CHAPTER 6 : PRICES

***Summary***

* *Consumer price inflation edged up while remaining moderate in overall terms in the first quarter of 2023. Prices of energy-related items soared further year-on-year. Prices of meals out and takeaway food, and clothing and footwear continued to increase notably. Nevertheless, price pressures on other major components were broadly in check. Private housing rentals continued to decline. The underlying Composite Consumer Price Index (Composite CPI)(1), which nets out the effects of the Government’s one-off relief measures, rose by 1.9% year-on-year in the first quarter, slightly faster than the 1.8% increase in the preceding quarter. The increase in the headline Composite CPI also inched up from 1.8% to 1.9%.*
* *Domestic business cost pressures stayed largely mild. Wage growth remained moderate, while commercial rentals continued to be soft.*
* *External price pressures remained notable. As inflation in many major economies(2) stayed high despite some deceleration, prices of overall merchandise imports continued to increase noticeably year-on-year.*

**Consumer prices**

6.1 Consumer price inflation edged up while remaining moderate in overall terms in the first quarter of 2023.Prices of energy-related items soared further year-on-year. Prices of meals out and takeaway food, and clothing and footwear continued to increase notably. Nevertheless, price pressures on other major components were broadly in check. Private housing rentals continued to decline. Domestic business cost pressures stayed largely mild, as wage growth remained moderate while commercial rentals continued to be soft.External price pressures remained notable. As inflation in many major economies stayed high despite some deceleration, prices of overall merchandise imports continued to increase noticeably year-on-year.



Note : The year-on-year rates of change of the CPIs from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15‑based series.

6.2 Underlying consumer price inflation, in terms of 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, edged up from 1.8% in the preceding quarter to 1.9% in the first quarter of 2023.  The headline Composite CPI inflation rate also inched up from 1.8% to 1.9%.

**Table 6.1 : Consumer Price Indices**

**(year-on-year rate of change (%))**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Composite CPI | | CPI(A) | CPI(B) | CPI(C) |
|  |  | Underlying(a) | Headline |  |  |  |
|  |  |  |  |  |  |  |
| 2022 | Annual | 1.7 | 1.9 | 2.2 | 1.7 | 1.8 |
|  | H1 | 1.6 | 1.5 | 1.4 | 1.5 | 1.7 |
|  | H2 | 1.8 | 2.3 | 3.0 | 1.9 | 1.9 |
|  |  | 1.6 | 1.5 | 1.4 | 1.5 | 1.7 |
|  | Q1 | 1.6 | 1.5 | 1.5 | 1.5 | 1.6 |
|  | Q2 | 1.7 | 1.5 | 1.2 | 1.4 | 1.8 |
|  | Q3 | 1.8 | 2.7 | 4.1 | 2.1 | 1.9 |
|  | Q4 | 1.8 | 1.8 | 1.9 | 1.7 | 1.9 |
|  |  |  |  |  |  |  |
| 2023 | Q1 | 1.9 | 1.9 | 2.0 | 1.8 | 2.0 |
|  |  |  |  |  |  |  |
| **(seasonally adjusted quarter-to-quarter rate of change (%))** | | | | | | |
|  |  |  |  |  |  |  |
| 2022 | Q1 | 0.5 | 0.6 | 0.6 | 0.5 | 0.5 |
|  | Q2 | 0.5 | 0.2 | 0.1 | 0.2 | 0.4 |
|  | Q3 | 0.4 | 0.5 | 0.6 | 0.4 | 0.4 |
|  | Q4 | 0.4 | 0.6 | 0.6 | 0.7 | 0.5 |
|  |  |  |  |  |  |  |
| 2023 | Q1 | 0.7 | 0.7 | 0.7 | 0.6 | 0.7 |

Note : (a) Underlying consumer price inflation is calculated by netting out the effects of all the Government’s one-off relief measures introduced since 2007, including the waiver and the Government’s payment of public housing rentals, rates concessions, the suspension and subsequent abolition of the Employees Retraining Levy, subsidies for household electricity charges, and waivers of examination fees.

