CHAPTER 6 : PRICES

***Summary***

* *Underlying consumer price inflation stayed moderate in overall terms in the third quarter of 2023. Prices of meals out and takeaway food recorded a visible but softened increase over a year earlier, while prices of basic food continued to show a modest increase. The increase in prices of electricity remained notable despite a sharp deceleration. Prices of clothing and footwear continued to rise visibly. Price pressures on other major components stayed largely 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 1.6% year-on-year in the third quarter, after increasing by 1.7% in the preceding quarter. The headline Composite CPI rose by 1.9% in the third quarter, compared with 2.0% increase in the preceding quarter.*
* *Domestic business cost pressures remained contained. Wage growth accelerated further on the back of the continued improvement in labour market conditions, but was still largely moderate. Commercial rentals stayed soft.*
* *External price pressures showed some moderation, alongside easing inflation in many major economies(2) from earlier peaks. Import prices of most end-use categories recorded narrowed increases, while those of fuels plunged further from a high base of comparison.*

**Consumer prices**

6.1 Underlying consumer price inflation stayed moderate in overall terms in the third quarter of 2023.Prices of meals out and takeaway food recorded a visible but softened increase over a year earlier, while prices of basic food continued to show a modest increase. The increase in prices of electricity remained notable despite a sharp deceleration. Prices of clothing and footwear continued to rise visibly. Price pressures on other major components stayed largely in check. Private housing rentals continued to decline. Domestic business cost pressures remained contained. Wage growth accelerated further on the back of the continued improvement in labour market conditions, but was still largely moderate. Commercial rentals stayed soft. External price pressures showed some moderation, alongside easing inflation in many major economies from earlier peaks. Import prices of most end-use categories recorded narrowed increases, while those of fuels plunged further from a high base of comparison.



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, stayed moderate at 1.6% in the third quarter of 2023, compared with 1.7% in the preceding quarter.  The headline Composite CPI inflation rate was 1.9% in the third quarter, compared with 2.0% in the preceding quarter. The headline inflation rate was higher than its underlying counterpart as the ceiling of rates concession for each rateable tenement, at $1,000 in the third quarter of 2023, was lower than the $1,500 a year earlier.

**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 |
|  |  |  |  |  |  |  |
|  | 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 | H1 | 1.8 | 2.0 | 2.1 | 1.9 | 2.0 |
|  | Q1 | 1.9 | 1.9 | 2.0 | 1.8 | 2.0 |
|  | Q2 | 1.7 | 2.0 | 2.2 | 1.9 | 2.0 |
|  | Q3 | 1.6 | 1.9 | 1.9 | 1.8 | 1.9 |
|  |  |  |  |  |  |  |
| **(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 |
|  | Q2 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 |
|  | Q3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |

Note : (a) Underlying consumer price inflation is calculated by netting out the effects of all Government’s one-off relief 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, subsidies for household electricity charges, and waiver 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, rose by a moderate 2.5% year-on-year in the third quarter of 2023. Prices of meals out and takeaway food recorded a visible but softened increase of 3.8%, whereas the increase in prices of basic food remained at a modest 0.2%. Prices of electricity, gas and water rose notably, but the pace moderated sharply. Prices of clothing and footwear continued to rise visibly. Prices of alcoholic drinks and tobacco continued to register a double-digit increase alongside the tobacco duty hike effective late February this year. Increases in prices of transport, miscellaneous services and miscellaneous goods remained moderate. The decline in prices of durable goods narrowed. The private housing rental component continued to decline, but the rate narrowed to 0.4% as the effect of rising fresh-letting residential rentals since early 2023 gradually fed through.



