from 2004/05 to 2009/10, as well as the rise in household incomes.

Also, the weightings of the various components are updated as follows:

<i>Expenditure component</i>	<u>Composite CPI</u>		<u>CPI(A)</u>		<u>CPI(B)</u>		<u>CPI(C)</u>	
	<u>Old series</u> (%)	<u>New series</u> (%)	<u>Old series</u> (%)	<u>New series</u> (%)	<u>Old series</u> (%)	<u>New series</u> (%)	<u>Old series</u> (%)	<u>New series</u> (%)
Food	26.94	27.45	32.10	33.68	27.32	27.16	20.41	20.87
Meals bought away from home	(16.86)	(17.07)	(18.63)	(19.23)	(17.65)	(17.90)	(13.74)	(13.55)
Food (excluding meals bought away from home)	(10.08)	(10.38)	(13.47)	(14.45)	(9.67)	(9.26)	(6.67)	(7.32)
Housing	29.17	31.66	30.54	32.19	27.70	31.43	29.66	31.36
Electricity, gas and water	3.59	3.10	4.84	4.36	3.37	2.84	2.45	2.03
Alcoholic drinks and tobacco	0.87	0.59	1.35	0.91	0.79	0.56	0.42	0.29
Clothing and footwear	3.91	3.45	2.81	2.60	4.28	3.45	4.67	4.39
Durable goods	5.50	5.27	4.01	3.73	5.67	5.73	6.99	6.39
Miscellaneous goods	4.78	4.17	4.68	3.87	4.76	4.17	4.91	4.49
Transport	9.09	8.44	8.07	7.22	9.05	8.35	10.35	9.93
Miscellaneous services	16.15	15.87	11.60	11.44	17.06	16.31	20.14	20.25
Overall	<u>100.00</u>							

Box 6.1 (Cont'd)

The weightings are updated every five years to ensure that up-to-date expenditure patterns of households are adequately and accurately reflected in the compilation of the CPIs.

The year-on-year rates of increase in monthly CPIs from the 2009/10-based CPI series are in general smaller than those from the 2004/05-based series. This result is consistent with those in previous rounds of CPI rebasing. Such phenomenon is attributable to the fact that when the prices of various goods and services change, households tend to buy more of the goods or services with relatively smaller price increases (or relatively larger price decreases) to substitute those with larger price increases (or smaller decreases).

While the magnitudes of the year-on-year changes in the 2004/05-based and 2009/10-based CPIs are slightly different, the trend of a pick-up in consumer price inflation from the fourth quarter of 2010 to the first quarter of 2011 is observed in all the four new CPI series, as is in the old CPI series.