6.3 Analysed by major component of the underlying Composite CPI, food prices, the component with the largest weight other than housing, posted a narrower year-on-year increase of 3.0% in the first quarter of 2023, as prices of basic food rose by a meagre 0.8% against a high base of comparison caused by the epidemic-induced supply disruptions in the early part of 2022. On the other hand, the increase in prices of meals out and takeaway food accelerated to 4.4% amid the strong revival of consumer demand. Prices of electricity, gas and water soared further, reflecting the increase in electricity tariff from the start of this year. Prices of clothing and footwear continued to increase notably. Prices of alcoholic drinks and tobacco rose markedly faster alongside the increase in tobacco duty. Prices of miscellaneous services continued to increase moderately. Prices of transport saw a slower increase, while those of miscellaneous goods recorded a modest increase. Prices of durable goods fell moderately. The private housing rental component continued to decline by 0.5% as fresh-letting residential rentals remained largely soft.



Note : The year-on-year rates of change of the CPI from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15‑based series.





Notes : Energy-related items include electricity, town gas, liquefied petroleum gas and other fuel, and motor fuel.

The year-on-year rates of change of the CPIs from the fourth quarter of 2020 onwards are computed from the new 2019/20-based series, and those before are from the old 2014/15‑based series.

Table 6.2 : Underlying Composite Consumer Price Index by component

**(year‑on‑year rate of change (%))**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 2021 | 2022 | | | | | 2023 |
| Expenditure component | Weighting (%) | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 |
|  |  |  |  |  |  |  |  |  |
| Food | 27.41 | 1.7 | 3.8 | 3.7 | 4.0 | 3.9 | 3.6 | 3.0 |
|  |  |  |  |  |  |  |  |  |
| *Meals out and takeaway food* | 17.05 | 1.8 | 3.4 | 3.1 | 3.4 | 3.4 | 3.6 | 4.4 |
| *Basic food* | 10.36 | 1.4 | 4.5 | 4.6 | 5.0 | 4.7 | 3.6 | 0.8 |
|  |  |  |  |  |  |  |  |  |
| Housing(a) | 40.25 | -0.7 | -0.5 | -1.0 | -0.5 | -0.3 | -0.1 | -0.1 |
|  |  | (0.3) | (0.2) | (-0.3) | (-0.6) | (1.8) | (\*) | (-0.1) |
|  |  |  |  |  |  |  |  |  |
| *Private housing rent* | 35.46 | -1.4 | -0.8 | -1.2 | -0.8 | -0.6 | -0.4 | -0.5 |
|  |  | (-1.3) | (-0.6) | (-0.5) | (-0.8) | (-0.6) | (-0.5) | (-0.5) |
|  |  |  |  |  |  |  |  |  |
| *Public housing rent* | 1.87 | 6.1 | 0.3 | -0.1 | -0.1 | -0.1 | 1.2 | 1.2 |
|  |  | (29.3) | (9.6) | (2.0) | (-0.1) | (45.1) | (2.1) | (0.7) |
|  |  |  |  |  |  |  |  |  |
| Electricity, gas and water | 2.82 | 4.7 | 10.4 | 6.5 | 10.7 | 12.5 | 12.0 | 17.2 |
|  |  | (27.0) | (7.2) | (-2.4) | (2.7) | (14.9) | (14.2) | (20.4) |
|  |  |  |  |  |  |  |  |  |
| Alcoholic drinks and tobacco | 0.49 | 0.1 | 1.3 | 0.3 | 1.5 | 1.8 | 1.7 | 11.2 |
|  |  |  |  |  |  |  |  |  |
| Clothing and footwear | 2.42 | 3.3 | 5.3 | 6.1 | 4.9 | 5.1 | 5.0 | 5.9 |
|  |  |  |  |  |  |  |  |  |
| Durable goods | 4.00 | 1.0 | 0.6 | 1.7 | 1.6 | 0.4 | -1.2 | -2.3 |
|  |  |  |  |  |  |  |  |  |
| Miscellaneous goods | 3.32 | -3.1 | 0.4 | -0.2 | 0.4 | 0.6 | 0.6 | 0.9 |
|  |  |  |  |  |  |  |  |  |
| Transport | 6.17 | 2.6 | 2.9 | 6.1 | 1.8 | 1.8 | 1.9 | 1.4 |
|  |  |  |  |  |  |  |  |  |
| Miscellaneous services | 13.12 | 0.7 | 1.3 | 1.1 | 1.3 | 1.3 | 1.6 | 2.1 |
|  |  | (0.7) | (1.3) | (1.0) | (1.3) | (1.4) | (1.7) | (2.2) |
|  |  |  |  |  |  |  |  |  |
| All items | 100.00 | 0.6 | 1.7 | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 |
|  |  | (1.6) | (1.9) | (1.5) | (1.5) | (2.7) | (1.8) | (1.9) |

Notes : (a) The housing component covers rents, rates, Government rent, management fees and other housing charges. Its sub‑components on private and public housing rents as presented here, however, cover rents, rates and Government rent only. Hence, the combined weighting of private and public housing rents is slightly less than the weighting of the entire housing component.