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 CPI by component

**(year‑on‑year rate of change (%))**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 2022 | | | | | 2023 | | |
| Expenditure component | Weighting  (%) | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
|  |  |  |  |  |  |  |  |  |  |
| Food | 27.41 | 3.8 | 3.7 | 4.0 | 3.9 | 3.6 | 3.0 | 2.5 | 2.5 |
|  |  |  |  |  |  |  |  |  |  |
| *Meals out and takeaway food* | 17.05 | 3.4 | 3.1 | 3.4 | 3.4 | 3.6 | 4.4 | 4.0 | 3.8 |
| *Basic food* | 10.36 | 4.5 | 4.6 | 5.0 | 4.7 | 3.6 | 0.8 | 0.2 | 0.2 |
|  |  |  |  |  |  |  |  |  |  |
| Housing(a) | 40.25 | -0.5 | -1.0 | -0.5 | -0.3 | -0.1 | -0.1 | -0.1 | 0.2 |
|  |  | (0.2) | (-0.3) | (-0.6) | (1.8) | (\*) | (-0.1) | (0.6) | (0.8) |
|  |  |  |  |  |  |  |  |  |  |
| *Private housing rent* | 35.46 | -0.8 | -1.2 | -0.8 | -0.6 | -0.4 | -0.5 | -0.5 | -0.4 |
|  |  | (-0.6) | (-0.5) | (-0.8) | (-0.6) | (-0.5) | (-0.5) | (0.2) | (0.4) |
|  |  |  |  |  |  |  |  |  |  |
| *Public housing rent* | 1.87 | 0.3 | -0.1 | -0.1 | -0.1 | 1.2 | 1.2 | 1.5 | 1.5 |
|  |  | (9.6) | (2.0) | (-0.1) | (45.1) | (2.1) | (0.7) | (1.7) | (1.7) |
|  |  |  |  |  |  |  |  |  |  |
| Electricity, gas and water | 2.82 | 10.4  (7.2) | 6.5  (-2.4) | 10.7  (2.7) | 12.5  (14.9) | 12.0  (14.2) | 17.2  (20.4) | 13.2  (15.9) | 5.2  (6.1) |
|  |  |  |  |  |  |  |  |  |  |
| Alcoholic drinks and tobacco | 0.49 | 1.3 | 0.3 | 1.5 | 1.8 | 1.7 | 11.2 | 18.8 | 19.0 |
|  |  |  |  |  |  |  |  |  |  |
| Clothing and footwear | 2.42 | 5.3 | 6.1 | 4.9 | 5.1 | 5.0 | 5.9 | 5.9 | 6.5 |
|  |  |  |  |  |  |  |  |  |  |
| Durable goods | 4.00 | 0.6 | 1.7 | 1.6 | 0.4 | -1.2 | -2.3 | -3.6 | -2.5 |
|  |  |  |  |  |  |  |  |  |  |
| Miscellaneous goods | 3.32 | 0.4 | -0.2 | 0.4 | 0.6 | 0.6 | 0.9 | 1.5 | 2.2 |
|  |  |  |  |  |  |  |  |  |  |
| Transport | 6.17 | 2.9 | 6.1 | 1.8 | 1.8 | 1.9 | 1.4 | 1.7 | 2.0 |
|  |  |  |  |  |  |  |  |  |  |
| Miscellaneous services | 13.12 | 1.3 | 1.1 | 1.3 | 1.3 | 1.6 | 2.1 | 2.5 | 2.5 |
|  |  | (1.3) | (1.0) | (1.3) | (1.4) | (1.7) | (2.2) | (2.5) | (2.5) |
|  |  |  |  |  |  |  |  |  |  |
| All items | 100.00 | 1.7 | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 | 1.7 | 1.6 |
|  |  | (1.9) | (1.5) | (1.5) | (2.7) | (1.8) | (1.9) | (2.0) | (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 Government’s one-off relief measures.

(\*) Change within ±0.05%.

**Costs of factor inputs and import prices**

6.4 Domestic business cost pressures remained contained in the third quarter of 2023. As labour market conditions continued to improve, the year-on-year increase in nominal wages accelerated further, but was still largely moderate. Commercial rentals faced by businesses stayed soft. As a proxy, the eight-quarter moving average of office rentals and shop rentals fell further by 1.1% and 0.2% respectively in the third quarter.