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

(\*) Change within ±0.05%.

**Costs of factor inputs and import prices**

6.4 Domestic business cost pressures stayed largely mild in the first quarter of 2023. Wage growth remained moderate. Commercial rentals faced by businesses continued to be soft. As a proxy, the eight-quarter moving averages of office rentals and shop rentals declined by 1.7% and 0.6% in the first quarter respectively, though the decreases narrowed as business activities continued to revive.



6.5 External price pressures remained notable in the first quarter of 2023. Inflation in many major economies stayed high, though it showed some deceleration amid easing international energy and commodity prices from the high levels last year. Prices of merchandise imports rose noticeably by 3.9% year-on-year, after a 5.8% increase in the preceding quarter. Import prices of fuels rose notably further by 5.4%, though much smaller than the 26.8% rise in the preceding quarter. Import prices of capital goods continued to record a notable albeit moderated increase of 5.4%. The increases in import prices of consumer goods, foodstuffs, and raw materials and semi-manufactures moderated to 4.0%, 3.6% and 2.9% respectively.

**Table 6.3 : 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 |
|  |  |  |  |  |  |  |
| 2022 Annual | 5.6 | 5.6 | 7.9 | 49.8 | 7.8 | 8.1 |
|  |  |  |  |  |  |  |
| H1 | 5.9 | 6.3 | 10.2 | 61.9 | 8.3 | 9.7 |
| H2 | 5.2 | 5.0 | 5.9 | 41.1 | 7.7 | 6.9 |
|  |  |  |  |  |  |  |
| Q1 | 6.5 | 6.3 | 11.9 | 53.0 | 9.2 | 10.6 |
| Q2 | 5.3 | 6.3 | 8.7 | 71.3 | 7.5 | 8.8 |
| Q3 | 5.6 | 5.6 | 7.2 | 56.8 | 8.4 | 8.1 |
| Q4 | 4.9 | 4.6 | 4.5 | 26.8 | 7.1 | 5.8 |
|  |  |  |  |  |  |  |
| 2023  Q1 | 3.6 | 4.0 | 2.9 | 5.4 | 5.4 | 3.9 |





**Output prices**

6.6 Output prices, as measured by the *Producer Price Indices*(3), saw mixed movements across various sectors in 2022. Output prices for the manufacturing sector rose modestly. Among the selected service sectors, output prices for accommodation services and land transport showed accelerated increases, though the former remained below the pre-pandemic level. Increases in output prices for air transport and water transport moderated significantly amid weak trade performance. On the other hand, output prices for courier services declined further, while those for telecommunications services continued their secular downtrend.

**Table 6.4 : Producer Price Indices for the manufacturing sector**

and selected service sectors

(year-on-year rate of change (%))

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2021 | | | | | 2022 | | | | |
| Industry group | Annual | Q1 | Q2 | Q3 | Q4 | Annual | Q1 | Q2 | Q3 | Q4 |
| Manufacturing | 1.2 | 1.9 | 2.7 | -0.8 | 1.2 | 0.8 | 2.3 | 0.8 | 0.4 | -0.3 |
| Selected service sectors |  |  |  |  |  |  |  |  |  |  |
| Accommodation services | 3.3 | -4.0 | 4.1 | 7.2 | 6.6 | 13.0 | 8.9 | 12.2 | 17.2 | 13.6 |
| Land transport | 2.7 | -5.2 | 1.1 | 7.5 | 7.8 | 9.5 | 9.4 | 10.8 | 9.4 | 8.5 |
| Water transport | 63.2 | 34.4 | 57.0 | 76.6 | 82.2 | 18.1 | 57.0 | 40.0 | 10.2 | -17.0 |
| Air transport | 36.7 | 18.9 | 30.3 | 34.7 | 59.1 | 2.8 | 42.8 | 17.8 | -1.7 | -29.5 |
| Telecommunications | -1.7 | -1.7 | -1.6 | -2.7 | -0.6 | -1.3 | -0.6 | -0.8 | -1.8 | -2.2 |
| Courier services | -1.9 | 2.1 | -1.1 | -3.7 | -4.4 | -4.5 | -4.1 | -4.1 | -4.0 | -5.8 |

**GDP deflator**

6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*(4) rose by 1.8% in the first quarter over a year earlier, after a 1.7% increase in the preceding quarter. The *terms of trade*(5) deteriorated as import prices rose faster than export prices. Taking out the external trade components, the domestic demand deflator increased by 3.0% in the first quarter, after rising by 2.5% in the preceding quarter.



**Table 6.5 : GDP deflator and the main expenditure component deflators**

**(year-on-year rate of change (%))**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2021 | 2022 | | | | | | 2023 | |
|  | Annual# | Annual# | Q1# | Q2# | Q3# | Q4# | Q1# | |
| Private consumption expenditure | -0.6 | 2.2 | 0.9 | 2.0 | 2.9 | 3.0 | 4.5 | |
| Government consumption expenditure | 0.7 | 2.7 | 1.7 | 4.0 | 3.2 | 2.0 | 2.6 | |
| Gross domestic fixed  capital formation | -2.1 | 1.3 | \* | 4.5 | 1.3 | -0.6 | -1.4 | |
| Total exports of goods& | 5.1 | 6.8 | 9.3 | 7.0 | 7.1 | 4.6 | 3.7 | |
| Imports of goods& | 4.9 | 7.4 | 10.2 | 8.3 | 6.9 | 4.8 | 3.6 | |
| Exports of services& | 14.5 | 7.1 | 13.7 | 11.7 | 4.3 | -0.1 | -3.8 | |
| Imports of services& | 9.9 | 4.7 | 9.4 | 8.1 | 1.6 | 0.6 | 0.8 | |
| **Gross Domestic Product** | **0.7** | **1.8** | **1.1**  **<0.2>** | **1.0**  **<0.3>** | **3.5**  **<2.7>** | **1.7**  **<-1.6>** | **1.8**  **<0.5>** | |
| Total final demand& | 3.7 | 5.2 | 6.9 | 5.8 | 5.3 | 3.3 | 2.5 | |
| Domestic demand | -0.8 | 2.1 | 1.0 | 2.3 | 2.4 | 2.5 | 3.0 | |
| Terms of trade in goods and services& | 0.6 | -0.2 | -0.3 | -0.7 | 0.4 | -0.3 | -0.5 | |

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.

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

(\*) Change within ±0.05%.

**Notes :**

(1) The Consumer Price Indices (A), (B) and (C) are compiled with 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.

In May 2021, the Census and Statistics Department updated the base period and expenditure weights for compiling the CPIs. CPI figures quoted in this report refer to the 2019/20-based series unless otherwise stated.

The expenditure ranges of the households covered in the 2019/20-based CPIs are shown below:

|  |  |  |
| --- | --- | --- |
|  | Approximate proportion of  households covered | Average monthly expenditure range during Oct 2019 to Sep 2020 |
|  | (%) | ($) |
| CPI(A) | 50 | 6,500 to 27,999 |
| CPI(B) | 30 | 28,000 to 48,499 |
| CPI(C) | 10 | 48,500 to 91,999 |