6.5 External price pressures showed some moderation in the third quarter. While remained high, inflation in many major economies have eased from earlier peaks. Against this backdrop, the year-on-year increase in prices of overall merchandise imports narrowed slightly to 3.5%. Import prices of capital goods, consumer goods and foodstuffs rose at slower rates of 4.3%, 3.8% and 3.5% respectively, though those of raw materials and semi-manufactures rose further by 4.3%. Import prices of fuels plunged further by 21.7% from the high base a year earlier despite a renewed spike in international oil prices during the quarter.

**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 H1 | 4.0 | 4.1 | 3.6 | -12.4 | 5.3 | 3.8 |
|  |  |  |  |  |  |  |
| Q1 | 3.6 | 4.0 | 2.9 | 5.4 | 5.4 | 3.9 |
| Q2 | 4.3 | 4.2 | 4.1 | -26.7 | 5.3 | 3.7 |
| Q3 | 3.5 | 3.8 | 4.3 | -21.7 | 4.3 | 3.5 |





**Output prices**

6.6 Output prices, as measured by the *Producer Price Indices*(3), continued to exhibit mixed movements across various sectors in the second quarter of 2023. Output prices for the manufacturing sector turned to a marginal decline. Among the selected service sectors, output prices for accommodation services surged further and surpassed the pre-pandemic level. Output prices for courier services increased at an accelerated rate. On the other hand, output prices for both air transport and water transport fell sharply further from the high levels caused by the pandemic-induced disruption a year ago. Output prices for land transport declined moderately, 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 | | | | | 2023 | |
| Industry group | Annual | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Manufacturing | 1.2 | 0.8 | 2.3 | 0.8 | 0.4 | -0.3 | 0.9 | -0.2 |
| Selected service sectors |  |  |  |  |  |  |  |  |
| Accommodation services | 3.3 | 13.0 | 8.9 | 12.2 | 17.2 | 13.6 | 21.1 | 29.7 |
| Land transport | 2.7 | 9.5 | 9.4 | 10.8 | 9.4 | 8.5 | 4.4 | -2.3 |
| Water transport | 63.2 | 18.1 | 57.0 | 40.0 | 10.2 | -17.0 | -38.7 | -42.2 |
| Air transport | 36.7 | 2.8 | 42.8 | 17.8 | -1.7 | -29.5 | -28.9 | -30.0 |
| Telecommunications | -1.7 | -1.3 | -0.6 | -0.8 | -1.8 | -2.2 | -1.1 | -1.3 |
| Courier services | -1.9 | -4.5 | -4.1 | -4.1 | -4.0 | -5.8 | 1.4 | 4.1 |

**GDP deflator**

6.7 As a broad measure of the overall change in prices in the economy, the *GDP deflator*(4) rose by 2.2% in the third quarter over a year earlier, following an increase of 2.9% 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 4.3% in the third quarter, after rising by 3.9% 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# | Q2# | Q3# |
| Private consumption expenditure | -0.6 | 2.2 | 0.9 | 2.0 | 2.9 | 3.0 | 4.5 | 4.7 | 5.6 |
| Government consumption expenditure | 0.7 | 2.7 | 1.7 | 4.0 | 3.2 | 2.0 | 2.8 | 3.2 | 2.7 |
| Gross domestic fixed  capital formation | -2.1 | 1.3 | \* | 4.5 | 1.3 | -0.6 | -1.2 | -0.6 | 0.1 |
| Total exports of goods& | 5.1 | 6.8 | 9.3 | 7.0 | 7.1 | 4.6 | 3.7 | 3.7 | 3.7 |
| Imports of goods& | 4.9 | 7.4 | 10.2 | 8.3 | 6.9 | 4.8 | 3.6 | 4.3 | 4.1 |
| Exports of services& | 14.5 | 7.1 | 13.7 | 11.7 | 4.3 | -0.1 | -3.3 | -4.1 | -3.9 |
| Imports of services& | 9.9 | 4.7 | 9.4 | 8.1 | 1.6 | 0.6 | 0.3 | -2.8 | 0.4 |
| **Gross Domestic Product** | **0.7** | **1.8** | **1.1**  **<0.2>** | **1.0**  **<0.3>** | **3.5**  **<2.7>** | **1.7**  **<-1.6>** | **2.1**  **<0.8>** | **2.9**  **<0.9>** | **2.2**  **<2.1>** |
| Total final demand& | 3.7 | 5.2 | 6.9 | 5.8 | 5.3 | 3.3 | 2.5 | 3.0 | 3.0 |
| Domestic demand | -0.8 | 2.1 | 1.0 | 2.3 | 2.4 | 2.5 | 3.1 | 3.9 | 4.3 |
| Terms of trade in goods and services& | 0.6 | -0.2 | -0.3 | -0.7 | 0.4 | -0.3 | -0.4 | -0.8 | -1.0 |

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 | Annual | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Selected developed economies |  |  |  |  |  |  |  |  |  |
| US | 4.7 | 8.0 | 8.0 | 8.6 | 8.3 | 7.1 | 5.8 | 4.0 | 3.5 |
| Canada | 3.4 | 6.8 | 5.8 | 7.5 | 7.2 | 6.7 | 5.1 | 3.5 | 3.7 |
| EU | 2.9 | 9.2 | 6.5 | 8.8 | 10.3 | 11.0 | 9.4 | 7.2 | 5.7 |
| Japan | -0.2 | 2.5 | 0.9 | 2.4 | 2.9 | 3.9 | 3.6 | 3.4 | 3.1 |
|  |  |  |  |  |  |  |  |  |  |
| Selected major emerging economies |  |  |  |  |  |  |  |  |  |
| Mainland China | 0.9 | 2.0 | 1.1 | 2.2 | 2.7 | 1.8 | 1.3 | 0.1 | -0.1 |
| Russia | 6.7 | 13.8 | 11.6 | 17.0 | 14.3 | 12.2 | 8.6 | 2.7 | 5.2 |
| India | 5.1 | 6.7 | 6.3 | 7.3 | 7.0 | 6.1 | 6.2 | 4.6 | 6.4 |
| Brazil | 8.3 | 9.3 | 10.7 | 11.9 | 8.6 | 6.1 | 5.3 | 3.8 | 4.6 |
|  |  |  |  |  |  |  |  |  |  |
| Selected Asian economies |  |  |  |  |  |  |  |  |  |
| Hong Kong | 1.6 | 1.9 | 1.5 | 1.5 | 2.7 | 1.8 | 1.9 | 2.0 | 1.9 |
| Singapore | 2.3 | 6.1 | 4.6 | 5.9 | 7.3 | 6.6 | 6.1 | 5.1 | 4.1 |
| Taiwan | 2.0 | 2.9 | 2.8 | 3.5 | 2.9 | 2.6 | 2.6 | 2.0 | 2.4 |
| Korea | 2.5 | 5.1 | 3.8 | 5.4 | 5.9 | 5.2 | 4.7 | 3.2 | 3.1 |
| Malaysia | 2.5 | 3.4 | 2.2 | 2.8 | 4.5 | 3.9 | 3.6 | 2.8 | 2.0 |
| Thailand | 1.2 | 6.1 | 4.7 | 6.5 | 7.3 | 5.8 | 3.9 | 1.1 | 0.5 |
| Indonesia | 1.6 | 4.2 | 2.3 | 3.8 | 5.2 | 5.5 | 5.2 | 3.9 | 2.9 |
| Philippines | 3.9 | 5.8 | 3.4 | 5.5 | 6.5 | 7.9 | 8.3 | 6.0 | 5.4 |
| Vietnam | 1.8 | 3.2 | 1.9 | 3.0 | 3.3 | 4.4 | 4.2 | 2.4 | 2.9 |
| Macao | \* | 1.0 | 1.0 | 1.2 | 1.2 | 0.8 | 0.8 | 0.8 | 0.9 |

Note: (\*) Change within ±0.05%.

(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.