The weightings of the various components in the 2019/20-based CPIs are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Expenditure  component | Composite CPI | CPI(A) | CPI(B) | CPI(C) |
|  | (%) | (%) | (%) | (%) |
| Food | 27.41 | 32.71 | 26.76 | 21.89 |
| *Meals out and takeaway food* | *17.05* | *18.87* | *17.27* | *14.55* |
| *Basic food* | *10.36* | *13.84* | *9.49* | *7.34* |
| Housing | 40.25 | 40.46 | 40.77 | 39.24 |
| *Private housing rent* | *35.46* | *33.43* | *37.22* | *35.44* |
| *Public housing rent* | *1.87* | *4.95* | *0.55* | *--* |
| *Management fees and other housing charges* | *2.92* | *2.08* | *3.00* | *3.80* |
| Electricity, gas and water | 2.82 | 3.85 | 2.57 | 1.92 |
| Alcoholic drinks and tobacco | 0.49 | 0.76 | 0.41 | 0.27 |
| Clothing and footwear | 2.42 | 1.78 | 2.51 | 3.08 |
| Durable goods | 4.00 | 3.29 | 3.94 | 4.97 |
| Miscellaneous goods | 3.32 | 3.31 | 3.48 | 3.10 |
| Transport | 6.17 | 4.52 | 6.38 | 7.89 |
| Miscellaneous services | 13.12 | 9.32 | 13.18 | 17.64 |
| 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.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2021 | | | | | 2022 | | | | | 2023 |
|  | Annual | Q1 | Q2 | Q3 | Q4 | Annual | Q1 | Q2 | Q3 | Q4 | Q1 |
| Selected developed economies |  |  |  |  |  |  |  |  |  |  |  |
| US^ | 3.6 | 1.4 | 3.7 | 4.1 | 5.0 | 6.2 | 6.3 | 6.0 | 6.3 | 6.0 | 5.6 |
| Canada | 3.4 | 1.4 | 3.3 | 4.1 | 4.7 | 6.8 | 5.8 | 7.5 | 7.2 | 6.7 | 5.1 |
| EU | 2.9 | 1.4 | 2.2 | 3.1 | 4.9 | 9.2 | 6.5 | 8.8 | 10.3 | 11.0 | 9.4 |
| Japan | -0.2 | -0.5 | -0.7 | -0.2 | 0.5 | 2.5 | 0.9 | 2.4 | 2.9 | 3.9 | 3.6 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Selected major emerging economies |  |  |  |  |  |  |  |  |  |  |  |
| Mainland China | 0.9 | \* | 1.1 | 0.8 | 1.8 | 2.0 | 1.1 | 2.2 | 2.7 | 1.8 | 1.3 |
| Russia | 6.7 | 5.6 | 6.0 | 6.9 | 8.3 | 13.8 | 11.6 | 17.0 | 14.3 | 12.2 | 8.6 |
| India | 5.1 | 4.9 | 5.6 | 5.1 | 5.0 | 6.7 | 6.3 | 7.3 | 7.0 | 6.1 | 6.2 |
| Brazil | 8.3 | 5.3 | 7.7 | 9.6 | 10.5 | 9.3 | 10.7 | 11.9 | 8.6 | 6.1 | 5.3 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Selected Asian economies |  |  |  |  |  |  |  |  |  |  |  |
| Hong Kong | 1.6 | 1.2 | 0.8 | 2.3 | 2.0 | 1.9 | 1.5 | 1.5 | 2.7 | 1.8 | 1.9 |
| Singapore | 2.3 | 0.8 | 2.3 | 2.5 | 3.7 | 6.1 | 4.6 | 5.9 | 7.3 | 6.6 | 6.1 |
| Taiwan | 2.0 | 0.8 | 2.1 | 2.3 | 2.7 | 2.9 | 2.8 | 3.5 | 2.9 | 2.6 | 2.6 |
| Korea | 2.5 | 1.4 | 2.5 | 2.5 | 3.5 | 5.1 | 3.8 | 5.4 | 5.9 | 5.2 | 4.7 |
| Malaysia | 2.5 | 0.5 | 4.2 | 2.1 | 3.2 | 3.4 | 2.2 | 2.8 | 4.5 | 3.9 | 3.6 |
| Thailand | 1.2 | -0.5 | 2.4 | 0.7 | 2.4 | 6.1 | 4.7 | 6.5 | 7.3 | 5.8 | 3.9 |
| Indonesia | 1.6 | 1.4 | 1.5 | 1.6 | 1.8 | 4.2 | 2.3 | 3.8 | 5.2 | 5.5 | 5.2 |
| Philippines | 3.9 | 4.0 | 4.0 | 4.1 | 3.6 | 5.8 | 3.4 | 5.5 | 6.5 | 7.9 | 8.3 |
| Vietnam | 1.8 | 0.3 | 2.7 | 2.5 | 1.9 | 3.2 | 1.9 | 3.0 | 3.3 | 4.4 | 4.2 |
| Macao | \* | -1.0 | -0.4 | 0.5 | 1.0 | 1.0 | 1.0 | 1.2 | 1.2 | 0.8 | 0.8 |

Notes: (\*) Change within ±0.05%.

(^) Refers to core CPI inflation.

(3) The Producer Price Indices are 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.